

ANNUAL FINANCIAL REPORT

NORTHEAST COLLEGE PREP
CHARTER SCHOOL NO. 4219
MINNEAPOLIS, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2025

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Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Annual Financial Report
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For the Year Ended June 30, 2025

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INTRODUCTORY SECTION

NORTHEAST COLLEGE PREP
CHARTER SCHOOL NO. 4219
MINNEAPOLIS, MINNESOTA

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JUNE 30, 2025

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Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Board of Education and Administration
For the Year Ended June 30, 2025

BOARD OF DIRECTORS

Name

Title

Richard Nazarian
Tyler Burkhardt
John Brakke
Jinah Chervinac
Megan Sohoni
Phil Galligan
Laura Pastor
Hadijatou Sanyang
Mike Sachs
Danielle Thompson

Board Chair
Finance Committee Chair
Governance Committee Chair
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member
Board Member

Andrea Halverson
Travis Berends

Executive Director
Creative Planning - Contracted Finance

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FINANCIAL SECTION

NORTHEAST COLLEGE PREP
CHARTER SCHOOL NO. 4219
MINNEAPOLIS, MINNESOTA

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JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

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, 2025, 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.

We have audited the accompanying financial statements of governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the School of the Northeast College Prep, Charter School No. 4219, Minnesota (the School), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the School as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows 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

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis starting on page 15 and the schedule of Employer's Share of the Net Pension Liability, the schedule of Employer's Contributions, the related note disclosures, and the Schedule of Changes in Net Pension Liability, starting on page 60 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.



Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the School's basic financial statements. The accompanying combining, individual fund financial statements, schedules and table are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related 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 accompanying combining, individual fund financial statements, schedules and table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated Need Date, on our consideration of the 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 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 School's internal control over financial reporting and compliance.

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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, 2025.

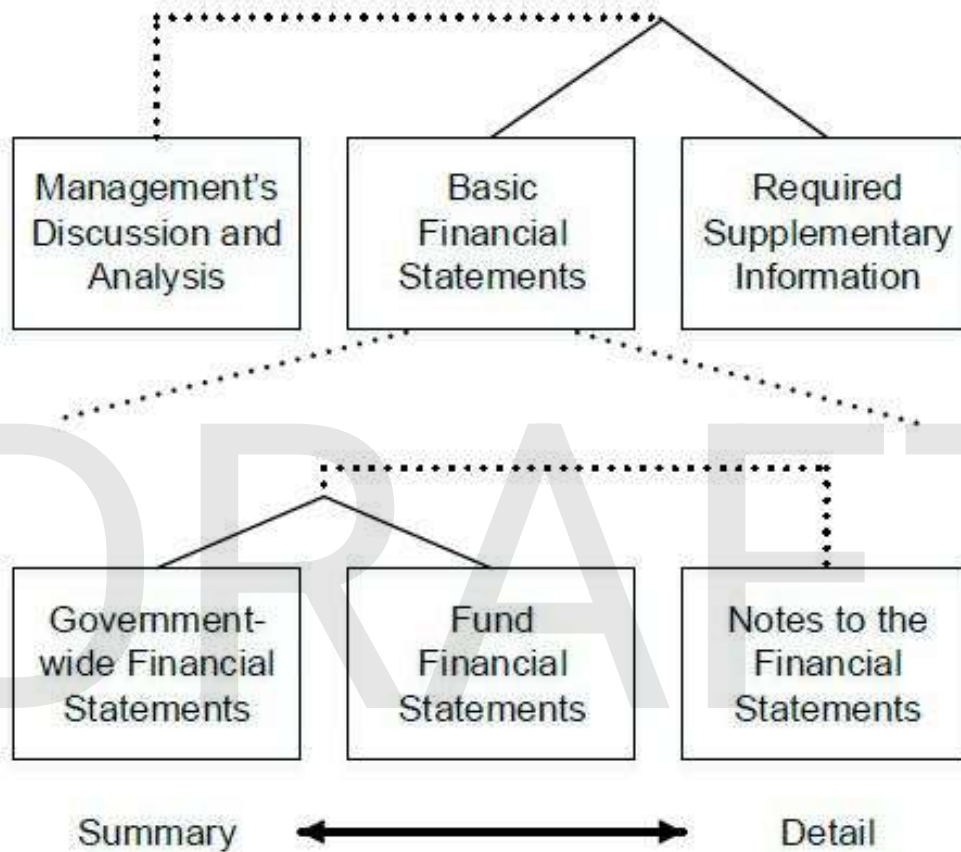
Financial Highlights

- The liabilities and deferred inflows of resources of the Charter School exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages.
- The Charter School's total net position increased as shown in the summary of changes in net position on the following pages. This was primarily a result of changes relating to the Charter School's pension liability and related balances.
- As of the close of the current fiscal year, the Charter School's governmental fund balances are shown in the Financial Analysis of the Charter School's funds section of the MD&A. The total fund balance increased in comparison with the prior year. This increase was primarily due to rental revenue collected over related building company expenditures and debt service payments.
- At the end of the current fiscal year, unassigned fund balance for the General fund, as shown in the financial analysis of the Charter School's funds section, increased from the prior year.

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 required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Northeast College Prep Charter School No. 4219's Annual Financial Report



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 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 26 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 30 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 35 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 60 of this report.

Other Information. The individual fund schedule and table can be found starting on page 68 of this report.

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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 as shown in the summary of net position below at the close of the most recent fiscal year.

A portion of the Charter School's net position reflects its net investment in capital assets. The Charter School uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Similarly, the School has assets restricted for future uses, mainly due to the building company. Unrestricted net position carries a balance as shown below.

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

	Governmental Activities		
	2025	2024	Increase (Decrease)
Assets			
Current and other assets	\$ 2,949,800	\$ 2,932,124	\$ 17,676
Nondepreciable assets	1,067,929	1,067,929	-
Capital assets, net of depreciation/amortization	6,092,350	6,358,417	(266,067)
Total Assets	10,110,079	10,358,470	(248,391)
Deferred Outflows of Resources	594,250	896,498	(302,248)
Liabilities			
Noncurrent liabilities outstanding	11,034,087	12,570,595	(1,536,508)
Current and other liabilities	618,334	610,200	8,134
Total Liabilities	11,652,421	13,180,795	(1,528,374)
Deferred Inflows of Resources	1,178,294	273,369	904,925
Net Position			
Net investment in capital assets	(1,568,083)	(1,432,563)	(135,520)
Restricted	982,774	872,036	110,738
Unrestricted	(1,541,077)	(1,638,669)	97,592
Total Net Position	\$ (2,126,386)	\$ (2,199,196)	\$ 72,810
Net Position as a Percent of Total			
Net investment in capital assets	(74) %	(65) %	
Restricted	46	40	
Unrestricted	(72)	(75)	
	(100) %	(100) %	

At the end of the current fiscal year, the Charter School reports a positive balance in the restricted categories of net position, and negative balances net investment in capital assets and in the unrestricted category.

The Charter School's net position increased by \$72,810. Key elements of this increase are shown in the table below.

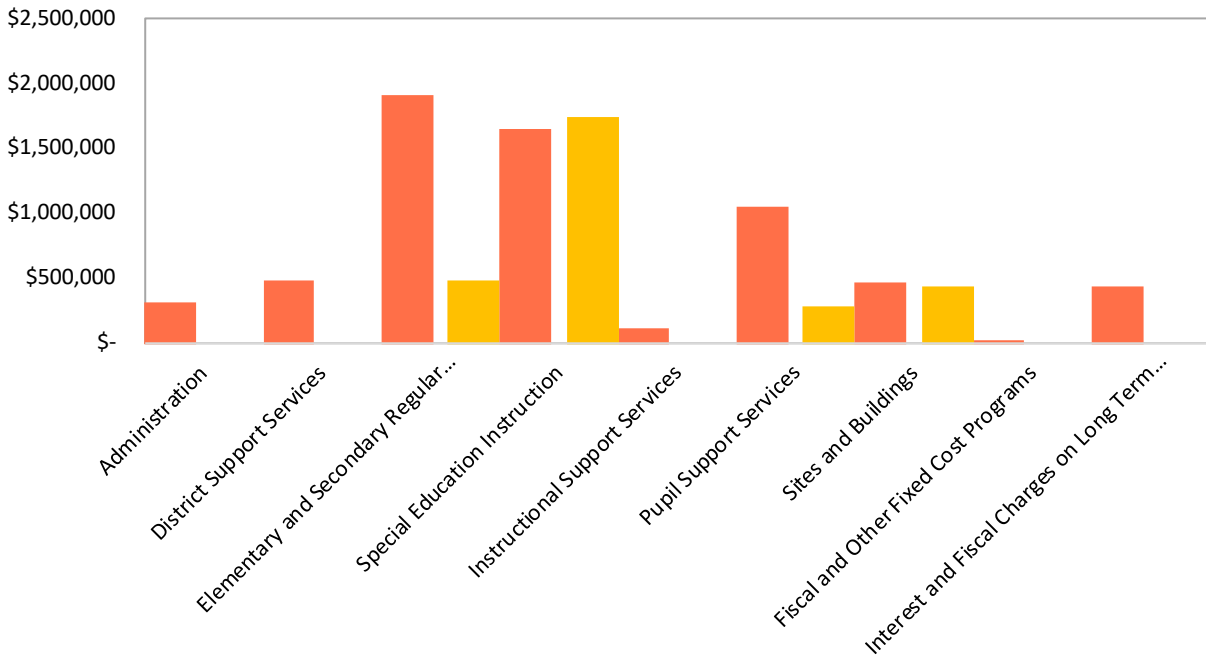
Northeast College Prep Charter School No. 4219's Changes in Net Position

	Governmental Activities		
	2025	2024	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	\$ 6,521	\$ 6,815	\$ (294)
Operating grants and contributions	2,938,550	2,567,336	371,214
General revenues			
State aid-formula grants	3,413,728	3,718,876	(305,148)
Other general revenues	96,825	463,128	(366,303)
Unrestricted investment earnings	81,695	79,068	2,627
Total Revenues	<u>6,537,319</u>	<u>6,835,223</u>	<u>(297,904)</u>
Expenses			
Administration	315,753	430,904	(115,151)
District support services	480,413	396,838	83,575
Elementary and secondary regular instruction	1,915,543	1,802,928	112,615
Special education instruction	1,651,411	1,457,119	194,292
Instructional support services	110,695	121,079	(10,384)
Pupil support services	1,058,207	1,094,757	(36,550)
Sites and buildings	475,826	497,615	(21,789)
Fiscal and other fixed cost programs	23,824	28,579	(4,755)
Interest and fiscal charges on long term debt	432,837	436,881	(4,044)
Total Expenses	<u>6,464,509</u>	<u>6,266,700</u>	<u>197,809</u>
Change in Net Position	72,810	568,523	(495,713)
Net Position, July 1	<u>(2,199,196)</u>	<u>(2,767,719)</u>	<u>568,523</u>
Net Position, June 30	<u>\$ (2,126,386)</u>	<u>\$ (2,199,196)</u>	<u>\$ 72,810</u>

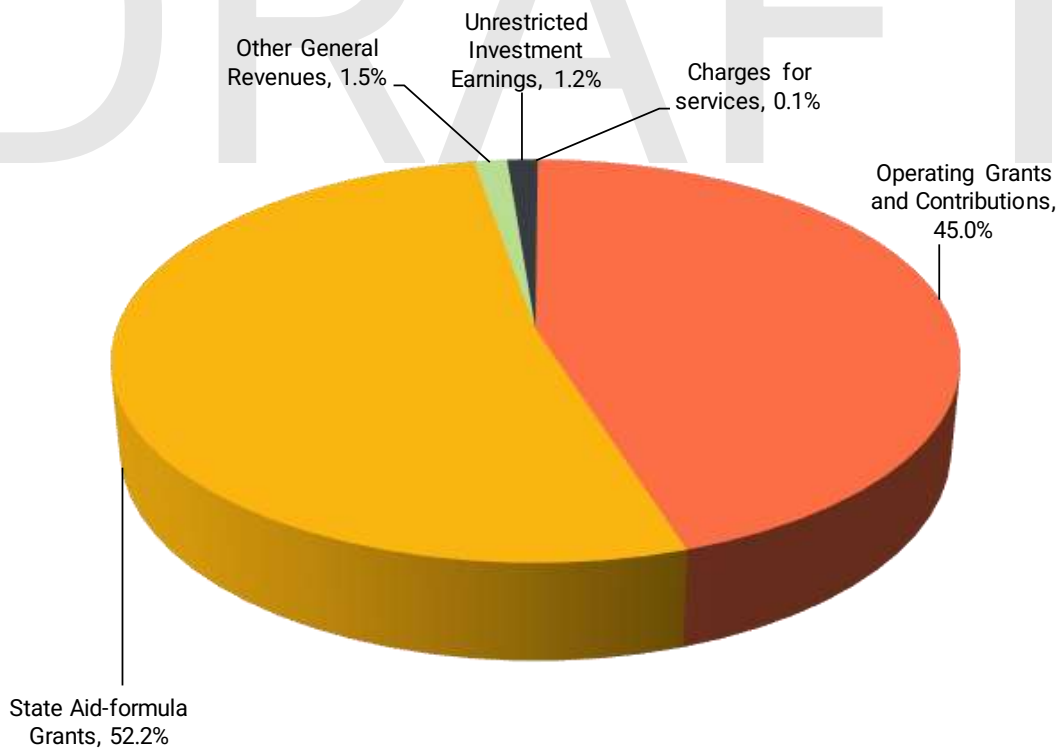
Significant changes from prior year include the following:

- General revenue decreased due to a decrease in state aid-formula grants and other general revenue.
- Expenditures increased due to increased spending on Elementary and secondary regular instruction as well as instructional support services.

Expenses and Program Revenues - Governmental Activities



Revenue by Source - Governmental Activities



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. The table below outlines the governmental fund balances for the year ending June 30, 2025.

	General Fund	Building Company	Non-Major Food Service	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances						
Nonspendable						
Prepaid items	\$ 56,704	\$ -	\$ -	\$ 56,704	\$ 38,919	\$ 17,785
Restricted						
Medical assistance	-	-	-	-	264	(264)
Library Aid	35,451	-	-	35,451	20,000	15,451
Student Support	20,000	-	-	20,000	20,000	-
Building Company	-	1,116,848	-	1,116,848	1,039,677	77,171
READ Act Aid	10,944	-	-	10,944	-	10,944
READ Act Teacher Training Aid	9,881	-	-	9,881	-	9,881
Unassigned	1,291,988	-	-	1,291,988	1,416,302	(124,314)
	<u>\$ 1,424,968</u>	<u>\$ 1,116,848</u>	<u>\$ -</u>	<u>\$ 2,541,816</u>	<u>\$ 2,535,162</u>	<u>\$ 6,654</u>

As of the close of the current fiscal year, the Charter School's governmental funds reported combined ending fund balances shown above. Additional information on the Charter School's fund balances can be found in Note 1 starting on page 40 of this report.

The General fund is the chief operating fund of the Charter School. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 56,704	\$ 33,586	\$ 23,118
Restricted	76,276	40,264	36,012
Unassigned	1,291,988	1,416,302	(124,314)
	<u>\$ 1,424,968</u>	<u>\$ 1,490,152</u>	<u>\$ (65,184)</u>
General Fund expenditures	6,187,084	6,166,087	
Unassigned as percent of expenditures	20.9%	23.0%	
Total Fund Balance as a percent of expenditures	23.0%	24.2%	

The fund balance of the Charter School's General fund decreased during the current fiscal year as shown in the table above. The decrease in fund balance was the result of a transfer to the food service fund to support operations, unbudgeted transportation costs and less than expected state and federal revenues.

General Fund Budgetary Highlights

	Original Budgeted Amounts	Budgeted Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 6,236,552	\$ (31,324)	\$ 6,205,228	\$ 6,131,141	\$ (74,087)
Expenditures	6,165,243	40,611	6,205,854	6,187,084	18,770
Excess of Revenues Over Expenditures	71,309	(71,935)	(626)	(55,943)	(55,317)
Other Financing Sources (Uses)					
Transfers out	(44,625)	44,625	-	(9,241)	(9,241)
Net Change in Fund Balances	26,684	(27,310)	(626)	(65,184)	(64,558)
Fund Balances, July 1	1,490,152	1,490,152	1,490,152	1,490,152	-
Fund Balances, June 30	<u>\$ 1,516,836</u>	<u>\$ 1,462,842</u>	<u>\$ 1,489,526</u>	<u>\$ 1,424,968</u>	<u>\$ (64,558)</u>

The Charter School's General fund budget was amended during the year as shown above. The budget amendment decreased revenues relating to state sources and decreased expenditures relating to mostly elementary and secondary regular instruction and sites and buildings. Actual revenues were over the final budget and expenditures were over the final budget amounts as shown above.

Capital Assets and Debt Administration

Capital Assets. The Charter School's investment in capital assets for its governmental activities as of June 30, 2025, is shown below in the capital asset table (net of accumulated depreciation). This investment in capital assets includes land, leased equipment, buildings and improvements, equipment and furniture. The total depreciation and amortization expense for the year was \$280,620. The following is a schedule of capital assets as of June 30, 2025.

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

	Governmental Activities		
	2025	2024	Increase (Decrease)
Land	\$ 1,067,929	\$ 1,067,929	\$ -
Leased Equipment (Right to Use Asset)	46,009	61,784	(15,775)
Buildings and Improvements	5,810,139	5,981,862	(171,723)
Equipment	236,202	314,771	(78,569)
Total	<u>\$ 7,160,279</u>	<u>\$ 7,426,346</u>	<u>\$ (266,067)</u>
Percentage increase (decrease)			-3.6%

Additional information on the Charter School's capital assets can be found in Note 3B on page 43 of this report.

Noncurrent Liabilities. At the end of the current fiscal year, the Charter School had the following noncurrent liabilities outstanding.

	Governmental Activities		
	2025	2024	Increase (Decrease)
Lease Payable	\$ 48,835	\$ 63,551	\$ (14,716)
Bonds Payable	8,360,000	8,465,000	(105,000)
Total	<u>\$ 8,408,835</u>	<u>\$ 8,660,000</u>	<u>\$ (17,662)</u>
Percentage increase (decrease)			-1.2%

Economic Factors and Next Year's Budgets and Rates

The Charter School is dependent on the State of Minnesota (the State) for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation. Thus far the Charter School has been able to meet their instructional program needs by budgeting conservatively. As a result, the Charter School has been able to adequately maintain a sufficient fund balance which will allow the Charter School to maintain normal operations.

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 the School Director, Northeast College Prep Charter School No. 4219, 300 Industrial Blvd NE, Minneapolis, Minnesota 55413.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

NORTHEAST COLLEGE PREP
CHARTER SCHOOL NO. 4219
MINNEAPOLIS, MINNESOTA

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FOR THE YEAR ENDED
JUNE 30, 2025

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Statement of Net Position
June 30, 2025

	<u>Governmental Activities</u>
Assets	
Cash and temporary investments	\$ 1,166,247
Cash held with escrow	1,171,524
Receivables	
Accounts	727
Due from the Minnesota Department of Education	476,559
Due from the Federal government	78,039
Prepaid items	56,704
Capital assets	
Nondepreciable assets	1,067,929
Depreciable/amortized assets, net of accumulated depreciation/amortization	<u>6,092,350</u>
Total Assets	<u>10,110,079</u>
Deferred Outflows of Resources	
Deferred pension resources	<u>594,250</u>
Liabilities	
Accounts and other payables	62,727
Accrued salaries payable	315,257
Accrued interest payable	210,350
Unearned revenue	30,000
Noncurrent liabilities	
Due within one year	
Lease payable	15,708
Bonds payable	110,000
Due in more than one year	
Lease payable	33,127
Bonds payable, net	8,569,527
Net pension liability	<u>2,305,725</u>
Total Liabilities	<u>11,652,421</u>
Deferred Inflows of Resources	
Deferred pension resources	<u>1,178,294</u>
Net Position	
Net investment in capital assets	(1,568,083)
Restricted for	
Library Aid	35,451
Student Support	20,000
READ Act Aid	10,944
READ Act Teacher Training Aid	9,881
Building Company	906,498
Unrestricted	<u>(1,541,077)</u>
Total Net Position	<u><u>\$ (2,126,386)</u></u>

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, 2025

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	\$ 315,753	\$ -	\$ -	\$ -	\$ (315,753)
District support services	480,413	-	-	-	(480,413)
Elementary and secondary regular instruction	1,915,543	6,521	471,228	-	(1,437,794)
Special education instruction	1,651,411	-	1,750,930	-	99,519
Instructional support services	110,695	-	-	-	(110,695)
Pupil support services	1,058,207	-	282,716	-	(775,491)
Sites and buildings	475,826	-	433,676	-	(42,150)
Fiscal and other fixed cost programs	23,824	-	-	-	(23,824)
Interest and fiscal charges on debt	432,837	-	-	-	(432,837)
Total Governmental Activities	<u>\$ 6,464,509</u>	<u>\$ 6,521</u>	<u>\$ 2,938,550</u>	<u>\$ -</u>	<u>(3,519,438)</u>
General Revenues					
State aid formula grants					3,413,728
Other general revenues					96,825
Unrestricted investment earnings					81,695
Total General Revenues					<u>3,592,248</u>
Change in Net Position					72,810
Net Position, July 1					<u>(2,199,196)</u>
Net Position, June 30					<u>\$ (2,126,386)</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

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FOR THE YEAR ENDED
JUNE 30, 2025

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Balance Sheet
Governmental Funds
June 30, 2025

	General	Building Company	Non-Major Food Service	Funds
Assets				
Cash and temporary investments	\$ 1,133,711	25,162	\$ 7,374	\$ 1,166,247
Cash held with escrow	-	1,171,524	-	1,171,524
Receivables				
Accounts	727	-	-	727
Due from other funds	72,687	-	-	72,687
Due from the Minnesota Department of Education	476,426	-	133	476,559
Due from the Federal government	70,659	-	7,380	78,039
Prepaid items	56,704	-	-	56,704
Total Assets	\$ 1,810,914	\$ 1,196,686	\$ 14,887	\$ 3,022,487
Liabilities				
Accounts and other payables	\$ 49,711	7,151	\$ 5,865	\$ 62,727
Accrued salaries payable	306,235	-	9,022	315,257
Due to other funds	-	72,687	-	72,687
Unearned revenue	30,000	-	-	30,000
Total Liabilities	385,946	79,838	14,887	480,671
Fund Balances				
Nonspendable				
Prepaid items	56,704	-	-	56,704
Restricted				
Library Aid	35,451	-	-	35,451
Student Support	20,000	-	-	20,000
READ Act Literacy Aid	10,944	-	-	10,944
READ Act Teacher Training Aid	9,881	-	-	9,881
Building company	-	1,116,848	-	1,116,848
Unassigned	1,291,988	-	-	1,291,988
Total Fund Balances	1,424,968	1,116,848	-	2,541,816
Total Liabilities and Fund Balances	\$ 1,810,914	\$ 1,196,686	\$ 14,887	\$ 3,022,487

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, 2025

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

Total Fund Balances - Governmental Funds	\$ 2,541,816
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	8,615,435
Less accumulated depreciation/amortization	(1,455,156)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year end consist of	
Bonds payable	(8,360,000)
Bonds premium	(319,527)
Lease payable	(48,835)
Net pension liability	(2,305,725)
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of resources	594,250
Deferred inflows of resources	(1,178,294)
Governmental funds do not report a liability for accrued interest until due and payable.	(210,350)
Total Net Position - Governmental Activities	<u>\$ (2,126,386)</u>

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, 2025

	General	Building Company	Non-Major Food Service	Funds
Revenues				
Other local revenue	\$ 76,387	\$ 644,834	\$ -	\$ 721,221
Interest earned on investments	38,040	43,655	-	81,695
Revenue from state sources	5,749,731	-	4,487	5,754,218
Revenue from federal sources	266,983	-	278,229	545,212
Total Revenues	<u>6,131,141</u>	<u>688,489</u>	<u>282,716</u>	<u>7,102,346</u>
Expenditures				
Current				
Administration	330,630	-	-	330,630
District support services	458,244	-	-	458,244
Elementary and secondary regular instruction	1,948,311	-	-	1,948,311
Special education instruction	1,703,726	-	-	1,703,726
Instructional support services	70,010	-	-	70,010
Pupil support services	771,271	-	291,957	1,063,228
Sites and buildings	824,208	88,063	-	912,271
Fiscal and other fixed cost programs	23,824	-	-	23,824
Capital outlay				
District support services	19,176	-	-	19,176
Debt service				
Principal	14,716	105,000	-	119,716
Interest and other	22,968	423,588	-	446,556
Total Expenditures	<u>6,187,084</u>	<u>616,651</u>	<u>291,957</u>	<u>7,095,692</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(55,943)</u>	<u>71,838</u>	<u>(9,241)</u>	<u>6,654</u>
Other Financing Sources (Uses)				
Transfers in	-	-	9,241	9,241
Transfers out	(9,241)	-	-	(9,241)
Total Other Financing Sources (Uses)	<u>(9,241)</u>	<u>-</u>	<u>9,241</u>	<u>-</u>
Net Change in Fund Balance	(65,184)	71,838	-	6,654
Fund Balance, July 1	<u>1,490,152</u>	<u>1,045,010</u>	<u>-</u>	<u>2,535,162</u>
Fund Balance, June 30	<u>\$ 1,424,968</u>	<u>\$ 1,116,848</u>	<u>\$ -</u>	<u>\$ 2,541,816</u>

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, 2025

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

Net Change in Fund Balances - Governmental Funds	\$ 6,654
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/amortization expense.	
Capital outlays	18,728
Depreciation/amortization expense	(280,620)
Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in statement of activities.	
Disposals	(5,821)
Accumulated depreciation on disposals	1,646
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.	
Principal payments	119,716
Current year amortization of bond premium	10,831
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.	2,888
Long-term pension activity is not reported in governmental funds.	
Pension expense	118,981
Pension revenue	79,807
Change in Net Position - Governmental Activities	<u>\$ 72,810</u>

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, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Other local revenue	\$ 64,622	\$ 73,472	\$ 76,387	\$ 2,915
Interest earned on investments	48,000	40,500	38,040	(2,460)
Revenue from state sources	5,837,930	5,794,682	5,749,731	(44,951)
Revenue from federal sources	286,000	296,574	266,983	(29,591)
Total Revenues	<u>6,236,552</u>	<u>6,205,228</u>	<u>6,131,141</u>	<u>(74,087)</u>
Expenditures				
Current				
Administration	485,522	329,024	330,630	(1,606)
District support services	552,062	454,160	458,244	(4,084)
Elementary and secondary regular instruction	1,711,993	1,978,011	1,948,311	29,700
Special education instruction	1,685,134	1,729,712	1,703,726	25,986
Instructional support services	59,788	61,505	70,010	(8,505)
Pupil support services	677,911	719,175	771,271	(52,096)
Sites and buildings	922,740	843,081	824,208	18,873
Fiscal and other fixed cost programs	25,300	28,240	23,824	4,416
Capital outlay				
District support services	423	28,655	19,176	9,479
Instructional support services	5,300	-	-	-
Debt service				
Principal	17,834	13,055	14,716	(1,661)
Interest and other	21,236	21,236	22,968	(1,732)
Total Expenditures	<u>6,165,243</u>	<u>6,205,854</u>	<u>6,187,084</u>	<u>18,770</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	71,309	(626)	(55,943)	(55,317)
Other Financing Sources (Uses)				
Transfers out	<u>(44,625)</u>	<u>-</u>	<u>(9,241)</u>	<u>(9,241)</u>
Net Change in Fund Balances	26,684	(626)	(65,184)	(64,558)
Fund Balances, July 1	<u>1,490,152</u>	<u>1,490,152</u>	<u>1,490,152</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 1,516,836</u>	<u>\$ 1,489,526</u>	<u>\$ 1,424,968</u>	<u>\$ (64,558)</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, 2025

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.

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.

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Notes to the Financial Statements
June 30, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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 42 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, 2025

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 cost of more than \$500 (amount not rounded). Such assets are recorded at historical cost, estimated historical cost if purchased or constructed or for right to use assets, at the value of the lease liability. 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. Right to use assets are amortized over the lease term. 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 assets 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, 2025

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 All Plans
School's proportionate share	\$ 8,680	\$ 84,293	\$ 92,973
Proportionate share of State's contribution	286	8,061	8,347
Total pension expense	<u>\$ 8,966</u>	<u>\$ 92,354</u>	<u>\$ 101,320</u>

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 assets 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, 2025

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/amortization 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, 2025

Note 2: Stewardship, Compliance and Accountability

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.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

The General fund budget was amended during the current fiscal year, decreased revenues and increased expenditures by \$31,324 and \$40,611 respectively.

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;

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Note 3: Detailed Notes on All Funds (Continued)

- 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 \$1,165,747 and the bank balance was \$1,219,735. The entire bank balance was covered by federal depository insurance. The Charter School carries cash on hand of \$500.

Investments

As of June 30, 2025, 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	\$ 1,171,524	\$ 1,171,524

(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.

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Note 3: Detailed Notes on All Funds (Continued)

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

Carrying Amount of Deposits	\$ 1,165,747
Cash on Hand	500
Investments	<u>1,171,524</u>
Total	<u><u>\$ 2,337,771</u></u>
Cash and Temporary Investments	
Unrestricted	\$ 1,166,247
Cash held with escrow	<u>1,171,524</u>
Total	<u><u>\$ 2,337,771</u></u>

B. Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, not Being Depreciated/Amortized				
Land	<u>\$ 1,067,929</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,067,929</u>
Capital Assets Being Depreciated/Amortized				
Buildings and improvements	6,730,361		-	6,730,361
Equipment	725,363	18,728	(5,821)	738,270
Equipment (Right to Use Asset)	<u>78,874</u>	<u>-</u>	<u>-</u>	<u>78,874</u>
Total Capital Assets Being Depreciated/Amortized	<u>7,534,598</u>	<u>18,728</u>	<u>(5,821)</u>	<u>7,547,505</u>
Less Accumulated Depreciation/Amortization for				
Buildings and improvements	(748,499)	(171,723)	-	(920,222)
Equipment	(410,592)	(93,122)	1,646	(502,068)
Equipment (Right to Use Asset)	<u>(17,090)</u>	<u>(15,775)</u>	<u>-</u>	<u>(32,865)</u>
Total Accumulated Depreciation/Amortization	<u>(1,176,181)</u>	<u>(280,620)</u>	<u>1,646</u>	<u>(1,455,155)</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>6,358,417</u>	<u>(261,892)</u>	<u>(4,175)</u>	<u>6,092,350</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 7,426,346</u></u>	<u><u>\$ (261,892)</u></u>	<u><u>\$ (4,175)</u></u>	<u><u>\$ 7,160,279</u></u>

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Note 3: Detailed Notes on All Funds (Continued)

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

Governmental Activities

District Support Services	\$ 28,535
Elementary and Secondary Regular Instruction	2,767
Special Education	133
Food Service	498
Instructional Support	40,767
Sites and Buildings	<u>207,920</u>
Total Depreciation/Amortization Expense - Governmental Activities	<u><u>\$ 280,620</u></u>

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 General Fund	Building Company	<u><u>\$ 72,687</u></u>

A transfer of \$9,241 was completed from the General fund to the Food Service special revenue fund to eliminate the fund balance deficit.

D. Lease Arrangement between Primary Government and Blended Component Unit

On February 1, 2020, the Charter School entered into an agreement with Educational Properties NECP, LLC, to lease space at 300 Industrial Boulevard, Minneapolis, Minnesota 55413 for a period commencing July 1, 2021 and ending June 30, 2055. The Minimum base rent for each lease year will be the greater of the minimum base rent or the lease aid maximum amount. The Charter School paid rent of \$566,364 under the agreements during the year ended June 30, 2025.

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2026	\$ 565,039
2027	589,663
2028	587,475
2029	590,000
2030	587,350
2031-2035	2,943,638
2036-2040	2,944,000
2041-2045	2,942,438
2046-2050	2,937,163
2051-2055	<u>2,936,688</u>
Total	<u><u>\$ 17,623,454</u></u>

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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	540,000
Total					<u>\$ 8,360,000</u>

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

Year Ending June 30,	Bonds Payable		
	Principal	Interest	Total
2026	\$ 110,000	\$ 417,675	\$ 527,675
2027	115,000	411,488	526,488
2028	125,000	404,888	529,888
2029	130,000	397,875	527,875
2030	140,000	390,650	530,650
2031 - 2035	810,000	1,838,000	2,648,000
2036 - 2040	1,050,000	1,606,250	2,656,250
2041 - 2045	1,355,000	1,307,625	2,662,625
2046 - 2050	1,745,000	921,875	2,666,875
2051 - 2055	2,255,000	425,125	2,680,125
2056	525,000	13,125	538,125
Total	<u>\$ 8,360,000</u>	<u>\$ 8,134,575</u>	<u>\$ 16,494,575</u>

Lease Payable

Description	Total Lease Liability	Interest Rate	Issue Date	Payment Terms	Payment Amount	Current Year Additional Outflows	Balance at Year End
Copier Lease	\$ 78,874	6.540 %	06/01/23	60 months	\$ 1,537 Monthly	\$ -	<u>\$ 48,835</u>

The copiers were leased for the Charter School, beginning in June 2023 for a term of five years at an interest rate of 6.54%. This lease is not renewable.

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Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending June 30,	Lease Payable		
	Principal	Interest	Total
2026	\$ 15,708	\$ 2,729	\$ 18,437
2027	16,767	1,670	18,437
2028	16,360	540	16,900
Total	<u>\$ 48,835</u>	<u>\$ 4,939</u>	<u>\$ 53,774</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Current
Governmental Activities					
Bonds Payable					
Revenue bonds	\$ 8,465,000	\$ -	\$ (105,000)	\$ 8,360,000	\$ 110,000
Bond premium	330,358	-	(10,831)	319,527	-
Total bonds payable	<u>8,795,358</u>	<u>-</u>	<u>(115,831)</u>	<u>8,679,527</u>	<u>110,000</u>
Lease payable	<u>63,551</u>	<u>-</u>	<u>(14,716)</u>	<u>48,835</u>	<u>15,708</u>
Total	<u>\$ 8,858,909</u>	<u>\$ -</u>	<u>\$ (130,547)</u>	<u>\$ 8,728,362</u>	<u>\$ 125,708</u>

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Note 4: Defined Benefit Pension Plans - Statewide

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 within one year of eligible employment or elect coverage through the Defined Contribution Retirement Plan (DCR) administered by Minnesota State. A teacher employed by Minnesota State and electing DCR plan is not a member of TRA except for purposes of social security coverage.

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 consecutive 60 months of formula service, age and years of formula service credit at termination of service. TRA members belong to either the Basic or Coordinated Plan.

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 benefits as described.

Tier I:	Step Rate Formula	Percentage
Basic	First ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	First ten years if service years are prior to July 1, 2006	1.2 percent per year
	First 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. 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 factor 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

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

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9% per year for coordinated members and 2.7% per year for Basic members applies. An early retirement reduction is applied to members retiring prior to age 65. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) reduction rate applied.

Tier II:

Members first employed after June 30, 1989, receive only the Tier II benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66. After July 1, 2024, the age will change to not to exceed 65. An early retirement reduction is applied to members retiring before age 66, but will be age 65 after July 1, 2024. Members who reach age 62 with 30 years of service have a lower (more favorable to the member) early retirement reduction rate applied.

Six different types of annuities are available to members upon retirement. The No Refund 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 plan provisions in effect at the time they last terminated their public service.

3. Contributions

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year 2025 for coordinated were 7.75% for the employee and 8.75% for the employer. Basic rates were 11.25% for the employee and 12.75% for the employer. The Charter School's contributions to TRA for the plan's fiscal year ended June 30, 2025, 2024, and 2023 were \$156,130, \$153,179, and \$190,208. The Charter School's contributions were equal to the required contributions for each year as set by state statute.

4. Actuarial Assumptions

The total pension liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Experience Studies	August 2, 2023 (demographic and economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85 to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustment	1% for January 2019 through January 2023, then Increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-retirement	PubT-2010(A) Employee Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Healthy Retirees	PubT-2010 (A) Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Beneficiaries	Pub-2010 (A) Contingent Survivor Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.
Disabled Retirees	PubNS-2010 Disabled Retiree Mortality Table, male rates set forward 1 year and female rates unadjusted. Generational projection uses the MP-2021 scale.

*The assumptions prescribed are based on the experience study dated August 2, 2023. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary.

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:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	100.0 %	

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

Changes in the actuarial assumptions since the 2022 valuation:

- Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family.
- Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience.
- Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience.
- Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience.
- Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

5. Discount Rate

The discount rate used to measure the total pension liability was 7%. There was no change in the discount rate 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 2024 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. 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.

6. Net Pension Liability

On June 30, 2025, The Charter School reported a liability of \$1,893,588 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. 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 0.0298% at the end of the measurement period and 0.035% for the beginning of the year.

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 School's Proportionate Share of Net Pension Liability	\$ 1,893,588
State's Proportionate Share of Net Pension Liability Associated with the Charter School	<u>116,149</u>
Total	<u>\$ 2,009,737</u>

For the year ended June 30, 2025, the Charter School recognized pension expense of \$84,293. It also recognized \$8,061 as an decrease to pension expense for the support provided by direct aid.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$176 million to the Fund. The State of Minnesota is not included as a non-employer contributing entity in the plan pension allocation schedules for the \$176 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The Charter School recognized \$52,498 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Fund.

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

On June 30, 2025, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 93,499	\$ 30,032
Changes in Actuarial Assumptions	233,875	323,239
Net Difference Between Projected and Actual Investment Earnings	-	36,034
Changes in Proportion	-	357,770
Contributions Paid to PERA Subsequent to the Measurement Date	156,130	-
	<u>156,130</u>	<u>-</u>
Total	<u>\$ 483,504</u>	<u>\$ 747,075</u>

The \$156,130 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 in the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

2026	\$ (197,769)
2027	158,089
2028	45,337
2029	(174,250)
2030	(150,339)
Thereafter	(100,769)

7. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7%, 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%) or one percentage point higher (8%) than the current rate (preparer instructions: multiply the allocation % by TRA's sensitivity footnote info).

	Charter School's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
Teachers Retirement Association	\$ 3,334,719	\$ 1,893,588	\$ 1,482,348

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 <https://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 cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

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

3. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2025 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 years ending June 30, 2025, 2024 and 2023, were \$64,171, \$70,764 and \$87,789, 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, 2025, the Charter School reported a liability of \$412,137 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 \$10,657.

Charter School's Proportionate Share of Net Pension Liability	\$ 412,137
State's Proportionate Share of Net Pension Liability Associated with the Charter School	<u>10,657</u>
Total	<u>\$ 422,794</u>

The net pension liability was measured as of June 30, 2025, 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 received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The Charter School's proportionate share was 0.0111 percent at the end of the measurement period and 0.0147 percent for the beginning of the period.

For the year ended June 30, 2025, the Charter School recognized pension expense of \$8,680 for its proportionate share of the General Employees Plan's pension expense. In addition, the Charter School recognized an additional \$286 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.

During the plan year ended June 30, 2025, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The Charter School recognized \$18,962 for the year ended June 30, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

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

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

At June 30, 2025, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 43,435	\$ -
Changes in Actuarial Assumptions	3,141	276,554
Net Difference Between Projected and Actual Investment Earnings	-	5,701
Changes in Proportion	-	148,964
Contributions Paid to PERA Subsequent to the Measurement Date	64,170	-
	<u>64,170</u>	<u>-</u>
Total	<u>\$ 110,746</u>	<u>\$ 431,219</u>

The \$64,171 reported as deferred outflows of resources related to pensions resulting from the Charter School's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$ (207,523)
2027	(55,119)
2028	(111,482)
2029	(10,519)

5. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
	<u>25.0</u>	<u>5.90</u>
Total	<u>100.0 %</u>	

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

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

6. Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2023. The assumption changes were adopted by the board and became effective with the July 1, 2024 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

7. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0 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 Plans 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.

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

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

8. 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 one percentage point lower or one percentage point higher than the current discount rate:

	Charter School's Proportionate Share of NPL		
	1 Percent Decrease (6%)	Current (7%)	1 Percent Increase (8%)
General Employees Fund	\$ 900,174	\$ 412,137	\$ 10,682

9. 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.

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Northeast College Prep
Charter School No. 4219
Minneapolis, Minnesota
Notes to the Financial Statements
June 30, 2025

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 2025.

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, 2025, 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.

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REQUIRED SUPPLEMENTARY INFORMATION

NORTHEAST COLLEGE PREP
CHARTER SCHOOL NO. 4219
MINNEAPOLIS, MINNESOTA

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FOR THE YEAR ENDED
JUNE 30, 2025

Northeast College Prep
Charter School No. 4219
Charter School No. 4219
Required Supplementary Information
For the Year Ended June 30, 2025

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	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 Charter School (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
6/30/2024	0.0298 %	\$ 1,893,588	\$ 116,149	\$ 2,009,737	\$ 1,750,621	108.2 %	82.1 %
6/30/2023	0.0350	2,889,678	202,527	3,092,205	2,224,651	129.9	76.4
6/30/2022	0.0375	3,002,802	222,718	3,225,520	2,347,746	127.9	76.2
6/30/2021	0.0365	1,597,349	259,373	1,856,722	2,183,817	73.1	86.6
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	1,506,773	114.6	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	628,440	122.1	76.8

Schedule of Employer's TRA Contributions

Year Ending	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)
6/30/2025	\$ 156,130	\$ 156,130	\$ -	\$ 1,784,343	8.75 %
6/30/2024	153,179	153,179	-	1,750,621	8.75
6/30/2023	190,208	190,208	-	2,224,651	8.55
6/30/2022	195,802	195,802	-	2,347,746	8.34
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

Northeast College Prep
Charter School No. 4219
Charter School No. 4219
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2024
Mortality tables were updated for active employees, retirees, disabled retirees, and contingent beneficiaries to recently published tables derived from public plan data known as the Pub2010 family. Retirement rates were increased for some of the Tier II early retirement ages and some of the unreduced retirement rates were modified for both tiers to better align with actual experience. Probability that new female retirees elect either the Straight Life Annuity or 100% Joint & Survivor Annuity were refined to reflect the actual experience. Termination rates were reduced in the first 10 years of employment and slightly increased in years 16 to 25 to better match the observed experience. Disability rates were decreased beyond age 45 by 15% to reflect the continued lower than expected observations.

2023
The 2023 Tax Finance and Policy Bill, effective July 1, 2025 and The 2024 Omnibus Pensions and Retirement Bill contained a number of changes. The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025. The employee contribution rate will increase from 7.75% to 8% on July 1, 2025. The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024. TRA's amortization date will remain the same at 2048. The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.

2022
No changes noted.

2021
The investment return assumption was changed from 7.50 percent to 7.00 percent.

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.

Northeast College Prep
Charter School No. 4219
Charter School No. 4219
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2024
No changes noted.

2023
No changes noted.

2022
No changes noted.

2021
No changes noted.

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% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% 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% if the funded ratio was at least 90% 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% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018. The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% 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 System becomes fully funded.

Northeast College Prep
Charter School No. 4219
Charter School No. 4219
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	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 0.0275 (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
6/30/2024	0.0111 %	\$ 412,137	\$ 10,657	\$ 422,794	\$ 943,522	43.7 %	86.7 %
6/30/2023	0.0147	822,008	22,652	844,660	1,170,516	70.2	83.1
6/30/2022	0.0174	1,378,086	40,604	1,418,690	1,132,352	121.7	76.7
6/30/2021	0.0158	674,731	20,627	695,358	1,139,661	59.2	87.0
6/30/2020	0.0138	827,373	25,467	852,840	981,455	84.3	79.0
6/30/2019	0.0127	702,155	21,832	723,987	895,727	78.4	80.2
6/30/2018	0.0113	626,878	20,614	647,492	759,978	82.5	79.5
6/30/2017	0.0073	466,027	5,860	471,887	478,587	97.4	75.9
6/30/2016	0.0038	308,541	-	308,541	249,440	123.7	68.9
6/30/2015	0.0015	77,738	-	77,738	92,987	83.6	78.2

Schedule of Employer's PERA Contributions

Year Ending	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)
6/30/2025	\$ 64,171	\$ 64,171	\$ -	\$ 855,609	7.50 %
6/30/2024	70,764	70,764	-	943,522	7.50
6/30/2023	87,789	87,789	-	1,170,516	7.50
6/30/2022	84,926	84,926	-	1,132,352	7.50
6/30/2021	85,475	85,475	-	1,139,661	7.50
6/30/2020	73,609	73,609	-	981,455	7.50
6/30/2019	67,180	67,180	-	895,727	7.50
6/30/2018	56,998	56,998	-	759,978	7.50
6/30/2017	35,894	35,894	-	478,587	7.50
6/30/2016	18,708	18,708	-	249,440	7.50

Northeast College Prep
Charter School No. 4219
Charter School No. 4219
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2024

The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members. Minor increase in assumed withdrawals for males and females. Lower rates of disability. Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study. Minor changes to form of payment assumptions for male and female retirees. Minor changes to assumptions made with respect to missing participant data.

2023

The investment return and single discount rates were changed from 6.5 percent to 7.0 percent.

2022

The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021

The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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
Charter School No. 4219
Required Supplementary Information (Continued)
For the Year Ended June 30, 2025

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

2024

The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023

An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024 was eliminated. A one-time non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

There were no changes in plan provisions since the previous valuation.

2021

There were no changes in plan provisions since the previous valuation.

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 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 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 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 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

There were no changes in plan provisions since the previous valuation.

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

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FOR THE YEAR ENDED
JUNE 30, 2025

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, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Actual Amounts
	Original	Final			
Revenues					
Other local revenue	\$ 64,622	\$ 73,472	\$ 76,387	\$ 2,915	\$ 482,470
Interest earned on investments	48,000	40,500	38,040	(2,460)	33,657
Revenue from state sources	5,837,930	5,794,682	5,749,731	(44,951)	5,638,531
Revenue from federal sources	286,000	296,574	266,983	(29,591)	294,509
Total Revenues	6,236,552	6,205,228	6,131,141	(74,087)	6,449,167
Expenditures					
Current					
Administration					
Salaries	351,128	195,254	192,412	2,842	349,099
Fringe benefits	98,950	101,120	109,094	(7,974)	93,336
Purchased services	831	-	-	-	750
Other	34,613	32,650	29,124	3,526	28,552
Total administration	485,522	329,024	330,630	(1,606)	471,737
District support services					
Salaries	121,500	100,015	98,563	1,452	6,321
Fringe benefits	119,676	66,050	71,260	(5,210)	46,398
Purchased services	237,648	216,775	210,350	6,425	272,571
Supplies and materials	69,251	65,525	67,901	(2,376)	63,976
Other	3,987	5,795	10,170	(4,375)	3,314
Total district support services	552,062	454,160	458,244	(4,084)	392,580
Elementary and secondary regular instruction					
Salaries	1,138,636	1,448,787	1,414,721	34,066	1,383,806
Fringe benefits	331,108	358,364	375,642	(17,278)	383,367
Purchased services	118,366	77,225	76,114	1,111	116,872
Supplies and materials	123,883	93,280	81,520	11,760	69,576
Other	-	355	314	41	-
Total elementary and secondary regular instruction	1,711,993	1,978,011	1,948,311	29,700	1,953,621
Special education instruction					
Salaries	1,059,492	1,124,821	1,086,053	38,768	939,026
Fringe benefits	332,906	333,813	336,630	(2,817)	306,554
Purchased services	262,283	264,743	275,986	(11,243)	324,738
Supplies and materials	30,453	6,335	5,057	1,278	22,492
Total special education instruction	1,685,134	1,729,712	1,703,726	25,986	1,592,810

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, 2025
(With Comparative Actual Amounts for the Year Ended June 30, 2024)

	2025				2024
	Budgeted Amounts		Actual Amounts	Variance With Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Salaries	\$ 500	\$ 24,620	\$ 24,261	\$ 359	\$ 20,466
Fringe benefits	865	1,255	1,352	(97)	524
Purchased services	13,911	21,000	30,988	(9,988)	21,230
Supplies and materials	44,512	14,630	13,409	1,221	39,039
Total instructional support services	59,788	61,505	70,010	(8,505)	81,259
Pupil support services					
Salaries	20,890	17,365	17,113	252	28,474
Fringe benefits	9,081	4,540	4,897	(357)	6,974
Purchased services	647,214	696,685	748,559	(51,874)	715,781
Supplies and materials	726	585	702	(117)	714
Total pupil support services	677,911	719,175	771,271	(52,096)	751,943
Sites and buildings					
Salaries	60,444	-	(314)	314	44,615
Fringe benefits	26,261	-	(68)	68	20,700
Purchased services	814,259	824,011	801,737	22,274	739,532
Supplies and materials	21,776	19,070	22,853	(3,783)	20,059
Total sites and buildings	922,740	843,081	824,208	18,873	824,906
Fiscal and other fixed cost programs					
Purchased services	25,300	28,240	23,824	4,416	28,579
Total fiscal and other fixed cost programs	25,300	28,240	23,824	4,416	28,579
Total current	6,120,450	6,142,908	6,130,224	12,684	6,097,435
Capital outlay					
District support services	423	28,655	19,176	9,479	447
Instructional support services	5,300	-	-	-	-
Sites and buildings	-	-	-	-	33,182
Total capital outlay	5,723	28,655	19,176	9,479	33,629
Debt service					
Principal	17,834	13,055	14,716	(1,661)	13,787
Interest and other	21,236	21,236	22,968	(1,732)	21,236
Total debt service	39,070	34,291	37,684	(3,393)	35,023
Total Expenditures	6,165,243	6,205,854	6,187,084	18,770	6,166,087
Excess (Deficiency) of Revenues Over (Under) Expenditures	71,309	(626)	(55,943)	(55,317)	283,080
Other Financing Sources (Uses)					
Transfers out	(44,625)	-	(9,241)	(9,241)	(47,356)
Net Change in Fund Balances	26,684	(626)	(65,184)	(64,558)	235,724
Fund Balances, July 1	1,490,152	1,490,152	1,490,152	-	1,254,428
Fund Balances, June 30	\$ 1,516,836	\$ 1,489,526	\$ 1,424,968	\$ (64,558)	\$ 1,490,152

Fiscal Compliance Report - 6/30/2025

District: NORTHEAST COLLEGE PREP (4219-7)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$6,131,141	<u>\$6,131,128</u>	<u>\$13</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$6,187,084	<u>\$6,187,071</u>	<u>\$13</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$56,704	<u>\$56,704</u>	<u>\$0</u>	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>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>	4.13 Funded by COP/FP	\$0	<u>\$0</u>	<u>\$0</u>
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.12 Literacy Incentive Aid	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>	07 DEBT SERVICE			
4.20 American Indian Education Aid	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.24 Operating Capital	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.37 Q Comp	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.39 English Learner	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.43 School Library Aid	\$35,451	<u>\$35,451</u>	<u>\$0</u>	08 TRUST			
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.49 Safe Schools Levy	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.56 READ Act - Literacy Aid	\$10,944	<u>\$10,944</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.57 READ Act - Tchr Training Compensation	\$9,881	<u>\$9,880</u>	<u>\$1</u>				
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>	18 CUSTODIAL			
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.71 Student Support Personnel Aid	\$20,000	<u>\$20,000</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
<i>Restricted:</i>				4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>	4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>							
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>	20 INTERNAL SERVICE			
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>							
4.22 Unassigned Fund Balance	\$1,291,988	<u>\$1,291,987</u>	<u>\$1</u>	25 OPEB REVOCABLE TRUST			
02 FOOD SERVICES				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Revenue	\$282,716	<u>\$282,716</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$291,957	<u>\$291,957</u>	<u>\$0</u>	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>	<u>\$0</u>	45 OPEB IRREVOCABLE 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>	<u>\$0</u>	Total Expenditures	\$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>	<u>\$0</u>				
<i>Unassigned:</i>							

4.63 Unassigned Fund Balancee	\$0	<u>\$0</u>	<u>\$0</u>
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04 COMMUNITY 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 / 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>
4.37 Q Comp	\$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>
4.56 READ Act - Literacy Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.57 READ Act - Tchr Training Compensation	\$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

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FOR THE YEAR ENDED
JUNE 30, 2025

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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, 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, 2025, 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 Need Date.

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 Charter 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
Need Date

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, 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, 2025, 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 Need Date.

Report on 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Abdo

Minneapolis, Minnesota

Need Date

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