# Annual Financial Report

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota

For the Year Ended
June 30, 2021

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

NASHA SHKOLA
CHARTER SCHOOL NO. 4208
BROOKLYN PARK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Board of Education and Administration
For the Year Ended June 30, 2021

**BOARD OF EDUCATION**

| Name | Position |
|---|---|
| Mark Eilers | Board Chair |
| Elizaveta Lindman | Teacher Member |
| Natalia Johnson | Teacher Member |
| Andrew Wood | Teacher Member |
| Alexei Abyzoy | Parent Member |

**ADMINISTRATION**

| Name | Position |
|---|---|
| Yelena Hardcopf | Executive Director |

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FINANCIAL SECTION

NASHA SHKOLA
CHARTER SCHOOL NO. 4208
BROOKLYN PARK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Nasha Shkola Charter School No. 4208
Brooklyn Park, Minnesota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Nasha Shkola Charter School No. 4208 (the Charter School), Brooklyn Park, Minnesota as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Charter School's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Charter School as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparison for the General fund and Food Service fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15, the Schedules of Employer's Shares of the Net Pension Liability and the Schedules of Employer's Contributions starting on page 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The introductory section and individual fund schedule and table are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2021, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
September 14, 2021

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## Management's Discussion and Analysis

As management of the Nasha Shkola Charter School No. 4208 (the Charter School), Brooklyn Park, 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 fiscal year ended June 30, 2021.

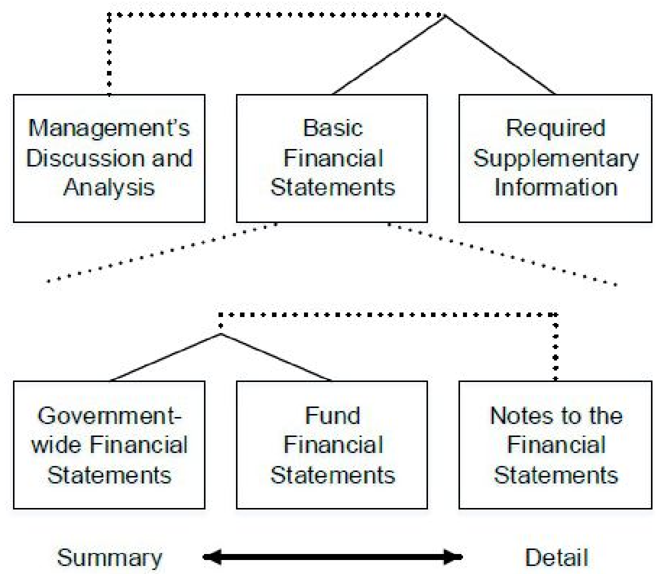
**Financial Highlights**

- The liabilities and deferred inflows of resources of the Charter School exceeded assets and deferred outflows of resources at the close of the most recent fiscal year by $798,594.
- A deficit of $802,314 (unrestricted net position) exists mainly due to the outstanding long-term pension liability related to the TRA and PERA defined contribution benefit plans.
- The Charter School's total net position increased $54,520, mainly due to an increase in Federal aid grants provided to the school through the CARES Act.
- As of the close of the current fiscal year, the Charter School's governmental funds reported a total ending fund balance of $252,163, a decrease of $2,379 in comparison with the prior year ending fund balance $254,542.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the Charter School's basic financial statements. The Charter School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

**Required Components of the Charter School'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**

| | | Fund Financial Statements |
|---|---|---|
| | Government-wide Statements | Governmental Funds |
| Scope | Entire Charter School (except fiduciary funds) | The activities of the Charter School that are not fiduciary, such as special education and building maintenance |
| Required financial statements | • Statement of Net Position<br>• Statement of Activities | • Balance Sheet<br>• 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/out flow 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, 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., pension benefits).

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, fiscal and other fixed cost programs, and interest on long-term debt.

The government-wide financial statements start on page 24 of this report.

**Fund Financial Statements**. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter School, like other state and local government, 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 two individual governmental funds. Information is presented separately 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 the Food Service special revenue fund.

The Charter School adopts an annual appropriated budget for its General and the Food Service special revenue fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with their respective budgets.

The basic governmental fund financial statements start on page 28 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start 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 pension benefits to its employees. Required supplementary information can be found starting on page 56 of this report.

**Other Information.** The individual fund financial schedule that starts on page 64 presents budget and prior year comparative data for the General fund.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Charter School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $798,594 at the close of the most recent fiscal year.

A portion of the Charter School's net position ($3,720) reflects its investment in capital assets (e.g. machinery and equipment). The Charter School uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.

### Nasha Shkola Charter School No. 4208's Net Position

| | 2021 | 2020 | Increase (Decrease) |
|---|---|---|---|
| Assets | | | |
| Current and other assets | $ 368,531 | $ 369,167 | $ (636) |
| Capital assets | 3,720 | 4,094 | (374) |
| Total Assets | 372,251 | 373,261 | (1,010) |
| Deferred Outflows of Resources | | | |
| Deferred pension resources | 336,933 | 594,184 | (257,251) |
| Liabilities | | | |
| Current and other liabilities | 116,368 | 114,625 | 1,743 |
| Noncurrent liabilities | - | 147,000 | (147,000) |
| Net pension liability | 757,649 | 608,137 | 149,512 |
| Total Liabilities | 874,017 | 869,762 | 4,255 |
| Deferred Inflows of Resources | | | |
| Deferred pension resources | 633,761 | 950,797 | (317,036) |
| Net Position | | | |
| Investment in capital assets | 3,720 | 4,094 | (374) |
| Restricted for food service | - | 382 | (382) |
| Unrestricted | (802,314) | (857,590) | 55,276 |
| Total Net Position | $ (798,594) | $ (853,114) | $ 54,520 |

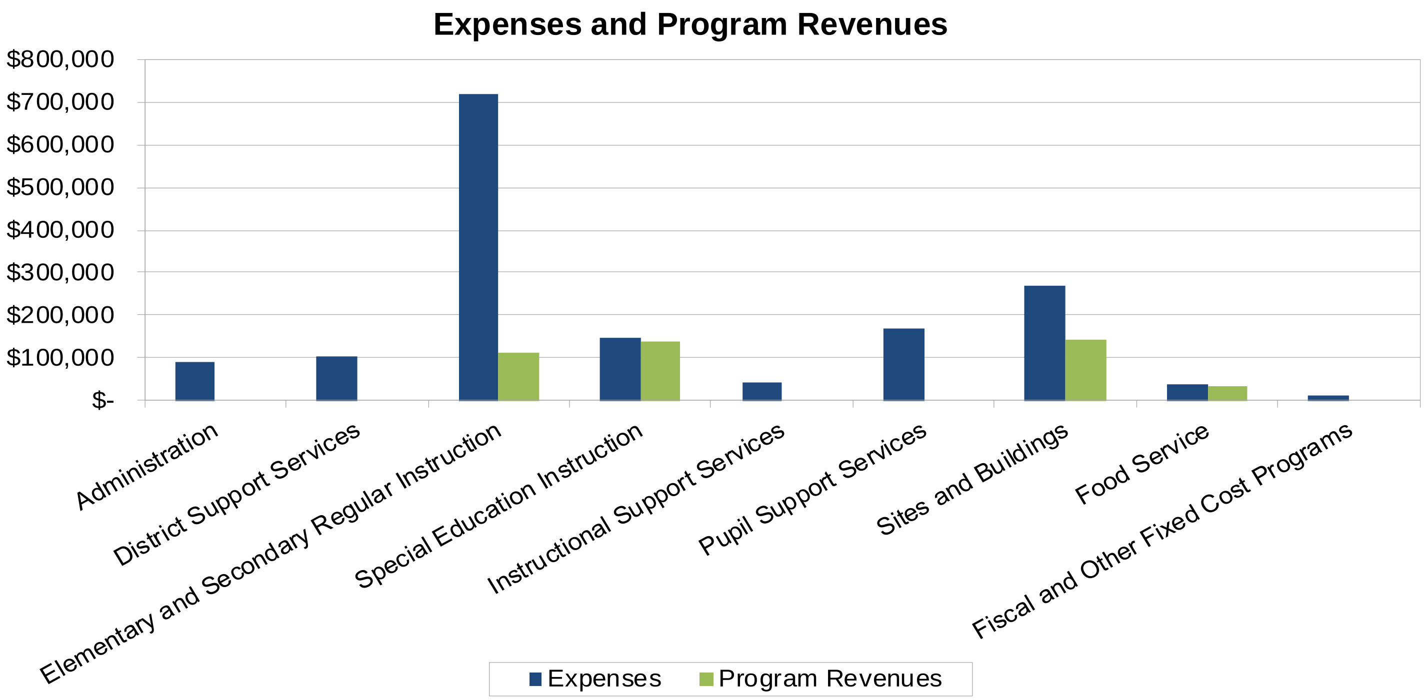
At the end of the current fiscal year, the Charter School is able to report a positive balance in investment in capital assets and restricted net position, but unrestricted net position was negative due to the outstanding long-term pension liability related to the TRA and PERA defined contribution benefit plans. The Charter School's net position increased $54,520 during the current fiscal year. The following table summarizes the changes in net position.

## Nasha Shkola Charter School No. 4208's Changes in Net Position

| | 2021 | 2020 | Increase (Decrease) |
|---|---|---|---|
| Revenues | | | |
| Program revenues | | | |
| Charges for services | $ 2,464 | $ 2,478 | $ (14) |
| Operating grants and contributions | 426,043 | 340,162 | 85,881 |
| General revenues | | | |
| State aid-formula grants | 1,036,353 | 1,113,789 | (77,436) |
| Other general revenues | 35,554 | 36,434 | (880) |
| Loan forgiveness | 147,000 | - | 147,000 |
| Unrestricted investment earnings | 167 | 43 | 124 |
| Total Revenues | 1,647,581 | 1,492,906 | 154,675 |
| Expenses | | | |
| Administration | 90,401 | 71,972 | 18,429 |
| District support services | 104,414 | 92,224 | 12,190 |
| Elementary and secondary regular instruction | 719,380 | 687,140 | 32,240 |
| Special education instruction | 146,830 | 114,178 | 32,652 |
| Instructional support services | 40,515 | 24,837 | 15,678 |
| Pupil support services | 170,631 | 153,716 | 16,915 |
| Sites and buildings | 269,716 | 254,570 | 15,146 |
| Fiscal and other fixed cost programs | 12,191 | 11,318 | 873 |
| Food service | 38,983 | 42,255 | (3,272) |
| Interest on long-term debt | - | 1,141 | (1,141) |
| Total Expenses | 1,593,061 | 1,453,351 | 139,710 |
| Change in Net Position | 54,520 | 39,555 | 14,965 |
| Net Position, July 1 | (853,114) | (892,669) | 39,555 |
| Net Position, June 30 | $ (798,594) | $ (853,114) | $ 54,520 |

- Total revenue increased a total of $154,675 mainly due to an increase from the treatment of the payroll protection program loan being forgiven in the amount of $147,000.

- Total expense increased by $139,710, notably due to an increase in elementary and secondary regular instruction and special education which increased $32,240 and $32,652, respectively.




**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the Charter School's General fund reported an ending fund balance of $252,163, a decrease of $1,997 in comparison with the prior year. There were no significant variations from budget or expectations noted during the fiscal year.

As of the end of the current fiscal year, the Charter School's Food Service special revenue reported an ending fund balance of $ - . This was due to successfully budgeting the fund in which revenues equaled expenditures and transfers in. The General fund transferred $3,559 to the Food Service fund to cover expenditures over revenues.

**General Fund Budgetary Highlights**

The Charter School's original General fund budget called for an increase in fund balance of $9,820, and the revised budget called for an decrease in fund balance of $3,889. Actual fund balance decreased $1,997. Revenues were $4,529 more than budget. Expenditures were $922 less than budget. The largest budget variance was with elementary and secondary regular instruction which was $16,056 under budget.

## Capital Asset and Debt Administration

**Capital Assets.** The Charter School's investment in capital assets for its governmental activities as of June 30, 2021, amounts to $3,720 (net of accumulated depreciation). This investment in capital assets includes computer equipment. The total depreciation for the year was $374. The following is a schedule of capital assets as of June 30, 2021.

### Nasha Shkola Charter School No. 4208's Capital Assets
(Net of Depreciation)

| | 2021 | 2020 | Increase (Decrease) |
|---|---|---|---|
| Equipment | $ 3,720 | $ 4,094 | $ (374) |

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

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

### Nasha Shkola Charter School No. 4208's Noncurrent Liabilities

| | 2021 | 2020 | Increase (Decrease) |
|---|---|---|---|
| Loans Payable | $ - | $ 147,000 | $ (147,000) |

The Charter's total long-term debt decreased by $147,000. This is due to the payroll protection program loan was forgiven by the Small Business Administration (SBA).

Additional information on the Charter School's long-term liabilities can be found in Note 3D on page 43 of this report.

## Factors Bearing on the Charter School's Future

The school is dependent on the State of Minnesota 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. As stated in last year's report, the school needed to increase enrollment and reduce lease expenditures on rental costs. Prior to the completion of the FY17 fiscal year, the school signed a new lease agreement with Northern Light Church of Christ located in Brooklyn Park. Our annual lease costs have been reduced for the upcoming year in excess of $90,000 as compared to its previous lease agreement. In addition, the school has had an increase in program applications not only from its primary population but also from the local community. This is something that the school was unable to accomplish in its previous location.

During the FY18 school year, the school increased its student count by 20% over the previous year. This in addition to lower rental costs has helped to increase its previously depleting fund balance. However, at the end of the FY 18, the school experience problems with bus company providing transportation services for the school. As a result of these problems, during the FY19 school year, the student count decreased again 20% over the previous year. To resolve the issues, a new carrier has been secured which allowed the school to run more efficient routes and be more consistent in pick up and deliveries. School administration was restructured, and two positions of Executive Director and Lead Teacher were merged and assigned to one person. The school administration has renegotiated lease agreement with Northern Light Church of Christ to reflect the low enrollment projections for the FY20.

During FY20 school year, student enrollment has slightly increased and remained stable throughout the school year. Several community outreach events were held to further promote the school to the outer community and attract new families. At the end of the year, the school was able to pay to Northern Light Church in accordance with the original lease agreement. During the school strived to maintain its commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility. In the last 9 weeks of school, distance learning was provided to the students due to the school closures. The school administration has negotiated with the Northern Light Church a refund for maintenance services and with Northstar Bus Company a refund for gas use. The school has applied and received PPP loan to further support the budget through a hardship. The school has maintained the staff int the process. AS a result of these efforts, the school has ended the year with a positive increase in the fund balance from the previous year.

In FY21 the school had a decrease of about 10 students, this decrease was related to the fluid situation that was caused by COVID-19. The school is expecting that the enrollment will rebound in the future to amounts of prior years or a bit higher. The school is on the final year of the building lease. They are going to start the process of attaining a new lease, however they are unsure if they are going to stay in the current building or look for a different location.

**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 of Nasha Shkola Charter School No. 4208, 6717 85th Avenue North, Brooklyn Park, Minnesota 55445.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NASHA SHKOLA
CHARTER SCHOOL NO. 4208
BROOKLYN PARK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Statement of Net Position
June 30, 2021

| | Governmental Activities |
|---|---|
| Assets | |
| Cash and temporary investments | $ 265,383 |
| Due from the Department of Education | 52,486 |
| Due from the Federal Government | 25,002 |
| Prepaid items | 25,660 |
| Capital assets | |
| Depreciable assets, net of accumulated depreciation | 3,720 |
| Total Assets | 372,251 |
| | |
| Deferred Outflows of Resources | |
| Deferred pension resources | 336,933 |
| | |
| Liabilities | |
| Accounts and other payables | 5,650 |
| Accrued salaries payable | 110,718 |
| Noncurrent liabilities | |
| Due in more than one year | |
| Net pension liability | 757,649 |
| Total Liabilities | 874,017 |
| | |
| Deferred Inflows of Resources | |
| Deferred pension resources | 633,761 |
| | |
| Net Position | |
| Investment in capital assets | 3,720 |
| Unrestricted | (802,314) |
| | |
| Total Net Position | $ (798,594) |

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

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Statement of Activities
For the Year Ended June 30, 2021

| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
|---|---|---|---|---|---|
| Governmental Activities | | | | | |
| Administration | $ 90,401 | $ - | $ - | $ - | $ (90,401) |
| District support services | 104,414 | - | - | - | (104,414) |
| Elementary and secondary | | | | | |
| regular instruction | 719,380 | 200 | 110,493 | - | (608,687) |
| Special education instruction | 146,830 | - | 139,262 | - | (7,568) |
| Instructional support services | 40,515 | - | - | - | (40,515) |
| Pupil support services | 170,631 | - | - | - | (170,631) |
| Sites and buildings | 269,716 | - | 143,803 | - | (125,913) |
| Food service | 38,983 | 2,264 | 32,485 | - | (4,234) |
| Fiscal and other fixed cost programs | 12,191 | - | - | - | (12,191) |
| Total Governmental Activities | $ 1,593,061 | $ 2,464 | $ 426,043 | $ - | (1,164,554) |
| General Revenues | | | | | |
| State aid-formula grants | | | | | 1,036,353 |
| Other general revenues | | | | | 35,554 |
| Loan forgiveness | | | | | 147,000 |
| Unrestricted investment earnings | | | | | 167 |
| Total General Revenues | | | | | 1,219,074 |
| Change in Net Position | | | | | 54,520 |
| Net Position, July 1 | | | | | (853,114) |
| Net Position, June 30 | | | | | $ (798,594) |

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

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FUND FINANCIAL STATEMENTS

NASHA SHKOLA
CHARTER SCHOOL NO. 4208
BROOKLYN PARK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Balance Sheet
Governmental Funds
June 30, 2021

| | General | Food Service | Total Governmental Funds |
|---|---|---|---|
| **Assets** | | | |
| Cash and temporary investments | $ 265,645 | $ (262) | $ 265,383 |
| Due from the Department of Education | 52,450 | 36 | 52,486 |
| Due from the Federal Government | 24,380 | 622 | 25,002 |
| Prepaid items | 25,660 | - | 25,660 |
| Total Assets | $ 368,135 | $ 396 | $ 368,531 |
| **Liabilities** | | | |
| Accounts and other payables | $ 5,650 | $ - | $ 5,650 |
| Accrued salaries payable | 110,322 | 396 | 110,718 |
| Total Liabilities | 115,972 | 396 | 116,368 |
| **Fund Balances** | | | |
| Nonspendable prepaid items | 25,660 | - | 25,660 |
| Unassigned | 226,503 | - | 226,503 |
| Total Fund Balances | 252,163 | - | 252,163 |
| Total Liabilities and Fund Balances | $ 368,135 | $ 396 | $ 368,531 |

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

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2021

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

| | |
|---|---|
| Total Fund Balances - Governmental Funds | $ 252,163 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. | |
| Cost of capital assets | 26,395 |
| Less: accumulated depreciation | (22,675) |
| 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 | |
| Net pension liability | (757,649) |
| Governmental funds do not report long-term amounts related to pensions. | |
| Deferred outflows of pension resources | 336,933 |
| Deferred inflows of pension resources | (633,761) |
| Total Net Position - Governmental Activities | $ (798,594) |

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

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

| | General | Food Service | Total Governmental Funds |
|---|---|---|---|
| Revenues | | | |
| Revenue from federal sources | $ 130,283 | $ 30,853 | $ 161,136 |
| Revenue from state sources | 1,328,166 | 1,925 | 1,330,091 |
| Other local revenue | 1,470 | 2,264 | 3,734 |
| Interest earned on investments | 167 | - | 167 |
| Total Revenues | 1,460,086 | 35,042 | 1,495,128 |
| Expenditures | | | |
| Current | | | |
| Administration | 82,184 | - | 82,184 |
| District support services | 105,706 | - | 105,706 |
| Elementary and secondary regular instruction | 637,000 | - | 637,000 |
| Special education instruction | 140,326 | - | 140,326 |
| Instructional support services | 40,515 | - | 40,515 |
| Pupil support services | 171,062 | - | 171,062 |
| Sites and buildings | 269,540 | - | 269,540 |
| Food service | - | 38,983 | 38,983 |
| Fiscal and other fixed cost programs | 12,191 | - | 12,191 |
| Total Expenditures | 1,458,524 | 38,983 | 1,497,507 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,562 | (3,941) | (2,379) |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | 3,559 | 3,559 |
| Transfers out | (3,559) | - | (3,559) |
| Total Other Financing Sources (Uses) | (3,559) | 3,559 | - |
| Net Change in Fund Balances | (1,997) | (382) | (2,379) |
| Fund Balances, July 1 | 254,160 | 382 | 254,542 |
| Fund Balances, June 30 | $ 252,163 | $ - | $ 252,163 |

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

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2021

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

| | | |
|---|---|---|
| Net Change in Fund Balances - Total Governmental Funds | $ | (2,379) |
| Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. | | |
| Depreciation expense | | (374) |
| 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. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items. | | |
| Loan forgiveness | | 147,000 |
| Long-term pension activity is not reported in governmental funds. | | |
| Pension revenue | | 5,453 |
| Pension expense | | (95,180) |
| Change in Net Position of Governmental Activities | $ | 54,520 |

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

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2021

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| Revenues | | | | |
| Revenue from federal sources | $ 81,800 | $ 131,006 | $ 130,283 | $ (723) |
| Revenue from state sources | 1,389,443 | 1,324,326 | 1,328,166 | 3,840 |
| Other local revenue | 2,450 | 100 | 1,470 | 1,370 |
| Interest earned on investments | - | 125 | 167 | 42 |
| Total Revenues | 1,473,693 | 1,455,557 | 1,460,086 | 4,529 |
| Expenditures | | | | |
| Current | | | | |
| Administration | 78,498 | 83,664 | 82,184 | 1,480 |
| District support services | 99,894 | 105,406 | 105,706 | (300) |
| Elementary and secondary regular instruction | 673,588 | 653,056 | 637,000 | 16,056 |
| Special education instruction | 127,863 | 126,415 | 140,326 | (13,911) |
| Instructional support services | 26,200 | 45,354 | 40,515 | 4,839 |
| Pupil support services | 168,000 | 163,280 | 171,062 | (7,782) |
| Sites and buildings | 267,330 | 270,591 | 269,540 | 1,051 |
| Fiscal and other fixed cost programs | 11,500 | 11,680 | 12,191 | (511) |
| Capital outlay | | | | |
| Instructional support services | 10,000 | - | - | - |
| Debt service | | | | |
| Interest and other charges | 1,000 | - | - | - |
| Total Expenditures | 1,463,873 | 1,459,446 | 1,458,524 | 922 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 9,820 | (3,889) | 1,562 | 5,451 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | - | - | (3,559) | (3,559) |
| Net Change in Fund Balances | 9,820 | (3,889) | (1,997) | 1,892 |
| Fund Balances, July 1 | 254,160 | 254,160 | 254,160 | - |
| Fund Balances, June 30 | $ 263,980 | $ 250,271 | $ 252,163 | $ 1,892 |

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

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Food Service Special Revenue Fund
For the Year Ended June 30, 2021

| | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts | Variance with Final Budget |
|---|---|---|---|---|
| Revenues | | | | |
| Revenue from federal sources | $ 45,886 | $ 30,036 | $ 30,853 | $ 817 |
| Revenue from state sources | 3,450 | 2,500 | 1,925 | (575) |
| Other local revenue | 6,000 | 6,000 | 2,264 | (3,736) |
| Total Revenues | 55,336 | 38,536 | 35,042 | (3,494) |
| Expenditures | | | | |
| Current | | | | |
| Food service | 55,336 | 38,536 | 38,983 | (447) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | (3,941) | (3,941) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 3,559 | 3,559 |
| Net Change in Fund Balances | - | - | (382) | (382) |
| Fund Balances, July 1 | 382 | 382 | 382 | - |
| Fund Balances, June 30 | $ 382 | $ 382 | $ - | $ (382) |

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

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## Note 1: Summary of Significant Accounting Policies

### A. Reporting Entity

Nasha Shkola Charter School No. 4208 (the Charter School), Brooklyn Park, Minnesota was incorporated 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 in kindergarten through grade 8 who are bilingual in Russian and English. The Charter School has been authorized, as defined in Minnesota statute 124d, by Innovative Quality Schools. The Charter School is governed by a maximum nine-member Board of Education. 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.

The Charter School currently does not have any student activity accounts.

### 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 Charter School.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 items not properly included among program revenues are reported instead as *general 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.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

## Note 1: Summary of Significant Accounting Policies (Continued)

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.

This 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 *Food Service special revenue fund* is used to account for food service revenue and expenditures. The primary revenue source is intergovernmental revenue from state and federal sources that are restricted for food service operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

## 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.

***Accounts Receivable***

Accounts receivable include amounts billed for services provided before year end. No substantial losses are anticipated from present receivable 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 government-wide and fund financial statements.

## Note 1: Summary of Significant Accounting Policies (Continued)

### *Capital Assets*

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, parking lots, sidewalks, and similar items). Capital assets are defined by the Charter School as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. 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.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Equipment of the Charter School are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Useful Lives in Years |
|---|---|
| Equipment | 5 - 20 |

The School does not own any buildings or related infrastructure.

### *Deferred Outflows of Resources*

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

### *Compensated Absences*

Teachers are not eligible to accrue vacation pay and the amounts accrued to the eligible salaried employees are insignificant. All employees are entitled to ten days of sick pay per year. Sick leave may not be accrued and will not be paid out for any reason if not used within one school year.

### *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. Additional information can be found in Note 4.

## Note 1: Summary of Significant Accounting Policies (Continued)

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. Investments are reported at fair market value.

The total pension expense for the GERP and TRA is as follows:

| | GERP | TRA | Total Pension Expense |
|---|---|---|---|
| Pension Expense | $ 2,422 | $ 145,997 | $ 148,419 |

***Deferred Inflows of Resources***

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

***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.

*Restricted* - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by Minnesota 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 chose not to pass a resolution authorizing anyone to assign fund balances and their intended uses.

*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.

## Note 1: Summary of Significant Accounting Policies (Continued)

***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. Investment in capital assets - Consists of capital assets, net of accumulated depreciation.

b. Restricted net position - Consists 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 that do not meet the definition of “restricted” or “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.

## Note 2: Stewardship, Compliance and Accountability

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and Food Service special revenue fund. All annual appropriations lapse at fiscal year-end. 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 and Food Service special revenue fund. The budget was amended in the General fund decreasing revenues by $18,136 and decreasing expenditures by $4,427.

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 Administrator to be adopted by the Board of Education.

2. Budgets for the General fund and Food Service special revenue 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.

At the end of each fiscal year, if the General fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota schools which excludes certain restricted balances specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education. The School currently has a positive fund balance of 17.29% of General fund expenditures.

## Note 2: Stewardship, Compliance and Accountability (Continued)

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

| Fund | Final Budget | Actual | Excess of Expenditures Over Appropriations |
|---|---|---|---|
| Food Service | $ 38,536 | $ 38,983 | $ 447 |

The excess expenditures were funded by actual federal revenues in excess of budget.

## Note 3: Detailed Notes on All Funds

### A. Deposits and Investments

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 or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

## Note 3: Detailed Notes on All Funds (Continued)

At year end, the Charter School's carrying amount of deposits was $265,383 and the bank balance was $271,207. The bank balance was fully covered by federal depository insurance. The total bank balance is over the $250,000 FDIC coverage, however the school has an Insured Cash Sweep account with a balance of $107,206, which is fully collateralized.

### B. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Assets Being Depreciated | | | | |
| Equipment and Furniture | $ 26,395 | $ - | $ - | $ 26,395 |
| Less Accumulated Depreciation for | | | | |
| Equipment and Furniture | (22,301) | (374) | - | (22,675) |
| Governmental Activities | | | | |
| Capital Assets, Net | $ 4,094 | $ (374) | $ - | $ 3,720 |

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

| | |
|---|---|
| **Governmental Activities** | |
| Elementary and secondary regular instruction | $ 198 |
| Sites and buildings | 176 |
| Total Depreciation Expense - Governmental Activities | $ 374 |

### C. Operating Leases

The Charter School entered into a lease agreement with Northern Lights Church of Christ for classroom and administrative space for a five-year period commencing on July 1, 2017 and ending June 30, 2022. The lease expense was $199,344 for the year ended June 30, 2021. Future minimum lease payments on the new lease are as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2022 | $ 204,400 |
| 2023 | 204,400 |
| Total Minimum Lease Payments | $ 408,800 |

## Note 3: Detailed Notes on All Funds (Continued)

### D. Long-term Liabilities

Loans Payable

To preserve financial flexibility, the Charter School entered into a promissory note with Choice Bank in the amount of $147,000 pursuant to the Paycheck Protection Program (PPP) created by the Coronavirus AID, Relief and Economic Security Act (CARES Act) and governed by the Small Business Administration (SBA). The Charter School used all of the PPP proceeds towards qualifying expenses and pursued forgiveness of the loan amount during the current fiscal year. The SBA approved 100% loan forgiveness in May 2021. There is no longer an outstanding loan balance at year end June 30, 2021.

Changes in Long-term Liabilities

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Loans Payable | | | | | |
| Paycheck Protection Program Loan | $ 147,000 | $ - | $ (147,000) | $ - | $ - |

Short-term Liabilities

The Charter School has a line of credit agreement with Venture Bank to assist with the timing of cash flows. The line of credit was issued with a maximum amount of $75,000 and an interest rate of 5.50 percent. For the year ended June 30, 2021, the Charter School did not have any activity on the line of credit.

## Note 4: Defined Benefit Pension Plans - Statewide

### A. Teachers 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. State university, community college, and technical college educators first employed by (except those employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Define Contribution Plan (DCR) administered by the State of Minnesota.

#### *2. Benefits Provided*

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

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

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

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

With these provisions:

1. Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

2. Three percent per year early retirement reduction factors for all years under normal retirement age.

3. Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

**or**

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

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan is a lifetime annuity that ceases upon the death or 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, which 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 also eligible for a refund of their employee contributions plus interest.

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

### *3. Contribution Rate*

Per Minnesota statutes, chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

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

The Charter School's contributions to TRA for the year ending June 30, 2021, 2020 and 2019 were $42,720, $41,195 and $37,324, respectively. The Charter School's contributions were equal to the contractually required contributions for each year as set by Minnesota Statute.

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

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

| | |
|---|---|
| Employer Contributions Reported in TRA's CAFR Statement of Changes in Fiduciary Net Position | $ 425,223,000 |
| Add Employer Contributions not Related to Future Contribution Efforts | (56,000) |
| Deduct TRA's Contributions not Included in Allocation | (508,000) |
| Total Employer Contributions | 424,659,000 |
| Total Non-employer Contributions | 35,587,000 |
| Total Contributions Reported in Schedule of Employer and Non-employer Pension Allocations | $ 460,246,000 |

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

### *4. Actuarial Assumptions*

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

| Key Methods and Assumptions Used in Valuation of Total Pension Liability | |
|---|---|
| Actuarial Information | |
| Valuation date | July 1, 2020 |
| Experience study | June 10, 2015 |
| Actuarial cost method | Entry Age Normal |
| Actuarial assumptions | |
| Investment rate of return | 7.50% |
| Price inflation | 2.50% |
| Wage growth rate | 2.85% before July 1, 2028 and 3.25% thereafter |
| Projected salary increase | 2.85 to 8.85% before July 1, 2028 and 3.5 to 9.25% thereafter |
| Cost of living adjustment | 1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5 annually. |
| Mortality Assumption | |
| Pre-retirement | RP-2014 white collar employee table, male rates set back six years and female rates set back seven years. Generational projection uses the MP-2015 scale. |
| Post-retirement | RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. |
| Post-disability | RP-2014 disabled retiree mortality table, without adjustment. |

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.

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

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 | 35.50 % | 5.10 % |
| International Equity | 17.50 | 5.30 |
| Private Markets | 25.00 | 5.90 |
| Fixed Income | 20.00 | 0.75 |
| Unallocated Cash | 2.00 | - |
| Total | 100.00 % | |

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

Changes in actuarial assumptions since the 2019 valuation:

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

### *5. Discount Rate*

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

### *6. Net Pension Liability*

On June 30, 2021 the Charter School reported a liability of $679,708 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School’s proportion of the net pension liability was based on the Charter School’s contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The Charter School’s proportionate share was 0.0092 percent at the end of the measurement period which was a decrease of 0.0007 percent for the beginning of the year.

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

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 | $ | 679,708 |
| State's Proportionate Share of Net Pension Liability Associated with the Charter School | | 57,127 |

For the year ended June 30, 2021 the Charter School recognized pension expense of $140,764 It also recognized $5,233 as an increase to pension expense for the support provided by direct aid.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between Expected and Actual Economic Experience | $ 14,352 | $ 10,462 |
| Changes in Actuarial Assumptions | 204,977 | 578,967 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | 11,168 | - |
| Changes in Proportion | 48,275 | 41,274 |
| Contributions to TRA Subsequent to the Measurement Date | 42,720 | - |
| Total | $ 321,492 | $ 630,703 |

Deferred outflows of resources totaling $42,720 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, 2022. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| | | |
|---|---|---|
| 2022 | $ | (34,596) |
| 2023 | | (219,186) |
| 2024 | | (125,277) |
| 2025 | | 24,300 |
| 2026 | | 2,828 |

### *7. Pension Liability Sensitivity*

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

| 1 Percent Decrease (6.50%) | Current (7.50%) | 1 Percent Increase (8.50%) |
|---|---|---|
| $ 1,040,626 | $ 679,708 | $ 382,330 |

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

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

### *8. Pension Plan Fiduciary Net Position*

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

### B. Public Employees Retirement Association (PERA)

### *1. Plan Description*

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

<u>General Employees Retirement Plan</u>

All full-time and certain part-time employees of the District are covered by the General Employees Retirement Plan. (GERP). General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

### *2. Benefits Provided*

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

<u>General Employee Plan Benefits</u>

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

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be 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. 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. For 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 reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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

### *3. Contributions*

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the Charter School was required to contribute 7.50 percent for Coordinated Plan members. The Charter School's contributions to the General Employees Fund for the year ending June 30, 2021, 2020 and 2019 were $8,307, $7,131 and $6,284, respectively. The Charter School's contributions were equal to the required contributions for each year as set by state statute.

### *4. Pension Costs*

At June 30, 2021 the Charter School reported a liability of $77,941 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 $2,511. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportionate share of the net pension liability was based on the Charter School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The Charter School's proportion was 0.0012 percent, which was no change from its proportion measured as of June 30, 2019.

| | | |
|---|---|---|
| Charter School's Proportianate Share of the Net Pension Liability | $ | 77,941 |
| State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the Charter School | | 2,511 |
| Total | $ | 80,452 |

For the year ended June 30, 2021 the Charter School recognized pension expense of $2,203 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $219 as pension expenses (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

At June 30, 2021 the Charter School reported its proportionate share of General Employees Plan's 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 | $ 655 | $ 295 |
| Changes in Actuarial Assumptions | - | 2,763 |
| Net Difference Between Projected and Actual Earnings on Plan Investments | 1,827 | - |
| Changes in Proportion | 4,652 | - |
| Contributions to GERF Subsequent to the Measurement Date | 8,307 | - |
| Total | $ 15,441 | $ 3,058 |

The $8,307 reported as deferred outflows of resources related to pensions resulting from Charter School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|---|---|
| 2022 | $ (2,424) |
| 2023 | 1,590 |
| 2024 | 3,026 |
| 2025 | 1,884 |

### *5. Actuarial Assumptions*

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

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

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

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

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

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

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness 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 Stocks | 35.50 % | 5.10 % |
| Alternative Assets (Private Markets) | 25.00 | 5.90 |
| Bonds (Fixed Income) | 20.00 | 0.75 |
| International Stocks | 17.50 | 5.30 |
| Cash | 2.00 | - |
| Total | 100.00 % | |

### 6. *Discount Rate*

The discount rate used to measure the total pension liability in 2021 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### 7. *Pension Liability Sensitivity*

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

| 1 Percent Decrease (6.50%) | Current (7.50%) | 1 Percent Increase (8.50%) |
|---|---|---|
| $ 124,912 | $ 77,941 | $ 39,193 |

### 8. *Pension Plan Fiduciary Net Position*

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

## 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 for the past three years.

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. Economic Dependency

The Charter School has a significant amount of revenue (89.0 percent) coming from the State of Minnesota.

### C. 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.

The Charter School has evaluated and determined that there are no uncertain tax positions as of June 30, 2021. The Charter School's tax returns are subject to possible examination by the taxing authorities.

## Note 6: COVID-19

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

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

REQUIRED SUPPLEMENTARY INFORMATION

NASHA SHKOLA
CHARTER SCHOOL NO. 4208
BROOKLYN PARK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2021

**Schedule of Employer’s Share of TRA Net Pension Liability**

| Year | Charter School's Proportion of the Net Pension Liability | Charter School's Proportionate Share of the Net Pension Liability (a) | State's Proportionate Share of the Net Pension Liability Associated with the 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 |
|---|---|---|---|---|---|---|---|
| 06/30/20 | 0.0092 % | $ 679,708 | $ 57,127 | $ 736,835 | $ 520,139 | 130.7 % | 75.5 % |
| 06/30/19 | 0.0085 | 541,792 | 48,195 | 589,987 | 484,099 | 111.9 | 78.2 |
| 06/30/18 | 0.0087 | 547,867 | 51,426 | 599,293 | 481,920 | 113.7 | 78.1 |
| 06/30/17 | 0.0094 | 1,876,411 | 181,234 | 2,057,645 | 508,507 | 369.0 | 51.6 |
| 06/30/16 | 0.0087 | 2,075,158 | 208,874 | 2,284,032 | 453,547 | 457.5 | 44.9 |
| 06/30/15 | 0.0101 | 624,785 | 76,373 | 701,158 | 512,667 | 121.9 | 76.8 |
| 06/30/14 | 0.0103 | 474,617 | 33,314 | 507,931 | 455,147 | 104.3 | 81.1 |

**Schedule of Employer’s TRA Contributions**

| Year | 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) |
|---|---|---|---|---|---|
| 06/30/21 | $ 42,720 | $ 42,720 | $ - | $ 525,461 | 8.13 % |
| 06/30/20 | 41,195 | 41,195 | - | 520,139 | 7.92 |
| 06/30/19 | 37,324 | 37,324 | - | 484,099 | 7.71 |
| 06/30/18 | 36,144 | 36,144 | - | 481,920 | 7.50 |
| 06/30/17 | 38,138 | 38,138 | - | 508,507 | 7.50 |
| 06/30/16 | 34,016 | 34,016 | - | 453,547 | 7.50 |
| 06/30/15 | 38,450 | 38,450 | - | 512,667 | 7.50 |

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

**Notes to the Required Supplementary Information - TRA**

Changes in Actuarial Assumptions

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

2019 - No changes noted.

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

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

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

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

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

**Notes to the Required Supplementary Information - TRA (Continued)**

Changes in Plan Provisions

2020 - No changes noted.

2019 - No changes noted.

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

- The COLA was reduced from 2.0 percent each January 1 to 1.0 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1 percent each year until reaching the ultimate rate of 1.5 percent in January 1, 2028.

- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

- The COLA trigger provision, which would have increased the COLA to 2.5 percent if the funded ratio was at least 90 percent for two consecutive years, was eliminated.

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0 percent to 3.0 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5 percent to 7.5 percent, effective July 1, 2018.

- The employer contribution rate is increased each July 1 over the next 6 years (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 - No changes noted.

2016 - No changes noted.

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

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

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund**

| Year | Charter School's Proportion of the Net Pension Liability | Charter School's Proportionate Share of the Net Pension Liability (a) | State's Proportionate Share of the Net Pension Liability Associated with the 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 |
|---|---|---|---|---|---|---|---|
| 06/30/20 | 0.0013 % | $ 77,941 | $ 2,511 | $ 80,452 | $ 95,080 | 82.0 % | 79.0 % |
| 06/30/19 | 0.0012 | 66,345 | 2,000 | 68,345 | 83,787 | 79.2 | 80.2 |
| 06/30/18 | 0.0012 | 66,571 | 2,114 | 68,685 | 80,800 | 82.4 | 79.5 |
| 06/30/17 | 0.0012 | 76,607 | 955 | 77,562 | 76,634 | 100.0 | 75.9 |
| 06/30/16 | 0.0014 | 113,673 | 1,465 | 115,138 | 85,827 | 132.4 | 68.9 |
| 06/30/15 | 0.0009 | 46,643 | - | 46,643 | 47,453 | 98.3 | 78.2 |
| 06/30/14 | 0.0007 | 32,882 | - | 32,882 | 35,387 | 92.9 | 78.7 |

**Schedule of Employer's PERA Contributions - General Employees Fund**

| Year | 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) |
|---|---|---|---|---|---|
| 06/30/21 | $ 8,307 | $ 8,307 | $ - | $ 110,758 | 7.50 % |
| 06/30/20 | 7,131 | 7,131 | - | 95,080 | 7.50 |
| 06/30/19 | 6,284 | 6,284 | - | 83,787 | 7.50 |
| 06/30/18 | 6,060 | 6,060 | - | 80,800 | 7.50 |
| 06/30/17 | 5,748 | 5,748 | - | 76,634 | 7.50 |
| 06/30/16 | 6,437 | 6,437 | - | 85,827 | 7.50 |
| 06/30/15 | 3,559 | 3,559 | - | 47,453 | 7.50 |

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

**Notes to the Required Supplementary Information - PERA**

Changes in Actuarial Assumptions

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

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

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

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

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

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

**Notes to the Required Supplementary Information - PERA (Continued)**

Changes in Plan Provisions

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

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

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

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

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

NASHA SHKOLA
CHARTER SCHOOL NO. 4208
BROOKLYN PARK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Continued on the Following Page)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Budgeted Amounts | | Actual | Variance with | Actual |
| | Original | Final | Amounts | Final Budget | Amounts |
| Revenues | | | | | |
| Revenue from federal sources | $ 81,800 | $ 131,006 | $ 130,283 | $ (723) | $ 63,674 |
| Revenue from state sources | 1,389,443 | 1,324,326 | 1,328,166 | 3,840 | 1,379,253 |
| Other local and county revenue | 2,450 | 100 | 1,470 | 1,370 | 3,486 |
| Interest earned on investments | - | 125 | 167 | 42 | 43 |
| Total Revenues | 1,473,693 | 1,455,557 | 1,460,086 | 4,529 | 1,446,456 |
| Expenditures | | | | | |
| Current | | | | | |
| Administration | | | | | |
| Salaries | 45,815 | 47,950 | 48,615 | (665) | 44,039 |
| Fringe benefits | 7,683 | 8,040 | 7,993 | 47 | 7,201 |
| Purchased services | 12,500 | 15,174 | 14,674 | 500 | 3,000 |
| Other | 12,500 | 12,500 | 10,902 | 1,598 | 12,253 |
| Total administration | 78,498 | 83,664 | 82,184 | 1,480 | 66,493 |
| District support services | | | | | |
| Salaries | 24,750 | 24,750 | 24,750 | - | 22,500 |
| Fringe benefits | 4,294 | 4,252 | 4,311 | (59) | 4,900 |
| Purchased services | 69,400 | 69,400 | 70,225 | (825) | 61,925 |
| Supplies and materials | 1,450 | 7,004 | 6,420 | 584 | 1,222 |
| Other | - | - | - | - | 891 |
| Total district support services | 99,894 | 105,406 | 105,706 | (300) | 91,438 |
| Elementary and secondary regular instruction | | | | | |
| Salaries | 518,435 | 518,215 | 505,810 | 12,405 | 490,244 |
| Fringe benefits | 128,030 | 122,518 | 119,504 | 3,014 | 109,206 |
| Purchased services | 3,123 | 6,594 | 5,173 | 1,421 | 2,615 |
| Supplies and materials | 24,000 | 5,729 | 6,463 | (734) | 15,161 |
| Other | - | - | 50 | (50) | - |
| Total elementary and secondary regular instruction | 673,588 | 653,056 | 637,000 | 16,056 | 617,226 |
| Special education instruction | | | | | |
| Salaries | 67,280 | 65,430 | 74,580 | (9,150) | 59,181 |
| Fringe benefits | 14,158 | 13,860 | 15,151 | (1,291) | 12,307 |
| Purchased services | 45,325 | 45,325 | 49,136 | (3,811) | 40,357 |
| Supplies and materials | 1,100 | 1,800 | 1,459 | 341 | 920 |
| Total special education instruction | 127,863 | 126,415 | 140,326 | (13,911) | 112,765 |

Nasha Shkola
Charter School No. 4208
Brooklyn Park, Minnesota
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Continued)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

| | 2021 | | | | 2020 |
|---|---|---|---|---|---|
| | Budgeted Amounts | | Actual | Variance with | Actual |
| | Original | Final | Amounts | Final Budget | Amounts |
| Expenditures (Continued) | | | | | |
| Current (continued) | | | | | |
| Instructional support services | | | | | |
| Purchased services | $ 18,700 | $ 18,700 | $ 17,123 | $ 1,577 | $ 18,719 |
| Supplies and materials | 7,500 | 26,654 | 23,392 | 3,262 | 5,989 |
| Total instructional support services | 26,200 | 45,354 | 40,515 | 4,839 | 24,708 |
| Pupil support services | | | | | |
| Purchased services | 168,000 | 163,280 | 171,062 | (7,782) | 153,455 |
| Sites and buildings | | | | | |
| Purchased services | 262,330 | 268,956 | 268,954 | 2 | 254,275 |
| Supplies and materials | 5,000 | 1,635 | 586 | 1,049 | 119 |
| Total sites and buildings | 267,330 | 270,591 | 269,540 | 1,051 | 254,394 |
| Fiscal and other fixed cost programs | | | | | |
| Purchased services | 11,500 | 11,680 | 12,191 | (511) | 11,318 |
| Total current | 1,452,873 | 1,459,446 | 1,458,524 | 922 | 1,331,797 |
| Capital outlay | | | | | |
| Instructional support services | 10,000 | - | - | - | - |
| Debt service | | | | | |
| Principal | - | - | - | - | 2,858 |
| Interest and other charges | 1,000 | - | - | - | 1,141 |
| Total debt service | 1,000 | - | - | - | 3,999 |
| Total Expenditures | 1,463,873 | 1,459,446 | 1,458,524 | 922 | 1,335,796 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 9,820 | (3,889) | 1,562 | 5,451 | 110,660 |
| Other Financing Sources (Uses) | | | | | |
| Transfers out | - | - | (3,559) | (3,559) | - |
| Loan issued | - | - | - | - | 147,000 |
| Total Other Financing Sources (Uses) | - | - | (3,559) | (3,559) | 147,000 |
| Net Change in Fund Balances | 9,820 | (3,889) | (1,997) | 1,892 | 257,660 |
| Fund Balances, July 1 | 254,160 | 254,160 | 254,160 | - | (3,500) |
| Fund Balances, June 30 | $ 263,980 | $ 250,271 | $ 252,163 | $ 1,892 | $ 254,160 |

DEPARTMENT OF EDUCATION

# Fiscal Compliance

## Fiscal Compliance Report - 6/30/2021
## District: NASHA SHKOLA CHARTER SCH (4208-7)

### 01 GENERAL FUND

| | Audit | UFARS | Audit - UFARS |
|---|---|---|---|
| Total Revenue | $1,460,086 | $1,460,085 | $1 |
| Total Expenditures | $1,458,524 | $1,458,523 | $1 |
| *Non Spendable:* | | | |
| 4.60 Non Spendable Fund Balance | $25,660 | $25,660 | $0 |
| *Restricted / Reserved:* | | | |
| 4.01 Student Activities | $0 | $0 | $0 |
| 4.02 Scholarships | $0 | $0 | $0 |
| 4.03 Staff Development | $0 | $0 | $0 |
| 4.07 Capital Projects Levy | $0 | $0 | $0 |
| 4.08 Cooperative Revenue | $0 | $0 | $0 |
| 4.13 Project Funded by COP | $0 | $0 | $0 |
| 4.14 Operating Debt | $0 | $0 | $0 |
| 4.16 Levy Reduction | $0 | $0 | $0 |
| 4.17 Taconite Building Maint | $0 | $0 | $0 |
| 4.24 Operating Capital | $0 | $0 | $0 |
| 4.26 $25 Taconite | $0 | $0 | $0 |
| 4.27 Disabled Accessibility | $0 | $0 | $0 |
| 4.28 Learning & Development | $0 | $0 | $0 |
| 4.34 Area Learning Center | $0 | $0 | $0 |
| 4.35 Contracted Alt. Programs | $0 | $0 | $0 |
| 4.36 State Approved Alt. Program | $0 | $0 | $0 |
| 4.38 Gifted & Talented | $0 | $0 | $0 |
| 4.40 Teacher Development and Evaluation | $0 | $0 | $0 |
| 4.41 Basic Skills Programs | $0 | $0 | $0 |
| 4.48 Achievement and Integration | $0 | $0 | $0 |
| 4.49 Safe School Crime - Crime Levy | $0 | $0 | $0 |
| 4.51 QZAB Payments | $0 | $0 | $0 |
| 4.52 OPEB Liab Not In Trust | $0 | $0 | $0 |
| 4.53 Unfunded Sev & Retiremt Levy | $0 | $0 | $0 |
| 4.59 Basic Skills Extended Time | $0 | $0 | $0 |
| 4.67 LTFM | $0 | $0 | $0 |
| 4.72 Medical Assistance | $0 | $0 | $0 |
| 4.73 PPP Loan | $0 | $0 | $0 |
| 4.74 EIDL Loan | $0 | $0 | $0 |
| *Restricted:* | | | |
| 4.64 Restricted Fund Balance | $0 | $0 | $0 |
| 4.75 Title VII Impact Aid | $0 | $0 | $0 |
| 4.76 Payments in Lieu of Taxes | $0 | $0 | $0 |
| *Committed:* | | | |
| 4.18 Committed for Separation | $0 | $0 | $0 |
| 4.61 Committed Fund Balance | $0 | $0 | $0 |
| *Assigned:* | | | |
| 4.62 Assigned Fund Balance | $0 | $0 | $0 |
| *Unassigned:* | | | |
| 4.22 Unassigned Fund Balance | $226,503 | $226,504 | ($1) |

### 02 FOOD SERVICES

| | Audit | UFARS | Audit - UFARS |
|---|---|---|---|
| Total Revenue | $35,042 | $35,042 | $0 |
| Total Expenditures | $38,983 | $38,983 | $0 |
| *Non Spendable:* | | | |
| 4.60 Non Spendable Fund Balance | $0 | $0 | $0 |
| *Restricted / Reserved:* | | | |
| 4.52 OPEB Liab Not In Trust | | | |

### 06 BUILDING CONSTRUCTION

| | Audit | UFARS | Audit - UFARS |
|---|---|---|---|
| Total Revenue | $0 | $0 | $0 |
| Total Expenditures | $0 | $0 | $0 |
| *Non Spendable:* | | | |
| 4.60 Non Spendable Fund Balance | $0 | $0 | $0 |
| *Restricted / Reserved:* | | | |
| 4.07 Capital Projects Levy | $0 | $0 | $0 |
| 4.13 Project Funded by COP | $0 | $0 | $0 |
| 4.67 LTFM | $0 | $0 | $0 |
| *Restricted:* | | | |
| 4.64 Restricted Fund Balance | $0 | $0 | $0 |
| *Unassigned:* | | | |
| 4.63 Unassigned Fund Balance | $0 | $0 | $0 |

### 07 DEBT SERVICE

| | Audit | UFARS | Audit - UFARS |
|---|---|---|---|
| Total Revenue | $0 | $0 | $0 |
| Total Expenditures | $0 | $0 | $0 |
| *Non Spendable:* | | | |
| 4.60 Non Spendable Fund Balance | $0 | $0 | $0 |
| *Restricted / Reserved:* | | | |
| 4.25 Bond Refundings | $0 | $0 | $0 |
| 4.33 Maximum Effort Loan Aid | $0 | $0 | $0 |
| 4.51 QZAB Payments | $0 | $0 | $0 |
| 4.67 LTFM | $0 | $0 | $0 |
| *Restricted:* | | | |
| 4.64 Restricted Fund Balance | $0 | $0 | $0 |
| *Unassigned:* | | | |
| 4.63 Unassigned Fund Balance | $0 | $0 | $0 |

### 08 TRUST

| | Audit | UFARS | Audit - UFARS |
|---|---|---|---|
| Total Revenue | $0 | $0 | $0 |
| Total Expenditures | $0 | $0 | $0 |
| *Restricted / Reserved:* | | | |
| 4.01 Student Activities | $0 | $0 | $0 |
| 4.02 Scholarships | $0 | $0 | $0 |
| 4.22 Unassigned Fund Balance (Net Assets) | $0 | $0 | $0 |

### 18 CUSTODIAL

| | Audit | UFARS | Audit - UFARS |
|---|---|---|---|
| Total Revenue | $0 | $0 | $0 |
| Total Expenditures | $0 | $0 | $0 |
| *Restricted / Reserved:* | | | |
| 4.01 Student Activities | $0 | $0 | $0 |
| 4.02 Scholarships | $0 | $0 | $0 |
| 4.48 Achievement and Integration | $0 | $0 | $0 |
| 4.64 Restricted Fund Balance | $0 | $0 | $0 |

### 20 INTERNAL SERVICE

| | Audit | UFARS | Audit - UFARS |
|---|---|---|---|
| Total Revenue | $0 | $0 | $0 |
| Total Expenditures | $0 | $0 | $0 |
| 4.22 Unassigned Fund Balance (Net Assets) | $0 | $0 | $0 |

### 25 OPEB REVOCABLE TRUST

| | Audit | UFARS | Audit - UFARS |
|---|---|---|---|
| Total Revenue | $0 | $0 | $0 |
| Total Expenditures | | | |

| | | | |
|---|---|---|---|
| | $0 | $0 | $0 |
| 4.74 EIDL Loan | $0 | $0 | $0 |
| *Restricted:* | | | |
| 4.64 Restricted Fund Balance | $0 | $0 | $0 |
| *Unassigned:* | | | |
| 4.63 Unassigned Fund Balancee | $0 | $0 | $0 |

### 04 COMMUNITY SERVICE

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

| | | | |
|---|---|---|---|
| | $0 | $0 | $0 |
| 4.22 Unassigned Fund Balance (Net Assets) | $0 | $0 | $0 |

### 45 OPEB IRREVOCABLE TRUST

| | | | |
|---|---|---|---|
| Total Revenue | $0 | $0 | $0 |
| Total Expenditures | $0 | $0 | $0 |
| 4.22 Unassigned Fund Balance (Net Assets) | $0 | $0 | $0 |

### 47 OPEB DEBT SERVICE

| | | | |
|---|---|---|---|
| Total Revenue | $0 | $0 | $0 |
| Total Expenditures | $0 | $0 | $0 |
| *Non Spendable:* | | | |
| 4.60 Non Spendable Fund Balance | $0 | $0 | $0 |
| *Restricted:* | | | |
| 4.25 Bond Refundings | $0 | $0 | $0 |
| 4.64 Restricted Fund Balance | $0 | $0 | $0 |
| *Unassigned:* | | | |
| 4.63 Unassigned Fund Balance | $0 | $0 | $0 |

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OTHER REQUIRED REPORTS

NASHA SHKOLA
CHARTER SCHOOL NO. 4208
BROOKLYN PARK, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Education
Nasha Shkola Charter School No. 4208
Brooklyn Park, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Nasha Shkola Charter School No. 4208 (the Charter School) as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2021.

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 uniform financial accounting and reporting standards, and charter schools sections of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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 Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
September 14, 2021

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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
Nasha Shkola Charter School No. 4208
Brooklyn Park, Minnesota

**Report on the Financial Statements**

We have audited, in accordance with auditing standards generally accepted in the Unites States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Nasha Shkola Charter School No. 4208 (the Charter School), Brooklyn Park, Minnesota as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated September 14, 2021.

**Internal Control Over Financial Reporting**

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

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

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

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**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 Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
September 14, 2021

People + Process. Going Beyond the Numbers