

**URBAN ACADEMY
CHARTER SCHOOL NO. 4088**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

For The Year Ended June 30, 2020

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URBAN ACADEMY
CHARTER SCHOOL NO. 4088
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INTRODUCTORY SECTION

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SCHOOL BOARD

<u>Name</u>	<u>Board Position</u>
Melissa Jensen	Chair
Fong Lor	Vice Chair
Tamara Mattison	Finance Chair
Caley Long	Secretary
Ying Thao	Member
Nancy Smith	Member
Yuyin Liao	Member
Chao Yang	Member
Ronsoie Xiong	Member

ADMINISTRATION

Mongsher Ly	Superintendent
Stacey Beethem	Contract Business Manager with Designs for Learning

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Urban Academy
Charter School No. 4088
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Urban Academy, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Urban Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Urban Academy, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Urban Academy's 2019 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities and each major fund in our report dated October 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Urban Academy's basic financial statements. The introductory section and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table is presented as supplemental information as required by the Minnesota Department of Education and is also not part of the basic financial statements.

The individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance 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 individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020, on our consideration of Urban Academy'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 Urban Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Urban Academy's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

November 16, 2020

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URBAN ACADEMY
INDEPENDENT SCHOOL DISTRICT NO. 4088
St. Paul, Minnesota

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2020

This section of Urban Academy's (the School) annual audited financial report presents our discussion and analysis of the School's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the School's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2019-2020 fiscal year includes the following:

- Total net position decreased by \$55,188. This follows an increase of \$504,662 in the School's net position for fiscal year 2019. These changes were due to the effects of GASB 68 – Accounting and Financial Reporting for Pensions, which negatively impacted the School by \$309,927 for 2020 and positively impacted the School by \$536,083 for 2019.
- General Fund revenues were \$5,510,713 as compared to \$5,351,139 of expenditures, an excess of \$159,574.
- Total fund balance increased in fiscal year 2020 by \$728,607 to a positive balance of \$2,141,945. The increase in the fund balance was primarily driven by \$570,000 of loan proceeds from the paycheck protection program.
- The School continued its teacher compensation schedule to include Quality Compensation Programs and invest in quality teachers.
- School management continues to carefully monitor enrollment which is key to the financial stability of its programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *school-wide financial statements* that provide both *short-term* and *long-term* information about the School's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School, reporting the School's operations in more detail than the School-wide statements. These statements tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

School-Wide Statements

The school-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School’s assets, liabilities, and deferred inflows/outflows of resources. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the School’s net position and how it has changed. Net position, or the difference between the School’s assets plus deferred outflows, and liabilities plus deferred inflows, is one way to measure the School’s financial health or position. Over time, increases or decreases in the School’s net position are an indicator of whether its financial position is improving or deteriorating. To assess the overall health of the School you need to consider additional non-financial factors such as changes in the condition of the school building and other facilities.

In the school-wide financial statements, the School’s activities are shown in one category:

- **Governmental activities:** All of the School’s basic services are included here, such as regular and special education, and administration. State and federal aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the School’s funds – focusing on its most significant or “major” funds – not the School as a whole. 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. In other words, funds are accounting devices the School uses to keep track of specific resources of funding and spending on particular programs. State law requires two different programmatic funds for charter schools:

- General Fund
- Food Service Fund

When these two funds are added together, they equal the total governmental funds, as seen in Statement 3 and Statement 4.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Notes to the Financial Statements

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

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School's net position was (\$1,099,560) and (\$1,044,372) at June 30, 2020 and 2019, respectively.

The School's Net Position		
	June 30,	
	2020	2019
Current assets	\$2,488,121	\$1,794,364
Capital assets	231,738	151,635
Deferred outflows of resources	1,646,922	2,274,181
Total assets and deferred outflows	4,366,781	4,220,180
Current liabilities	508,407	381,026
Noncurrent liabilities	2,535,944	1,981,117
Deferred inflows of resources	2,421,990	2,902,409
Total liabilities and deferred inflows	5,466,341	5,264,552
Net position:		
Net investment in capital assets	231,738	151,635
Restricted for letter of credit collateral	1,000,000	652,182
Unrestricted	(2,331,298)	(1,848,189)
Total net position	(\$1,099,560)	(\$1,044,372)

The School participates in cost-sharing multiple-employer defined benefit pension plans administered by the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA). Governmental accounting standards require that the School's share of each plan's net pension liability be recorded on the Statement of Net Position. The portion attributable to the School is based on its contributions to each plan in comparison to contributions made by all plan participants.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

The School’s net pension liability, combined with pension related deferred outflows and inflows of resources, negatively impacted unrestricted net position by \$2,742,960 and \$2,433,033 as of June 30, 2020 and 2019, respectively. The School continues to make its required contributions to each plan. Additional information can be found in Note 4 to the financial statements.

Urban Academy uses a community vision as its foundation for strategic planning. Years of sound financial management have enabled the School to achieve its academic priorities, as well as realize its goal of adding more grades in an expanded physical space.

Urban Academy continues to have successful financial management using a conservative approach to enrollment projections, careful spending, and a budgetary vision towards the future.

Change in Net Position

The School’s total revenues were \$5,878,319 for the year ended June 30, 2020 . Operating grants and contributions accounted for 31% and the other 69% came from general revenues such as general education aid and lease revenue aid.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

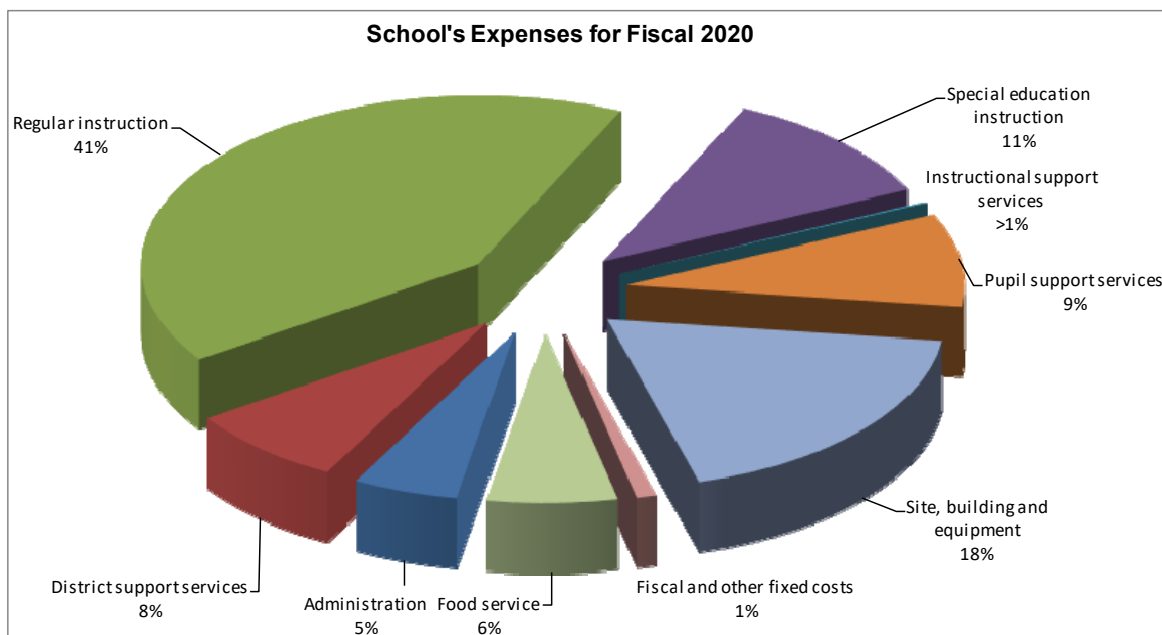
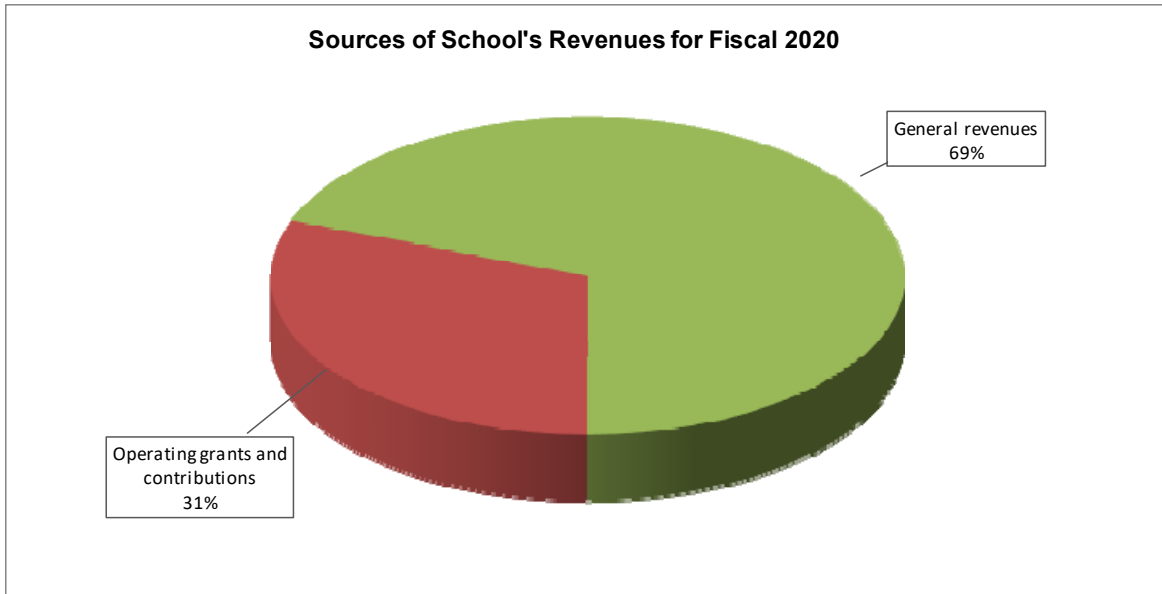
A schedule of changes in net position for the years ended June 30, 2020 and 2019 is as follows:

Change in Net Position		
	2020	2019
Revenues:		
Program revenues:		
Operating grants and contributions	\$1,832,525	\$1,513,638
General revenues	4,045,794	3,462,133
Total revenues	<u>5,878,319</u>	<u>4,975,771</u>
Expenses:		
Administration	339,777	197,245
District support services	451,327	411,240
Regular instruction	2,440,123	1,571,553
Special education instruction	653,649	456,685
Instructional support services	8,253	72,950
Pupil support services	524,195	459,259
Site, building and equipment	1,093,574	860,629
Interest and fiscal charges	54,595	55,614
Food service	368,014	385,934
Total expenses	<u>5,933,507</u>	<u>4,471,109</u>
Change in net position	(55,188)	504,662
Net position - beginning	<u>(1,044,372)</u>	<u>(1,549,034)</u>
Net position - ending	<u><u>(\$1,099,560)</u></u>	<u><u>(\$1,044,372)</u></u>

The total cost of all programs and services including interest and fiscal charges was \$5,933,507, an increase of \$1,462,398 from the prior year. Total expenses exceeded revenues which decreased net position by \$55,188 from last year.

- The federal and state governments subsidized certain programs and grants (\$1,832,525).
- The remaining portion of governmental activities was paid for primarily with unrestricted State and local aid.
- The increase in expenses of \$1,462,398 was primarily due to an increase in rent of \$266,609 and an increase in pension expense of \$954,872.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)



Typically, the School does not include in an analysis of all governmental funds a breakout of expenditures. To do so distorts the latitude available to the School to allocate resources to instruction. All governmental funds include not only funds received for the general operation of the School, which are used for classroom instruction, but also include resources from the entrepreneurial-type fund of Food Service and from resources for fiscal service transactions. Funding for the general operation of the School is controlled by the state and the School does not have the latitude to allocate money received in Food Service or for fiscal services to enhance

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

classroom instruction resources. The School cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The preceding graph, by pooling all expenditures, implies that the School does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option.

Program Expenses and Net Cost of Services						
	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2020	2019		2020	2019	
Administration	\$339,777	\$197,245	72%	\$281,666	\$197,245	43%
District support services	451,327	411,240	10%	451,327	411,240	10%
Regular instruction	2,440,123	1,571,553	55%	2,234,904	1,386,987	61%
Special education instruction	653,649	456,685	43%	(3,429)	(83,001)	(96%)
Instructional support services	8,253	72,950	(89%)	8,253	72,950	(89%)
Pupil support services	524,195	459,259	14%	524,195	459,259	14%
Site, building and equipment	1,093,574	860,629	27%	548,504	408,407	34%
Interest and fiscal charges	54,595	55,614	(2%)	54,595	55,614	(2%)
Food service	368,014	385,934	(5%)	967	48,770	(98%)
Total	<u>\$5,933,507</u>	<u>\$4,471,109</u>	33%	<u>\$4,100,982</u>	<u>\$2,957,471</u>	39%

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The financial performance of the School as a whole is reflected in its governmental funds as well. As the School completed the year, its governmental funds reported a combined fund balance of \$2,141,945, which is \$728,607 above last year's ending fund balance of \$1,413,338.

Revenues for the School's governmental funds were \$5,877,760 and total expenditures were \$5,719,153.

GENERAL FUND

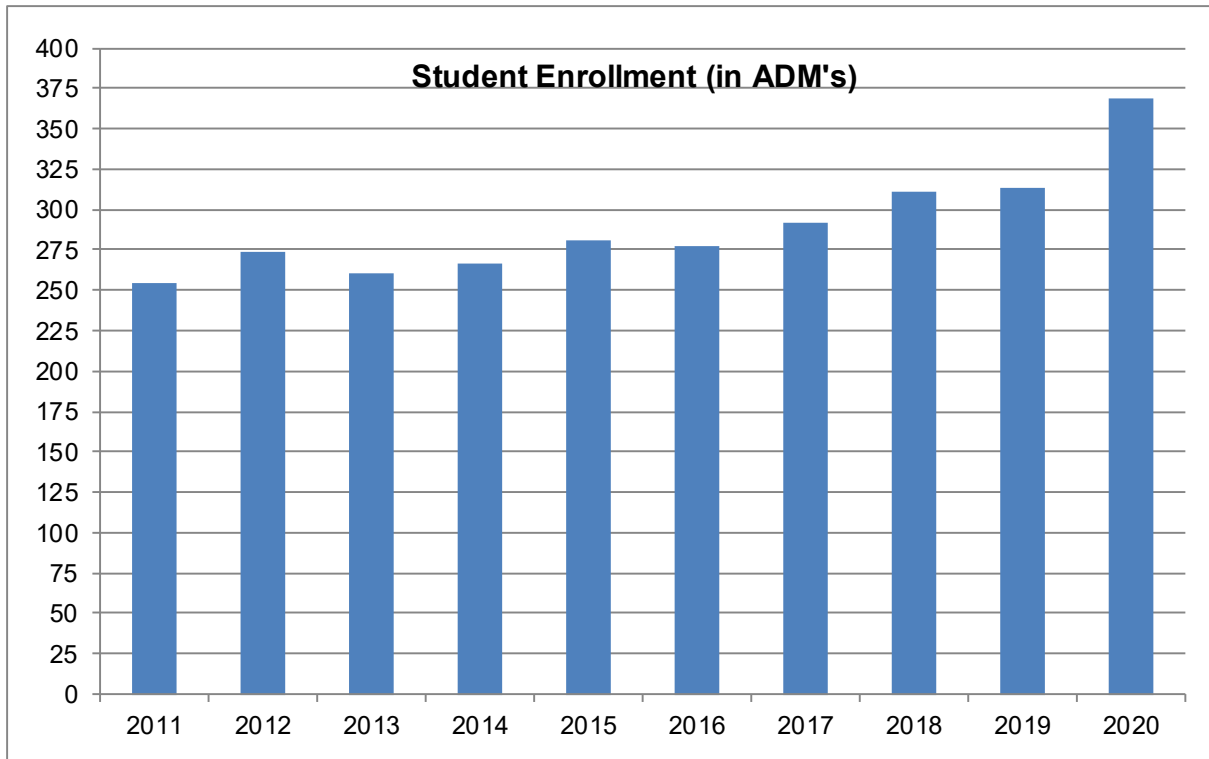
The General Fund includes the primary operations of the School in providing educational services to students from pre-kindergarten through grade 6, including pupil transportation activities.

A significant amount of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes basic general education aid which is determined by multiple state formulas and is largely enrollment driven and special education state aid, which is based upon a cost reimbursement model.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

ENROLLMENT

Enrollment is a critical factor in determining revenue. The following chart shows the latest ten years of student enrollment at the School.



Enrollment increased from 313 ADMs (average daily membership) at the end of the 2018-2019 school year to 369 in school year 2019-2020. The change in student enrollment reflects an increase of 56 ADM. The School plans to continue to increase this number over the next few years.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The following schedule presents a summary of General Fund revenues.

General Fund Revenues				
Fund	Year Ended June 30,		Change	
	2020	2019	Increase (Decrease)	Percent
Local sources	\$16,713	\$5,378	\$11,335	211%
State sources	5,142,343	4,453,917	688,426	15%
Federal sources	351,657	268,408	83,249	31%
Total general fund revenue	<u>\$5,510,713</u>	<u>\$4,727,703</u>	<u>\$783,010</u>	17%

During the current fiscal year the General Fund revenues increased by \$783,010 from the previous year. The difference primarily results from an increase in State funding.

The following schedule presents a summary of General Fund expenditures.

General Fund Expenditures				
	Year Ended June 30,		Change	
	2020	2019	Increase (Decrease)	Percent
Salaries	\$2,436,660	\$2,229,723	\$206,937	9%
Employee benefits	607,864	532,220	75,644	14%
Purchased services	1,929,276	1,605,179	324,097	20%
Supplies and materials	203,167	268,382	(65,215)	(24%)
Capital expenditures	135,060	-	135,060	N/A
Other expenditures	39,112	40,373	(1,261)	(3%)
Total expenditures	<u>\$5,351,139</u>	<u>\$4,675,877</u>	<u>\$675,262</u>	14%

Total General Fund expenditures increased \$675,262 from the previous year. In the 2019-2020 school-year, Urban Academy continued to increase its investment in instructional salaries and benefits. The School's vision is to provide high quality staffing which ultimately enriches student learning and achievement.

MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

General Fund Budgetary Highlights

The School adopts an operating budget prior to the start of each fiscal year. During the year, the School monitors actual performance against budget, and watches for changes to the assumptions made during the budgeting process. When necessary, the School approves a revised budget.

General Fund revenues were originally \$5,681,164 and were revised to \$5,449,729 after reviewing state and federal expenditures and actual enrollment of the School. By the end of the fiscal year, the actual amount was at \$5,510,713, which is \$60,984 greater than the revised budgeted amount. This was primarily due to State and Federal Special Education revenues being slightly higher than budgeted, due to higher Special Education expenditures.

General Fund expenditures were originally \$5,307,458 and were revised to \$5,408,311 after reviewing actual enrollment of the School and its needs. By the end of the fiscal year, the actual amount was \$5,351,139, which was \$57,172 less than the budgeted amount or 99% of the budgeted amount. The increase is split among the budget categories and was due to information not available during the budgeting process.

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, the General Fund is operating on a sound financial basis.

OTHER MAJOR FUNDS

Expenditures exceeded revenues in the Food Service Fund by \$967 compared to budgeted expenditures exceeding revenues by \$22,362. The School monitors its food purchases and meal distribution closely.

From the standpoint of maintaining current operating expenditures within the range of annual revenue and maintaining a sound fund balance, the Food Service Fund is operating on a sound financial basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2020, the School had invested \$575,134 in equipment. Total depreciation expense for the year was \$54,957.

	2020	2019
Capital assets, being depreciated:		
Computers and office equipment	\$71,635	\$71,635
Furniture and fixtures	247,231	238,675
Vehicles	65,685	65,685
Leasehold improvements	190,583	64,079
Total capital assets, being depreciated	575,134	440,074
Less accumulated depreciation for:		
Computers and office equipment	60,326	46,981
Furniture and fixtures	184,349	167,145
Vehicles	58,329	49,365
Leasehold improvements	40,392	24,948
Total accumulated depreciation	343,396	288,439
Total capital assets being depreciated - net	\$231,738	\$151,635

FACTORS BEARING ON THE SCHOOL'S FUTURE

The School is dependent on the State of Minnesota for the majority of its revenue. A significant amount of state revenue is controlled by a complex set of funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. Therefore, the School must carefully plan how to use the resources that are available to achieve its goals.

Urban Academy commits to maintain and strive for academic excellence and educational opportunities for students within a framework of financial fiduciary responsibility.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Charter School No. 4088, Urban Academy, 1668 Montreal Avenue, St. Paul, Minnesota 55116.

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BASIC FINANCIAL STATEMENTS

URBAN ACADEMY
CHARTER SCHOOL NO. 4088

Statement 1

STATEMENT OF NET POSITION

June 30, 2020

With Comparative Totals For June 30, 2019

	Governmental Activities	
	2020	2019
Assets:		
Cash and cash equivalents	\$571,716	\$457,303
Restricted cash	1,000,000	652,182
Due from other governments	887,311	485,519
Other receivables	3,369	187,714
Prepaid items	25,725	11,646
Capital assets (net of accumulated depreciation)	231,738	151,635
Total assets	<u>2,719,859</u>	<u>1,945,999</u>
Deferred outflows of resources related to pensions	<u>1,646,922</u>	<u>2,274,181</u>
Total assets and deferred outflows of resources	<u><u>\$4,366,781</u></u>	<u><u>\$4,220,180</u></u>
Liabilities:		
Accounts payable	\$99,462	\$143,582
Salaries and taxes payable	246,714	237,444
Note payable, due in more than one year	570,000	-
Net pension liability, due in more than one year	<u>2,128,175</u>	<u>1,981,117</u>
Total liabilities	<u>3,044,351</u>	<u>2,362,143</u>
Deferred inflows of resources related to:		
Lease incentive	160,283	176,312
Pensions	<u>2,261,707</u>	<u>2,726,097</u>
Total deferred inflows of resources	<u>2,421,990</u>	<u>2,902,409</u>
Net position:		
Net investment in capital assets	231,738	151,635
Restricted for letter of credit collateral	1,000,000	652,182
Unrestricted	<u>(2,331,298)</u>	<u>(1,848,189)</u>
Total net position	<u>(1,099,560)</u>	<u>(1,044,372)</u>
Total liabilities, deferred inflows and net position	<u><u>\$4,366,781</u></u>	<u><u>\$4,220,180</u></u>

The accompanying notes are an integral part of these financial statements.

URBAN ACADEMY
CHARTER SCHOOL NO. 4088

Statement 2

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2020

With Comparative Totals For The Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenue Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
			2020	2019
Governmental activities:				
Administration	\$339,777	\$58,111	(\$281,666)	(\$197,245)
District support services	451,327	-	(451,327)	(411,240)
Regular instruction	2,440,123	205,219	(2,234,904)	(1,386,987)
Special education instruction	653,649	657,078	3,429	83,001
Instructional support services	8,253	-	(8,253)	(72,950)
Pupil support services	524,195	-	(524,195)	(459,259)
Site, building and equipment	1,093,574	545,070	(548,504)	(408,407)
Interest and fiscal charges	54,595	-	(54,595)	(55,614)
Food service	368,014	367,047	(967)	(48,770)
Total governmental activities	<u>\$5,933,507</u>	<u>\$1,832,525</u>	<u>(4,100,982)</u>	<u>(2,957,471)</u>
General revenues:				
Local sources			16,713	5,378
State sources			<u>4,029,081</u>	<u>3,456,755</u>
Total general revenues			<u>4,045,794</u>	<u>3,462,133</u>
Change in net position			(55,188)	504,662
Net position - beginning			<u>(1,044,372)</u>	<u>(1,549,034)</u>
Net position - ending			<u>(\$1,099,560)</u>	<u>(\$1,044,372)</u>

The accompanying notes are an integral part of these financial statements.

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
BALANCE SHEET
GOVERNMENTAL FUNDS

Statement 3

June 30, 2020

With Comparative Totals For June 30, 2019

	General	Food Service Fund	Total	
			2020	2019
Assets				
Cash and cash equivalents	\$571,716	\$ -	\$571,716	\$457,303
Restricted cash	1,000,000	-	1,000,000	652,182
Due from Minnesota Department of Education	689,900	-	689,900	293,365
Due from Federal Government through Minnesota Department of Education	187,163	10,248	197,411	192,154
Due from other funds	9,909	-	9,909	4,456
Other receivables	3,369	-	3,369	187,714
Prepaid items	25,725	-	25,725	11,646
Total assets	\$2,487,782	\$10,248	\$2,498,030	\$1,798,820
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$99,123	\$339	\$99,462	\$143,582
Due to other funds	-	9,909	9,909	4,456
Salaries and taxes payable	246,714	-	246,714	237,444
Total liabilities	345,837	10,248	356,085	385,482
Fund balance:				
Nonspendable - prepaid items	25,725	-	25,725	11,646
Restricted for letter of credit collateral	1,000,000	-	1,000,000	652,182
Restricted for PPP loan purposes	31,648	-	31,648	-
Unassigned	1,084,572	-	1,084,572	749,510
Total fund balance	2,141,945	0	2,141,945	1,413,338
Total liabilities and fund balance	\$2,487,782	\$10,248	\$2,498,030	\$1,798,820

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

Fund balance reported above	\$2,141,945	\$1,413,338
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds	231,738	151,635
Long-term liabilities that are not due and payable in the current period and, therefore, are not reported in the funds	(570,000)	-
Deferred outflows of resources related to pensions	1,646,922	2,274,181
Net pension liability is not due and payable in the current period, and therefore, is not reported in the funds	(2,128,175)	(1,981,117)
Deferred inflows of resources related to pensions	(2,261,707)	(2,726,097)
Deferred inflows of resources related to lease incentive	(160,283)	(176,312)
Net position of governmental activities (Statement 1)	(\$1,099,560)	(\$1,044,372)

The accompanying notes are an integral part of these financial statements.

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
Statement 4
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

For The Year Ended June 30, 2020

With Comparative Totals For The Year Ended June 30, 2019

	General	Food Service Fund	Total	
			2020	2019
Revenues:				
Local sources	\$16,713	\$ -	\$16,713	\$5,378
State sources	5,142,343	8,652	5,150,995	4,463,512
Federal sources	351,657	358,395	710,052	595,977
Total revenues	5,510,713	367,047	5,877,760	5,064,867
Expenditures:				
Current:				
Administration	292,797	-	292,797	285,389
District support services	451,327	-	451,327	411,240
Regular instruction	2,203,471	-	2,203,471	2,007,219
Special education instruction	613,454	-	613,454	509,829
Instructional support services	7,138	-	7,138	97,471
Pupil support services	508,921	-	508,921	444,469
Site, building and equipment	1,084,376	-	1,084,376	864,646
Fiscal and other fixed costs	49,258	-	49,258	55,614
Food service	-	368,014	368,014	385,934
Capital outlay	135,060	-	135,060	-
Debt service:				
Interest	5,337	-	5,337	-
Total expenditures	5,351,139	368,014	5,719,153	5,061,811
Revenues over (under) expenditures	159,574	(967)	158,607	3,056
Other financing sources (uses):				
Proceeds from payment protection program loan	570,000	-	570,000	-
Transfers in	-	967	967	35,806
Transfers out	(967)	-	(967)	(35,806)
Total other financing sources (uses)	569,033	967	570,000	-
Net change in fund balance	728,607	-	728,607	3,056
Fund balance - beginning	1,413,338	-	1,413,338	1,410,282
Fund balance - ending	\$2,141,945	\$0	\$2,141,945	\$1,413,338
Amounts reported for governmental activities in the statement of activities are different because:				
Net change in fund balance reported above			\$728,607	\$3,056
Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:				
Depreciation			(54,957)	(50,472)
Capital outlay			135,060	-
Loss on disposal of capital assets			-	(34)
The issuance of long-term debt (PPP loan) provides current financial resources for governmental funds, but has no effect on net position.				
			(570,000)	-
Governmental funds report pension contributions as expenditures, however, pension expense is reported in the statement of activities:				
Pension contributions		185,082		
Pension expense, net of direct aid in the amount of \$559		(495,009)	(309,927)	536,083
Amortization of deferred lease incentive			16,029	16,029
Change in net position of governmental activities (Statement 2)			(\$55,188)	\$504,662

The accompanying notes are an integral part of these financial statements.

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Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Urban Academy (the School) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies.

A. FINANCIAL REPORTING ENTITY

As required by state statute, the School operates as a nonprofit corporation under Minnesota Statutes §317A. State law also requires that the School comply with Uniform Financial Accounting and Reporting Standards for Minnesota School Districts (UFARS), which mandates the use of a governmental accounting structure.

The financial statements of the reporting entity include those of the School (the primary government) and its component units. Generally, component units are legally separate organizations for which the primary government is financially accountable. The School does not have any component units.

The School is required to operate under a charter agreement with an entity that has been approved by the Minnesota Department of Education (MDE) to be a charter school “authorizer.” The authorizer monitors and evaluates the School’s performance, and periodically determines whether to renew the School’s charter. The School’s authorizer is Novation Education Opportunities. Aside from its responsibilities as authorizer, Novation Education Opportunities has no authority or control over the School, and is not financially accountable for it. Therefore, the School is not considered a component unit of Novation Education Opportunities.

B. SCHOOL-WIDE FINANCIAL STATEMENTS

The school-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the School. Amounts 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. *Governmental activities* generally are financed through intergovernmental revenues, and other non-exchange transactions. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

As a general rule the effect of interfund activity has been eliminated from the school-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services, are similarly treated when they involve other funds of the School. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include charges for goods and services, as well as

operating and capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not included among program revenues are reported instead as *general revenues*.

C. FUND FINANCIAL STATEMENTS

Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized when it becomes both measurable and available. *Measurable* means the amount of the transaction can be determined and *available* means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and GAAP. Minnesota Statutes include state aid formulas for specific fiscal years. Federal revenue and other non-exchange transactions are recognized when all eligibility requirements imposed by the provider have been met and the resources are available. Food service sales and other miscellaneous revenue are recorded as revenue when received because they are generally not measurable until then. A 60 day availability period is used for other fund revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, as applicable, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The emphasis of fund financial statements is on major funds, each displayed in a separate column. The School reports the following major funds:

The *General Fund* is the general operating fund of the School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

The *Food Service Special Revenue Fund* is used to account for the School's child nutrition program.

D. INCOME TAXES

The School is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and comparable sections of the Minnesota income tax statutes.

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes the School has no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

E. BUDGETS

The School's Board adopts an annual budget for the General Fund and the Food Service Special Revenue Fund. Budgets are prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Budgeted amounts are as originally adopted or as

amended by the Board. Budgeted expenditure appropriations lapse at year end. Encumbrance accounting is not used.

F. STUDENT ACTIVITIES

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, school boards can elect to either control or not control extracurricular activities. The School's Board has elected to control extracurricular activities. Therefore, the extracurricular student activity accounts are included in the School's General Fund.

G. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

H. RESTRICTED CASH

The School purchased certificates of deposit to be used as collateral to secure its letter of credit. The amount of restricted cash held at June 30, 2020 was \$1,000,000. See Note 7C for additional commitments related to the letter of credit.

I. RECEIVABLES

Receivables represent amounts receivable from other governments, individuals, firms, and corporations for goods and services furnished by the School. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

J. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the school-wide and fund financial statements. Prepaid items are reported using the consumption method and are recorded as expenditures at the time of consumption.

K. CAPITAL ASSETS

Capital assets, which include property, plant and equipment are reported in the school-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$3,000 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 cost 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 depreciated using the straight-line method over the following estimated useful lives:

Computers and office equipment	3 - 10 years
Furniture and fixtures	5 - 20 years
Vehicles	5 years
Leasehold improvements	10 years

L. ACCRUED EMPLOYEE BENEFITS

Since vacation benefits do not carryover at year end, no long-term liability for unused vacation has been recorded. Substantially all employees are entitled to sick leave at rates specified in their contracts. Employees are not compensated for unused sick leave upon termination of employment; therefore, no long-term liability for unused sick leave has been recorded.

M. DEFINED BENEFIT PENSION PLANS

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 the Public Employees Retirement Association (PERA) and additions to/deductions from TRA's and PERA's fiduciary net position have been determined on the same basis as they are reported by TRA and PERA. Plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, the City of Minneapolis, and the Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association in 2015. PERA also has a special funding situation created by direct aid contributions from the State of Minnesota.

N. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The School has one item that qualifies for reporting in this category. It is the pension related deferred outflows of resources reported in the school-wide statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The School has two items that qualify for reporting in this category. They are the pension related deferred inflows of resources and the deferred lease incentive reported in the school-wide statement of net position.

O. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OPEB are defined as benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment. With the exception of benefits provided by COBRA health coverage, the School does not offer OPEB to its employees. Therefore, management has determined an implicit rate subsidy would be immaterial and a liability for OPEB has not been recorded.

P. LONG-TERM OBLIGATIONS

In the school-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, governmental funds recognize loan proceeds as other financing sources.

Q. FUND BALANCE

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.

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

Committed - consists of internally imposed constraints that are established by resolution of the School's Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned - consists of internally imposed constraints that are intended to be used by the School for specific purposes, but do not meet the criteria to be classified as restricted or committed. Assigned amounts represent intended uses established by the School's Board itself or by an official to which the governing body delegates the authority. The Board has delegated to the Superintendent the authority to assign fund balance for specific purposes.

Unassigned - is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the School's policy to first use restricted resources, then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the School's policy to use resources in the following order: 1) committed 2) assigned and 3) unassigned.

R. MINIMUM FUND BALANCE POLICY

The School's Board has formally adopted a fund balance policy for the General Fund. The policy establishes a minimum fund balance for the General Fund equal to 20% of the ensuing year's budgeted expenditures.

At June 30, 2020, the targeted minimum fund balance for the General Fund was \$1,165,262. Actual fund balance of the General Fund was \$2,141,945. However, \$1,031,648 of fund balance is reported as restricted. This amount relates to the collateral provided for the letter of credit and unspent proceeds from the paycheck protection program loan.

S. NET POSITION

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the school-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the school-wide financial statements when there are limitations on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

T. COMPARATIVE DATA

The basic financial statements and schedules include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the School's financial statements for the year ended June 30, 2019 from which the summarized information was derived.

U. USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

V. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the School carries commercial insurance. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

W. FAIR VALUE OF FINANCIAL INSTRUMENTS

The School defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. To determine fair value, the School uses a fair value hierarchy categorized into three levels based on the inputs used. Generally, the three levels are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Significant other observable inputs.
- Level 3 – Significant unobservable inputs.

The School does not have any significant fair value measurements as of June 30, 2020.

Note 2 DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the School maintains deposits at financial institutions which are authorized by the School’s Board.

Custodial Credit Risk – For deposits, custodial credit risk is the risk that in the event of a bank failure, the School’s deposits may not be returned to it. Minnesota Statutes require that all deposits be protected by insurance, surety bond or collateral. Minnesota Statute 118A.03 identifies allowable forms of collateral.

The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Securities pledged as collateral must be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

The School does not have a deposit policy that is more restrictive than Minnesota Statutes. At June 30, 2020, all of the School’s deposits were covered by insurance or collateral.

B. INVESTMENTS

Minnesota Statutes outline authorized investments for charter schools. During 2020, the School did not have any such investments.

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Computers and office equipment	\$71,635	\$ -	\$ -	\$71,635
Furniture and fixtures	238,675	8,556	-	247,231
Vehicles	65,685	-	-	65,685
Leasehold improvements	64,079	126,504	-	190,583
Total capital assets, being depreciated	<u>440,074</u>	<u>135,060</u>	<u>-</u>	<u>575,134</u>
Less accumulated depreciation for:				
Computers and office equipment	46,981	13,345	-	60,326
Furniture and fixtures	167,145	17,204	-	184,349
Vehicles	49,365	8,964	-	58,329
Leasehold improvements	24,948	15,444	-	40,392
Total accumulated depreciation	<u>288,439</u>	<u>54,957</u>	<u>-</u>	<u>343,396</u>
Total capital assets being depreciated - net	<u>\$151,635</u>	<u>\$80,103</u>	<u>\$0</u>	<u>\$231,738</u>

Depreciation expense was charged to functions/programs as follows:

Regular instruction	\$16,257
Special education instruction	999
Instructional support services	1,115
Pupil support services	13,454
Site, building and equipment	<u>23,132</u>
Total depreciation expense - governmental activities	<u>\$54,957</u>

Note 4 DEFINED BENEFIT PENSION PLANS

The School participates in cost-sharing multiple-employer defined benefit pension plans administered on a statewide basis by the Teachers Retirement Association (TRA) and the Public Employees Retirement Association (PERA). The defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code. Disclosures relating to these plans are as follows:

A. PLAN DESCRIPTIONS

TRA administers a Coordinated Plan in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity 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 schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members.

PERA administers the General Employees Retirement Fund (GERF) in accordance with Minnesota Statutes, Chapters 353 and 356, and is governed by an eleven member Board of Trustees. All full-time and certain part-time employees of the School, other than educators, are covered by the GERF.

B. BENEFITS PROVIDED

TRA

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 Statutes 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 (Tier I and Tier II) are used to compute benefits.

Tier I Benefits – for members with service years up to July 1, 2006, a step rate formula of 1.2% per year for the first ten years of service and 1.7% per year thereafter is applied. For members with service years beginning July 1, 2006, a step rate formula of 1.4% per year for the first ten years of service and 1.9% per year thereafter is applied.

Tier II Benefits – for years of service prior to July 1, 2006, a level formula of 1.7% per year is applied. For years of service July 1, 2006 and after, a level formula of 1.9% per year is applied. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. 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 before July 1, 1989 receive the greater of the Tier I or Tier II benefits as described. Members first employed after June 30, 1989 receive only the Tier II benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

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

PERA

PERA provides retirement, disability, and death benefits. Benefit provisions are established by Minnesota Statutes 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.

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 Plan members is 1.2% of average salary for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated Plan members is 1.7% 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.

Annuities, disability benefits and survivor benefits are increased effective every January 1st. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost of living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. 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. Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

C. CONTRIBUTIONS

Employee and employer contribution rates are established by Minnesota Statutes. Contribution rates can only be modified by the state legislature. The School's contributions to TRA and PERA were equal to the required contributions as set by Minnesota Statutes.

TRA

Employees were required to contribute 7.5% of their annual covered salary in fiscal year 2020 and the School was required to contribute 7.92%. The School's contributions to the plan for the year ended June 30, 2020 were \$113,950.

PERA

Employees were required to contribute 6.5% of their annual covered salary in fiscal year 2020 and the School was required to contribute 7.5%. The School's contributions to the plan for the year ended June 30, 2020 were \$71,132.

D. NET PENSION LIABILITY AND PENSION EXPENSE

The net pension liability reported as of June 30, 2020 was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the measurement date. The School's proportionate share of the net pension liability was based on contributions to each respective plan during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total contributions to the plan, which included direct aid from the State of Minnesota, the City of Minneapolis and the Minneapolis School District. The School has no pension-related assets.

The School's net pension liability, its proportionate share of the plan's net pension liability, and pension expense as of and for the year ended June 30, 2020 are as follows:

	TRA	PERA	Total
Net pension liability	\$1,497,895	\$630,280	\$2,128,175
Proportionate share of net pension liability:			
Measurement date	0.0235%	0.0114%	
Prior measurement date	0.0227%	0.0100%	
Pension expense	\$376,480	\$119,088	\$495,568

The pension expense related to TRA includes recognition of \$10,084 as an increase to pension expense (and grant revenue) for the support provided by direct aid. The pension expense related to PERA includes recognition of \$1,473 as an increase to pension expense (and grant revenue) for the support provided by direct aid.

The net pension liability related to TRA reflected a reduction due to direct aid in the amount of \$35,587,410 provided to TRA. The amount recognized by the School as its proportionate share of the net pension liability, the State's proportionate share of the net pension liability, and the total portion of the net pension liability that was associated with the School were \$1,497,895, \$132,664, and \$1,630,559, respectively.

The net pension liability related to PERA reflected a reduction due to direct aid in the amount of \$16,000,000 provided to PERA. The amount recognized by the School as its proportionate share of the net pension liability, the State's proportionate share of the net pension liability, and the total portion of the net pension liability that was associated with the School were \$630,280, \$19,666, and \$649,946, respectively.

E. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience:		
TRA	\$ -	\$36,310
PERA	16,967	-
Difference between projected and actual investment earnings:		
TRA	-	124,166
PERA	-	63,886
Changes in actuarial assumptions:		
TRA	1,243,295	1,987,805
PERA	-	49,540
Changes in proportion:		
TRA	136,838	-
PERA	64,740	-
Contributions paid subsequent to the measurement date:		
TRA	113,950	-
PERA	71,132	-
Total	<u>\$1,646,922</u>	<u>\$2,261,707</u>

Amounts reported as deferred outflows of resources resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense during the following years:

	Pension Expense		
Year	TRA	PERA	Total
2021	\$103,192	(\$10,628)	\$92,564
2022	27,046	(27,739)	(693)
2023	(532,605)	5,633	(526,972)
2024	(369,277)	1,015	(368,262)
2025	3,496	-	3,496
Thereafter	-	-	-

F. ACTUARIAL ASSUMPTIONS

TRA

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Information

Valuation date	July 1, 2019
Experience study	June 5, 2015 and November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality assumptions:	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back five 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 TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2019 is six years. The “Difference Between Expected and Actual Economic Experience”, “Changes in Actuarial Assumptions”, and “Changes in Proportion” use the amortization period of six years in the schedule presented. The amortization period for “Difference Between Projected and Actual Investment Earnings” is five years as required by GASB 68.

There were no changes in actuarial assumptions since the 2018 valuation.

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

PERA

The total pension liability in the June 30, 2019 actuarial valuation was determined using 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 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% per year.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

- The mortality projection scale was changed from MP-2017 to MP-2018.
- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The state's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

TRA and PERA

The State Board of Investment, which manages the investments of TRA and PERA, prepares an analysis on a regular basis of the reasonableness of the long-term expected rate of return 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 percentages and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.5%	5.10%
Private markets	25.0%	5.90%
Fixed income	20.0%	0.75%
International equity	17.5%	5.30%
Cash equivalents	2.0%	0.00%
Total	100%	

G. DISCOUNT RATE

TRA

The discount rate used to measure the total pension liability was 7.50%. 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 2019 contribution rate, contributions from schools 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).

PERA

The discount rate used to measure the total pension liability was 7.50%. 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 that assumption, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. PENSION LIABILITY SENSITIVITY

The following presents the School's proportionate share of the net pension liability calculated using the discount rate for each plan, as well as the liability measured using one percent lower (6.50% for TRA and PERA) and one percent higher (8.50% for TRA and PERA) than the current discount rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
TRA	\$2,388,011	\$1,497,895	\$764,008
PERA	\$1,036,147	\$630,280	\$295,157

I. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report that includes financial statements and required supplementary information. That report can be obtained at www.minnesotatra.org.

Detailed information about PERA'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 at www.mnpera.org.

J. SUBSEQUENT EVENTS AND THE COVID-19 PANDEMIC SUBSEQUENT TO YEAR-END

The United States and global markets experienced declines in values resulting from uncertainty caused by COVID-19. The resulting declines are expected to have a negative impact on TRA's and PERA's discount rate as well as the value of each plan's investments. Any impact caused by the resulting declines have not been included in the schedules as of June 30, 2019.

Note 5 NOTE PAYABLE

On May 12, 2020, the School received a \$570,000 forgivable loan from a local financial institution through the U.S. Small Business Administration (SBA) under the Paycheck Protection Program created by Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

Loan proceeds are to be used exclusively for eligible purposes, including: 1) payroll costs; 2) any payment of interest on a covered mortgage obligation; 3) any payment on a covered rent obligation; 4) any covered utility payment. Not more than 40% of the amount forgiven can be attributable to non-payroll costs.

The amount of loan forgiveness is determined by and is subject to the approval of the SBA. While the School anticipates the loan amount to be forgiven, the loan is recorded as an outstanding liability on the Statement of Net Position until the SBA has granted approval for forgiveness.

The Paycheck Protection Flexibility Act of 2020, P.L. 116-42, extended the deferral period for loan payments to either (1) the date that SBA remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. Any required loan payments would not occur until the School's July 1, 2021 – June 30, 2022 fiscal year.

The loan, which is in the form of a note, matures on May 12, 2022 and bears interest at a rate of 1.00% per annum. No payments were made during fiscal year 2020. As of June 30, 2020, the outstanding balance on the note is \$570,000.

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 6 LINE OF CREDIT AGREEMENT

The School has a line of credit to assist with the timing of cash flows. The line has a maximum amount of \$450,000 with a variable interest rate equal to the prime rate plus 1.75%, subject to a 5.00% floor, and a maturity date of April 29, 2021. The line is secured by substantially all School assets. At June 30, 2020, the outstanding balance was \$0 and the interest rate was 5.00%. Activity related to the line of credit for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Advances</u>	<u>Payments</u>	<u>Ending Balance</u>
Line of credit	<u>\$ -</u>	<u>\$250,000</u>	<u>(\$250,000)</u>	<u>\$ -</u>

Note 7 COMMITMENTS AND CONTINGENCIES

A. GRANTS

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the School expects such amounts, if any, to be immaterial. The federal financial assistance received may be subject to an audit pursuant to Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) or audits by the grantor agency.

B. OPERATING LEASE COMMITMENTS AND TERMS

The School has a lease agreement for classroom and office space at 1668 Montreal Avenue, St. Paul, MN. The initial term of the lease expires June 30, 2034, but the School has two options to extend the lease term for five years each extension. Annual base rent is the greater of (a) minimum amounts summarized below, or (b) the lease aid maximum amount, as defined in the lease agreement. Base lease expense was \$800,000 for 2020. Future estimated lease payments based on these terms are as follows:

Year Ending June 30,	Minimum Lease Payments
2021	\$800,000
2022	800,000
2023	750,000
2024	750,000
2025	750,000
2026-2030	3,750,000
2031-2034	3,000,000
Total	<u><u>\$10,600,000</u></u>

Additional rent not included in the above schedule is also required for the School's share of operating costs.

The School's ability to make payments under the lease agreement is dependent on its revenues, which are in turn, largely dependent on sufficient enrollments being served at the School and on sufficient state aids per student being authorized and received from the State of Minnesota. The School believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due. For fiscal year 2020, the School qualified for estimated lease aid of \$485,510 based on statutory cap equal to \$1,314 times the pupil units served.

In addition, the School has a lease for a copy machine which requires monthly payments of \$1,333. Annual lease commitments through fiscal year 2023 are \$15,996 per year.

C. LETTER OF CREDIT AGREEMENT

The School has an irrevocable letter of credit in the amount of \$1,000,000 with a variable interest rate equal to the prime rate plus 5.00% automatically extending annually. At June 30, 2020, the outstanding balance on the letter of credit was \$0 and the interest rate was 8.25%. There was no activity on the letter of credit during the year ended June 30, 2020. The School's landlord has the right to draw on the letter of credit if the School defaults on its lease agreement, as defined in Article 10 of the agreement.

The letter of credit shall be maintained continuously in the amount of \$1,000,000 until June 30, 2024, at which time the School may cause or allow the face amount of the letter of credit to be reduced to \$300,000. The letter of credit shall be maintained continuously in the amount of \$300,000 until June 30, 2029, at which time the School may cause or allow the letter of credit to expire or be terminated.

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

The letter of credit is required to be secured by deposits held by the School in an amount equal to or greater than the amount of the letter of credit. At June 30, 2020, the School held collateral totaling \$1,004,605.

Note 8 DEFERRED LEASE INCENTIVE

As part of the lease agreement for classroom and office space, as summarized in Note 7B, the School's landlord provided the School a tenant allowance upon executing the original lease. The School used \$240,428 of this allowance. Accounting standards require the School to recognize the allowance used as a reduction to rental expense on the Statement of Activities over the original lease term (July 1, 2015 – June 30, 2030). The amount to be recognized in future periods is recorded as a deferred lease incentive on the Statement of Net Position.

During fiscal year 2020, the School recorded \$16,029 as a reduction to rental expense, leaving \$160,283 to be recognized in future periods as summarized below:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2021	16,029
2022	16,029
2023	16,029
2024	16,029
2025	16,029
2026-2030	80,138
Total	<u>\$160,283</u>

Note 9 INTERFUND ACTIVITY

As of June 30, 2020, the School's due to/due from other funds consisted of \$9,909 due to the General Fund from the Food Service Fund to account for temporary timing of cash flows.

During 2020, the School made a routine transfer of \$967 from the General Fund to eliminate a deficit in the Food Service Fund.

Note 10 RECENTLY ISSUED ACCOUNTING STANDARDS

The Government Accounting Standards Board approved GASB Statement No. 87 *Leases*, which is effective for the School's July 1, 2021 – June 30, 2022 fiscal year. This standard is likely to have a material impact on the School's financial statements. Other recently issued standards are not expected to be material to the School's financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended June 30, 2020
With Comparative Actual Amounts For The Year Ended June 30, 2019

Statement 5
Page 1 of 2

	2020				2019
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget -	Amounts
				Over (Under)	
Revenues:					
Local sources	\$5,250	\$5,250	\$16,713	\$11,463	\$5,378
State sources	5,442,533	5,165,832	5,142,343	(23,489)	4,453,917
Federal sources	233,381	278,647	351,657	73,010	268,408
Total revenues	5,681,164	5,449,729	5,510,713	60,984	4,727,703
Expenditures:					
Administration:					
Current:					
Salaries	192,700	193,040	193,040	-	187,449
Employee benefits	48,194	47,218	40,424	(6,794)	41,580
Purchased services	10,000	10,000	26,807	16,807	24,965
Supplies and materials	1,500	500	-	(500)	300
Other expenditures	24,250	28,252	32,526	4,274	31,095
Total administration	276,644	279,010	292,797	13,787	285,389
District support services:					
Current:					
Salaries	121,242	239,072	232,343	(6,729)	187,778
Employee benefits	30,069	57,975	57,395	(580)	41,635
Purchased services	166,150	127,745	132,522	4,777	148,806
Supplies and materials	21,125	33,750	29,067	(4,683)	33,021
Total district support services	338,586	458,542	451,327	(7,215)	411,240
Regular instruction:					
Current:					
Salaries	1,607,695	1,586,671	1,575,079	(11,592)	1,409,761
Employee benefits	405,709	386,764	410,910	24,146	342,026
Purchased services	74,000	91,500	104,926	13,426	78,040
Supplies and materials	188,861	182,975	111,307	(71,668)	168,114
Other expenditures	-	-	1,249	1,249	9,278
Total regular instruction	2,276,265	2,247,910	2,203,471	(44,439)	2,007,219
Special education instruction:					
Current:					
Salaries	344,963	354,532	354,256	(276)	272,029
Employee benefits	85,871	86,456	89,079	2,623	72,842
Purchased services	132,300	133,875	169,093	35,218	161,685
Supplies and materials	3,675	3,675	1,026	(2,649)	3,273
Total special education instruction	566,809	578,538	613,454	34,916	509,829
Instructional support services:					
Current:					
Salaries	61,039	-	-	-	70,700
Employee benefits	15,266	-	-	-	21,095
Purchased services	5,250	30,000	3,207	(26,793)	2,279
Supplies and materials	3,675	3,675	3,931	256	3,397
Total instructional support services	85,230	33,675	7,138	(26,537)	97,471

See accompanying notes to the required supplementary information.

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 For The Year Ended June 30, 2020
 With Comparative Actual Amounts For The Year Ended June 30, 2019

Statement 5
Page 2 of 2

	2020			2019
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
Expenditures: (continued)				Actual
Pupil support services:				Amounts
Current:				
Salaries	\$39,590	\$41,272	\$40,499	(\$773)
Employee benefits	9,826	10,020	3,381	(6,639)
Purchased services	426,500	435,125	460,324	25,199
Supplies and materials	9,150	7,080	4,717	(2,363)
Total pupil support services	485,066	493,497	508,921	15,424
Site, building and equipment:				
Current:				
Salaries	73,153	44,203	41,443	(2,760)
Employee benefits	18,142	10,719	6,675	(4,044)
Purchased services	1,061,250	1,015,000	983,139	(31,861)
Supplies and materials	52,250	59,400	53,119	(6,281)
Capital outlay	10,000	123,754	135,060	11,306
Total site, building and equipment	1,214,795	1,253,076	1,219,436	(33,640)
Fiscal and other fixed costs:				
Current:				
Purchased services	64,063	64,063	49,258	(14,805)
Debt service:				
Interest	-	-	5,337	5,337
Total expenditures	5,307,458	5,408,311	5,351,139	(57,172)
Revenues over (under) expenditures	373,706	41,418	159,574	118,156
Other financing sources (uses):				
Proceeds from paycheck protection program loan	-	-	570,000	570,000
Transfers out	-	-	(967)	(967)
Total other financing sources (uses)	-	-	569,033	569,033
Net change in fund balance	\$373,706	\$41,418	728,607	\$687,189
Fund balance - beginning			1,413,338	1,397,318
Fund balance - ending			\$2,141,945	\$1,413,338

See accompanying notes to the required supplementary information.

URBAN ACADEMY
CHARTER SCHOOL NO. 4088

Statement 6

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE SPECIAL REVENUE FUND

For The Year Ended June 30, 2020

With Comparative Actual Amounts For The Year Ended June 30, 2019

	2020				
	Budgeted Amounts		Actual	Variance with	2019
	Original	Final	Amounts	Final Budget -	Actual
				Over (Under)	Amounts
Revenues:					
State sources	\$12,119	\$12,000	\$8,652	(\$3,348)	\$9,595
Federal sources	394,657	408,000	358,395	(49,605)	327,569
Total revenues	406,776	420,000	367,047	(52,953)	337,164
Expenditures:					
Food service:					
Current:					
Salaries	24,500	33,128	43,984	10,856	26,702
Employee benefits	6,076	8,034	5,704	(2,330)	4,354
Purchased services	1,200	1,200	-	(1,200)	-
Supplies and materials	375,000	400,000	318,326	(81,674)	354,878
Total expenditures	406,776	442,362	368,014	(74,348)	385,934
Revenues over (under) expenditures	-	(22,362)	(967)	21,395	(48,770)
Other financing sources (uses):					
Transfers in	-	-	967	967	35,806
Net change in fund balance	\$0	(\$22,362)	0	\$22,362	(12,964)
Fund balance - beginning			0		12,964
Fund balance - ending			\$0		\$0

See accompanying notes to the required supplementary information.

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 For The Last Ten Years

Statement 7

Measurement Date	School Fiscal Year Ending June 30	School's Proportion (Percentage) of the Net Pension Liability	School's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the School (b)	Total Proportionate Share of the Net Pension Liability (a+b)	Covered Payroll (c)	School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Teachers Retirement Association</u>								
2014	2015	0.0233%	\$1,073,647	\$75,411	\$1,149,058	\$1,096,576	104.8%	81.5%
2015	2016	0.0204%	1,261,942	154,774	1,416,716	1,037,627	136.5%	76.8%
2016	2017	0.0210%	5,009,001	502,602	5,511,603	1,091,554	504.9%	44.9%
2017	2018	0.0212%	4,231,905	408,217	4,640,122	1,139,813	407.1%	51.6%
2018	2019	0.0227%	1,426,358	133,779	1,560,137	1,287,067	121.2%	78.1%
2019	2020	0.0235%	1,497,895	132,664	1,630,559	1,364,410	119.5%	78.2%
<u>PERA - General Employees Retirement Fund</u>								
2014	2015	0.0098%	\$460,355	\$ -	\$460,355	\$513,308	89.7%	78.8%
2015	2016	0.0093%	481,974	-	481,974	547,590	88.0%	78.2%
2016	2017	0.0097%	787,592	10,258	797,850	602,889	132.3%	68.9%
2017	2018	0.0097%	619,242	7,810	627,052	621,547	100.9%	75.9%
2018	2019	0.0100%	554,759	18,324	573,083	687,133	83.4%	79.5%
2019	2020	0.0114%	630,280	19,666	649,946	809,053	80.3%	80.2%

The schedule is provided prospectively beginning with the School's fiscal year ended June 30, 2015 and is intended to show a ten year trend.
 Additional years will be reported as they become available.

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS
For The Last Ten Years

Statement 8

School Fiscal Year Ending June 30	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
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Teachers Retirement Association

2015	\$77,822	\$77,822	\$ -	\$1,037,627	7.50%
2016	81,867	81,867	-	1,091,554	7.50%
2017	85,486	85,486	-	1,139,813	7.50%
2018	96,530	96,530	-	1,287,067	7.50%
2019	105,196	105,196	-	1,364,410	7.71%
2020	113,950	113,950	-	1,438,763	7.92%

PERA - General Employees Retirement Fund

2015	\$40,328	\$40,328	\$ -	\$547,590	7.36%
2016	45,219	45,219	-	602,889	7.50%
2017	46,616	46,616	-	621,547	7.50%
2018	51,535	51,535	-	687,133	7.50%
2019	60,679	60,679	-	809,053	7.50%
2020	71,132	71,132	-	948,427	7.50%

The schedule is provided prospectively beginning with the School's fiscal year ended June 30, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**URBAN ACADEMY
CHARTER SCHOOL NO. 4088
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
June 30, 2020**

Note A BUDGETARY INFORMATION

The General Fund and Food Service Special Revenue Fund budgets are legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the fund level.

Note B PENSION INFORMATION

TEACHERS RETIREMENT ASSOCIATION

2019 Changes – None.

2018 Changes

Changes in actuarial assumptions:

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

2017 Changes

Changes in actuarial assumptions:

- The investment return assumption was changed from 8.00% to 7.50%.
- The price inflation assumption was lowered from 2.75% to 2.50%.
- The payroll growth assumption was lowered from 3.50% to 3.00%.
- The general wage growth assumption was lowered from 3.50% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.

2016 Changes

Changes in actuarial assumptions:

- The assumed investment rate of return and discount rate was reduced from 8.00% to 4.66%.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The general wage growth and payroll growth assumptions were reduced from 3.75% to 3.50%.
- Projected salary increases of 3.5% – 12.0% were changed to 3.5% – 9.5%.
- Mortality assumptions changed as a result of using updated mortality tables.

**URBAN ACADEMY
CHARTER SCHOOL NO. 4088
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO RSI
June 30, 2020**

2015 Changes

Changes of benefit terms:

- The Duluth Teacher's Retirement Fund Association was merged into TRA on June 30, 2015.

Changes in actuarial assumptions:

- Post-retirement benefit adjustments are assumed to remain level at 2.0% annually. The previous valuation assumed a 2.5% increase commencing July 1, 2034.
- The discount rate was reduced from 8.25% to 8.00%

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2019 Changes

Changes in actuarial assumptions:

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

Changes in plan provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The state's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in actuarial assumptions:

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

2017 Changes

Changes in actuarial assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1% per year for all future years to 1% per year through 2044 and 2.5% per year thereafter.

2016 Changes

Changes in actuarial assumptions:

- The assumed post-retirement benefit increase rate was changed from 1% per year through 2035 and 2.5% per year thereafter to 1% per year for all future years.
- The assumed investment rate of return and discount rate was reduced from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. Assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.5% for inflation.

2015 Changes – None.

Additional details can be obtained from the financial reports of TRA and PERA.

INDIVIDUAL FUND FINANCIAL STATEMENTS

URBAN ACADEMY
CHARTER SCHOOL NO. 4088
BALANCE SHEET - GENERAL FUND
June 30, 2020
With Comparative Totals For June 30, 2019

Statement 9

Assets	2020	2019
Cash and cash equivalents	\$571,716	\$457,303
Restricted cash	1,000,000	652,182
Due from Minnesota Department of Education	689,900	293,043
Due from Federal Government through Minnesota Department of Education	187,163	182,673
Due from other funds	9,909	4,456
Other receivables	3,369	187,714
Prepaid items	25,725	11,646
Total assets	<u>\$2,487,782</u>	<u>\$1,789,017</u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$99,123	\$138,235
Salaries and taxes payable	246,714	237,444
Total liabilities	<u>345,837</u>	<u>375,679</u>
Fund balance:		
Nonspendable - prepaid items	25,725	11,646
Restricted for letter of credit collateral	1,000,000	652,182
Restricted for protection program loan	31,648	-
Unassigned	1,084,572	749,510
Total fund balance	<u>2,141,945</u>	<u>1,413,338</u>
Total liabilities and fund balance	<u>\$2,487,782</u>	<u>\$1,789,017</u>

URBAN ACADEMY**CHARTER SCHOOL NO. 4088****Statement 10****BALANCE SHEET - FOOD SERVICE SPECIAL REVENUE FUND**

June 30, 2020

With Comparative Totals For June 30, 2019

Assets	2020	2019
Due from Minnesota Department of Education	\$ -	\$322
Due from Federal Government through Minnesota Department of Education	10,248	9,481
Total assets	<u>\$10,248</u>	<u>\$9,803</u>
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$339	\$5,347
Due to other funds	9,909	4,456
Total liabilities	<u>10,248</u>	<u>9,803</u>
Fund balance:		
Restricted for food service	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$10,248</u>	<u>\$9,803</u>

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SUPPLEMENTAL INFORMATION

	Audit	UFARS	Variance		Audit	UFARS	Variance
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$5,510,713	\$5,510,714	(\$1)	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	5,351,139	5,351,140	(1)	Total Expenditures	-	-	-
<i>Non-Spendable:</i>				<i>Non-Spendable:</i>			
4.60 Non Spendable Fund Balance	25,725	25,725	-	4.60 Non Spendable Fund Balance	-	-	-
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.01 Student Activities	-	-	-	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	-	-	-	4.13 Projects Funded By COP	-	-	-
4.03 Staff Development	-	-	-	4.67 LTFM	-	-	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Revenue	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.13 Project Funded By COP	-	-	-	<i>Unassigned:</i>			
4.14 Operating Debt	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.16 Levy Reduction	-	-	-				
4.17 Taconite Building Maint	-	-	-	07 DEBT SERVICE			
4.24 Operating Capital	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.26 \$25 Taconite	-	-	-	Total Expenditures	-	-	-
4.27 Disabled Accessibility	-	-	-	<i>Non-Spendable:</i>			
4.28 Learning & Development	-	-	-	4.60 Non Spendable Fund Balance	-	-	-
4.34 Area Learning Center	-	-	-	<i>Restricted / Reserved:</i>			
4.35 Contracted Alt. Programs	-	-	-	4.25 Bond Refundings	-	-	-
4.36 State Approved Alt. Program	-	-	-	4.33 Maximum Effort Loan Aid	-	-	-
4.38 Gifted & Talented	-	-	-	4.51 QZAB Payments	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	4.67 LTFM	-	-	-
4.41 Basic Skills Programs	-	-	-	<i>Restricted:</i>			
4.48 Achievement and Integration	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.49 Safe School Crime - Crime Levy	-	-	-	<i>Unassigned:</i>			
4.51 QZAB Payments	-	-	-	4.63 Unassigned Fund Balance	-	-	-
4.52 OPEB Liab Not In Trust	-	-	-				
4.53 Unfunded Sev & Retirement Levy	-	-	-	08 TRUST			
4.59 Basic Skill Extended Time	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.67 LTFM	-	-	-	Total Expenditures	-	-	-
4.72 Medical Assistance	-	-	-	<i>Restricted / Reserved:</i>			
4.73 PPP Loan	31,648	31,648	-	4.01 Student Activities	-	-	-
4.74 EIDL Loan	-	-	-	4.02 Scholarships	-	-	-
<i>Restricted:</i>				4.22 Unassigned Fund Balance (Net Assets)	-	-	-
4.64 Restricted Fund Balance	1,000,000	1,000,000	-				
4.75 Title VII Impact Aid	-	-	-	18 CUSTODIAL			
4.76 Payments in Lieu of Taxes	-	-	-	Total Revenue	\$ -	\$ -	\$ -
<i>Committed:</i>				Total Expenditures	-	-	-
4.18 Committed for Separation	-	-	-	<i>Restricted / Reserved:</i>			
4.61 Committed Fund Balance	-	-	-	4.01 Student Activities	-	-	-
<i>Assigned:</i>				4.02 Scholarships	-	-	-
4.62 Assigned Fund Balance	-	-	-	4.48 Achievement and Integration	-	-	-
<i>Unassigned:</i>				4.64 Restricted Fund Balance	-	-	-
4.22 Unassigned Fund Balance	1,084,572	1,084,572	-				
				20 INTERNAL SERVICE			
02 FOOD SERVICE				Total Revenue	\$ -	\$ -	\$ -
Total Revenue	\$367,047	\$367,045	\$2	Total Expenditures	-	-	-
Total Expenditures	368,014	368,012	2	<i>Unrestricted:</i>			
<i>Non-Spendable:</i>				4.22 Unassigned Fund Balance (Net Assets)	-	-	-
4.60 Non Spendable Fund Balance	-	-	-				
<i>Restricted / Reserved:</i>				25 OPEB REVOCABLE TRUST			
4.52 OPEB Liab Not In Trust	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.74 EIDL Loan	-	-	-	Total Expenditures	-	-	-
<i>Restricted:</i>				<i>Unrestricted:</i>			
4.64 Restricted Fund Balance	-	-	-	4.22 Unassigned Fund Balance (Net Assets)	-	-	-
<i>Unassigned:</i>							
4.63 Unassigned Fund Balance	-	-	-	45 OPEB IRREVOCABLE TRUST			
				Total Revenue	\$ -	\$ -	\$ -
04 COMMUNITY SERVICE				Total Expenditures	-	-	-
Total Revenue	\$ -	\$ -	\$ -	<i>Unrestricted:</i>			
Total Expenditures	-	-	-	4.22 Unassigned Fund Balance (Net Assets)	-	-	-
4.60 Non Spendable Fund Balance	-	-	-				
<i>Restricted / Reserved:</i>				47 OPEB DEBT SERVICE FUND			
4.26 \$25 Taconite	-	-	-	Total Revenue	\$ -	\$ -	\$ -
4.31 Community Education	-	-	-	Total Expenditures	-	-	-
4.32 E.C.F.E	-	-	-	<i>Non-Spendable:</i>			
4.40 Teacher Development and Evaluation	-	-	-	4.60 Non Spendable Fund Balance	-	-	-
4.44 School Readiness	-	-	-	<i>Restricted:</i>			
4.47 Adult Basic Education	-	-	-	4.25 Bond Refundings	-	-	-
4.52 OPEB Liab Not In Trust	-	-	-	4.64 Restricted Fund Balance	-	-	-
4.73 PPP Loan	-	-	-	<i>Unassigned:</i>			
4.74 EIDL Loan	-	-	-	4.63 Unassigned Fund Balance	-	-	-
<i>Restricted:</i>							
4.64 Restricted Fund Balance	-	-	-				
<i>Unassigned:</i>							
4.63 Unassigned Fund Balance	-	-	-				

OTHER REQUIRED REPORTS

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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

To the Board of Directors
Urban Academy
Charter School No. 4088
Saint Paul, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Urban Academy, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Urban Academy's basic financial statements, and have issued our report thereon dated November 16, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Urban Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

November 16, 2020



MINNESOTA LEGAL COMPLIANCE REPORT

To the Board of Directors
Urban Academy
Charter School No. 4088
Saint Paul, 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 Urban Academy as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Urban Academy's basic financial statements, and have issued our report thereon dated November 16, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that Urban Academy failed to comply with the provisions of the Charter Schools and Uniform Financial Accounting and Reporting Standards sections of the *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minnesota Statute § 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 Urban Academy's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

November 16, 2020

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