Annual Financial Report

The Journey School

St. Paul, Minnesota

For the year ended June 30, 2021

Abdo
Lighting the path forward

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The Journey School
St. Paul, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

THE JOURNEY SCHOOL
CHARTER SCHOOL NO. 4258
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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The Journey School
St. Paul, Minnesota
Board of Education and Administration
For the Year Ended June 30, 2021

BOARD OF EDUCATION

Name	Title	Term Expires
Scott Gostchock	Chair	10/01/21
Craig Kepler	Vice Chair	10/01/21
Brittany Barth	Treasurer	10/01/21
Nicole Zagrzebski	Secretary	10/01/21
Michelle Ji	Member	10/01/21
Scott Kloetzke	Member	10/01/21
Angela Silver	Member	10/01/21

ADMINISTRATION

Michelle Cambrice	Director

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FINANCIAL SECTION

THE JOURNEY SCHOOL
CHARTER SCHOOL NO. 4258
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
The Journey School
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and aggregate remaining fund information of The Journey School, the Charter School), St. Paul, Minnesota as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedule of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions starting on page 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The individual fund schedule and table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 schedules and table are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2021 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

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Minneapolis, Minnesota
December 2, 2021

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Management's Discussion and Analysis

As management of The Journey School, (the Charter School), St. Paul Minnesota, we offer readers of the Charter School's financial statements this narrative overview and analysis of the page

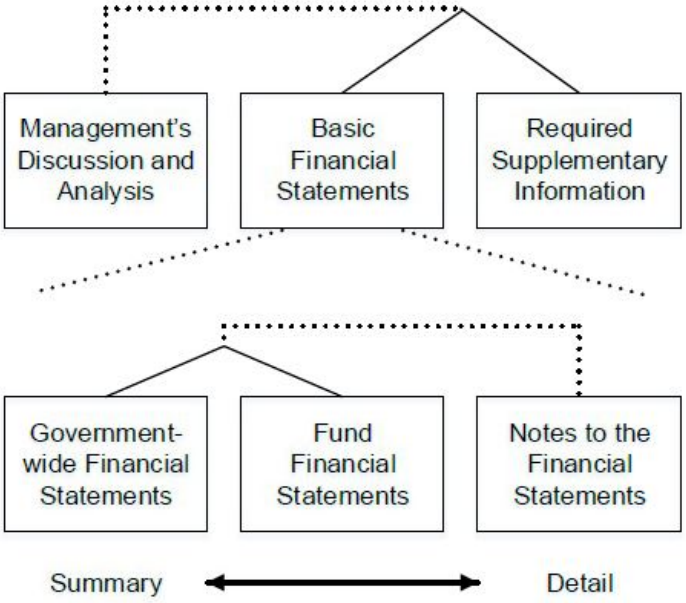
Financial Highlights

- The assets and deferred outflows of resources of the Charter School exceeded liabilities at the close of fiscal year 2021 by $281,807 (net position).
- The Charter School's net position increased $168,251 in 2021. The positive net position is mainly a result of PPP loan forgiveness and expenses being under budget.
- As of the close of the current fiscal year, the Charter School's governmental funds reported combined ending fund balances of $290,262.

Overview of the Financial Statements

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

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



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

Major Features of the Government-wide and Fund Financial Statements

		Fund Financial Statements
	Government-wide Statements	**Governmental Funds**
Scope	Entire Charter School	The activities of the Charter School that are not fiduciary, such as special education and building maintenance
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of deferred outflow/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

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

The *statement of net position* presents information on all of the Charter School's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Charter School is improving or deteriorating.

The *statement of activities* presents information showing how the Charter School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

The Charter School maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and Food Service fund.

The Charter School adopts an annual appropriated budget for its General fund and Food Service fund. Budgetary comparison statements have been provided for both funds to demonstrate compliance with the budgets.

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 35 of this report.

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

Other Information. Individual fund schedule and table start on page 66 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Charter School, assets and deferred outflows of resources exceeded liabilities by $281,807 (net position) at the close of the most recent fiscal year.

A portion of the Charter School's net position, $34,881, reflects its investment in capital assets (e.g., equipment). The Charter School uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.

The Journey School 's Summary of Net Position

	Governmental Activities		
	2021	2020	Increase (Decrease)
Assets			
Current and other assets	$ 306,048	$ 197,676	$ 108,372
Capital assets (net of accumulated depreciation)	57,693	13,577	44,116
Total Assets	363,741	211,253	152,488
Deferred Outflows of Resources	345,436	24,161	321,275
Liabilities			
Noncurrent liabilities outstanding	22,812	82,200	(59,388)
Net pension liability	387,818	-	387,818
Current and other liabilities	15,786	39,658	(23,872)
Total Liabilities	426,416	121,858	304,558
Deferred Inflows of Resources	954	-	954
Net position			
Net Investment in capital assets	34,881	13,577	21,304
Restricted	61,030	47,642	13,388
Unrestricted	185,896	52,337	133,559
Total Net Position	$ 281,807	$ 113,556	$ 168,251

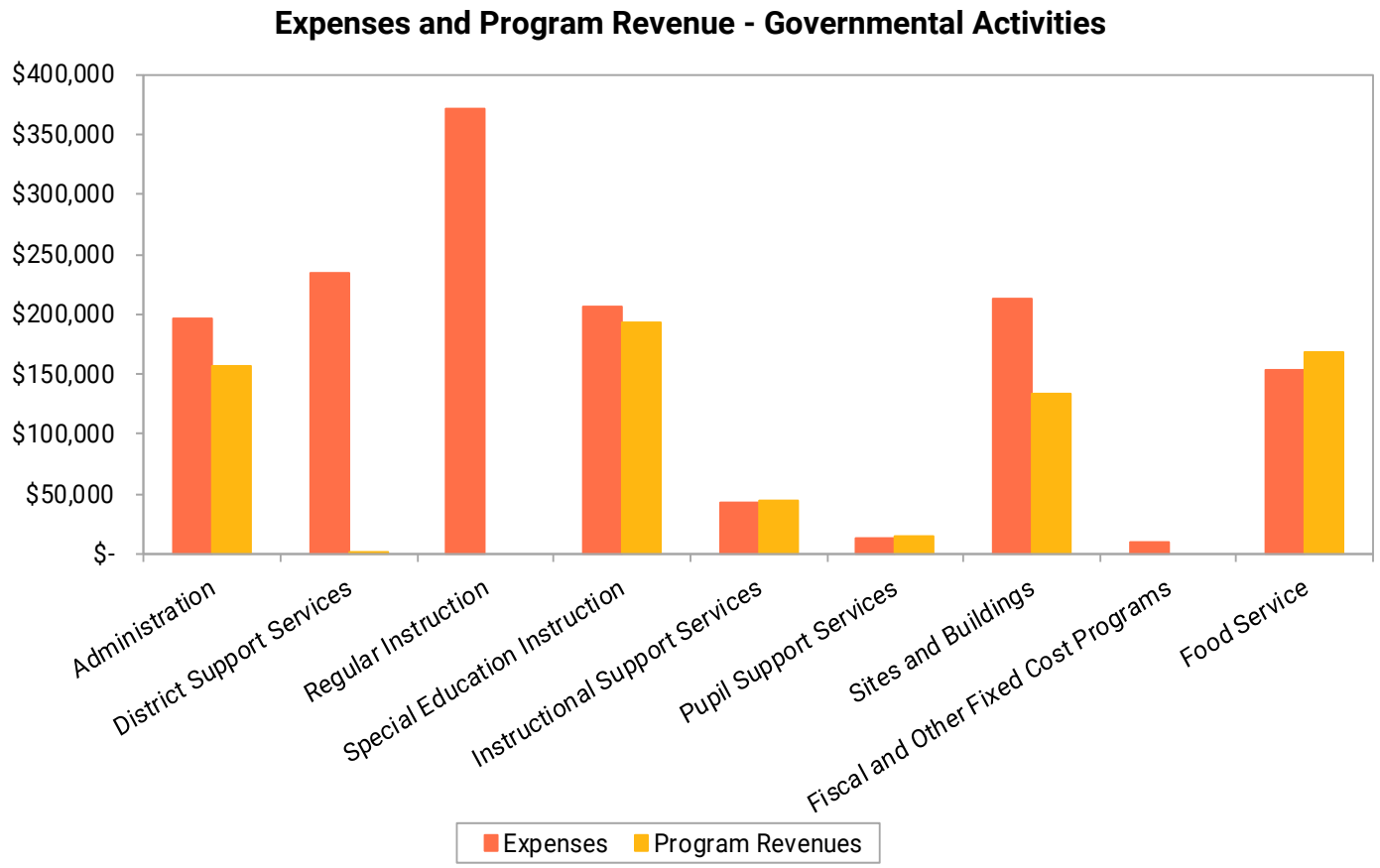
At the end of the current fiscal year, the Charter School is able to report positive balances in the net investment for capital assets, restricted categories of net position, and in the unrestricted category. The Charter School's net position increased $168,251 during the current fiscal year. Significant changes from the prior year are noted on the following page.

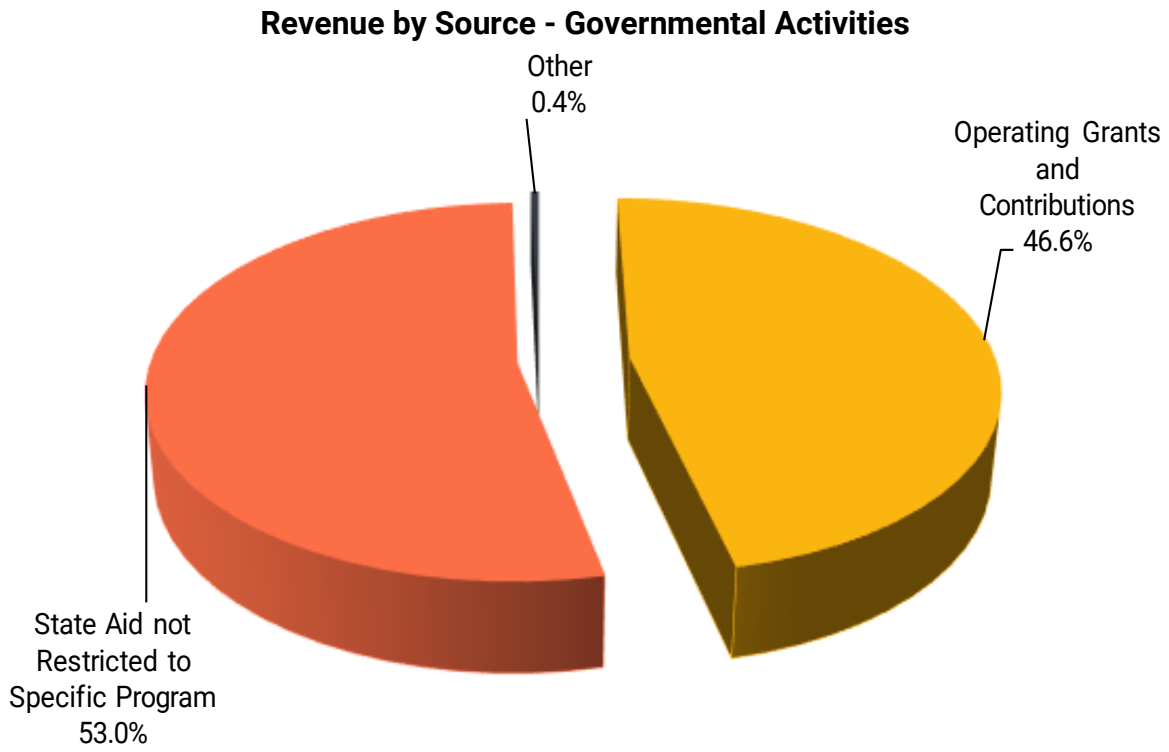
The Journey School 's Changes in Net Position

	Governmental Activities		
	2021	2020	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	$ -	$ 2,521	$ (2,521)
Operating grants and contributions	711,298	636,778	74,520
General revenues		-	
State aid-formula grants	809,778	546,534	263,244
Loan forgiveness	82,200	-	82,200
Other general revenues not restricted to specific programs	4,966	1,028	3,938
Unrestricted investment earnings	917	820	97
Total Revenues	1,609,159	1,187,681	421,478
Expenses			
Administration	197,080	147,485	49,595
District support services	233,827	216,988	16,839
Regular instruction	371,715	277,309	94,406
Special education instruction	207,092	87,142	119,950
Instructional support services	42,840	15,940	26,900
Pupil support services	13,275	2,118	11,157
Food Service	152,914	99,727	53,187
Sites and buildings	212,575	221,783	(9,208)
Fiscal and other fixed cost programs	9,590	5,633	3,957
Total Expenses	1,440,908	1,074,125	366,783
Change in Net Position	168,251	113,556	54,695
Net Position, July 1, 2020	113,556	-	113,556
Net Position, June 30, 2021	$ 281,807	$ 113,556	$ 168,251

- The increase in net position is a result of the PPP loan forgiveness and expenditures being under budget.

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





Financial Analysis of the Charter School's Funds

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

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

As of the end of the current fiscal year, the Charter School's governmental funds reported combined ending fund balances of $290,262. Approximately 78.3 percent of this total amount, $227,260, constitutes unassigned fund balance. The remainder of fund balance ($63,002) is not available for new spending because it is nonspendable for prepaid items or restricted for food service.

The General fund is the primary operating fund of the Charter School. At the end of the current year, the total fund balance of the General fund was $229,232. As a measure of the General fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Total ending fund balance represents 18.1 percent of fund expenditures for the General fund.

The Food Service fund had an ending fund balance of $61,030. The Charter School aims to keep a positive fund balance in the Food Service fund.

Budgetary Highlights

The Charter School's original General fund budget called for a decrease in fund balance of $168,169. The budget was amended and the final budget called for an increase of $75,932 in fund balance. The actual fund balance increased $118,856 during the year. Revenues had a negative budget variance of $95,332 due to less federal programs than expected. Expenditures had a positive budget variance of $112,660. The reason for the variance is mainly due to regular instruction expenses coming in under budget.

The Charter School's original Food Service fund budget called for an increase in fund balance of $24,673. The budget was amended and the final budget called for a decrease of $3,120 in fund balance. The actual fund balance increased $13,388 during the year. Revenues had a positive budget variance of $7,450 due to more federal revenues than expected. Expenditures had a positive budget variance of $9,058 due to less food service costs than expected.

Capital Assets

The Charter School's investment in capital assets for its governmental activities as of June 30, 2021 amounts to $57,693 (net of accumulated depreciation). This investment in capital assets includes equipment. The total depreciation for the year was $6,681. The following is a schedule of capital assets as of June 30, 2021 and 2020.

The Journey School 's Capital Assets
(Net of Depreciation)

	Governmental Activities		
	2021	2020	Increase (Decrease)
Equipment	$ 57,693	$ 13,577	$ 44,116

Major capital purchases during the year included the purchase of a Ford Transit bus.

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

Noncurrent Liabilities

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

The Journey School 's Noncurrent Liabilities

	Governmental Activities		
	2021	2020	Increase (Decrease)
Capital Lease Payable	$ 22,812	$ -	$ 22,812
Loans Payable	-	82,200	(82,200)
Total	$ 22,812	$ 82,200	$ (59,388)

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

Economic Factors and Next Year's Budgets and Rates

- Legislation has increased the per pupil unit revenue to $6,728 for the 2021-2022 school year. This results in an increase of $161 per pupil unit.
- In FY21 the school ended with 98.46 ADM. On September 14, 2021 the school had 109.90 ADM for FY22.
- The State of Minnesota is currently withholding 10 percent of the funds to which schools are entitled in the next fiscal year, 2022-2023. The holdback has remained the same percent since FY14.
- The Charter School's FY22 revenue budget is $2,268,331 and the expenditure budget is $2,110,117 resulting in a proposed year-end surplus of $158,215. The numbers reflect the Board approved budget on June 15, 2021.
- The Charter School is consistent in executing good fiscal management by:
    1. Appropriate internal control procedures are maintained.
    2. Fiscal duties are segregated.
    3. Board meetings are held every month.
    4. Financial reports are presented at every Board meeting, except for June financials due to end of previous year process.
    5. Monthly comparisons of the budget with actual year-to-date data are provided at each Board meeting.
    6. Full utilization of the Skyward accounting system has continued.
    7. The budget is revised once or twice a year.

Requests for Information

This financial report is designed to provide a general overview of the Charter School's finances for all those with an interest in the Charter School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, The Journey School, 775 Lexington Pkwy N, St. Paul, MN 55104.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

THE JOURNEY SCHOOL
CHARTER SCHOOL NO. 4258
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

The Journey School
St. Paul, Minnesota
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash and temporary investments	$ 166,246
Due from the Minnesota Department of Education	84,130
Due from the Federal government	53,700
Prepaid items	1,972
Capital assets	
Depreciable assets (net of accumulated depreciation)	57,693
Total Assets	363,741
Deferred Outflows of Resources	
Deferred pension resources	345,436
Liabilities	
Accounts and other payables	2,328
Due to other governments	2,807
Accrued salaries and withholdings payable	9,151
Unearned revenue	1,500
Noncurrent liabilities	
Due within one year	
Long-term liabilities	5,911
Due in more than one year	
Long-term liabilities	16,901
Net pension liability	387,818
Total Liabilities	426,416
Deferred Inflows of Resources	
Deferred pension resources	954
Net Position	
Net Investment in capital assets	34,881
Restricted for food service	61,030
Unrestricted	185,896
Total Net Position	$ 281,807

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

The Journey School
St. Paul, Minnesota
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities					
Administration	$ 197,080	$ -	$ 156,540	$ -	$ (40,540)
District support services	233,827	-	1,392	-	(232,435)
Regular instruction	371,715	-	-	-	(371,715)
Special education instruction	207,092	-	193,063	-	(14,029)
Instructional support services	42,840	-	44,697	-	1,857
Pupil support services	13,275	-	14,368	-	1,093
Food service	152,914	-	167,450	-	14,536
Sites and buildings	212,575	-	133,788	-	(78,787)
Fiscal and other fixed cost programs	9,590	-	-	-	(9,590)
Total Governmental Activities	$ 1,440,908	$ -	$ 711,298	$ -	(729,610)

General Revenues	
State aid-formula grants	809,778
Loan forgiveness	82,200
Other general revenues not restricted to specific programs	4,966
Unrestricted investment earnings	917
Total General Revenues	897,861
Change in Net Position	168,251
Net Position, July 1, 2020	113,556
Net Position, June 30, 2021	$ 281,807

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

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FUND FINANCIAL STATEMENTS

THE JOURNEY SCHOOL
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

The Journey School
St. Paul, Minnesota
Balance Sheet
Governmental Funds
June 30, 2021

	General	Food Service	Total Governmental Funds
Assets			
Cash and temporary investments	$ 108,346	$ 57,900	$ 166,246
Due from the Minnesota Department of Education	84,130	-	84,130
Due from the Federal Government	47,210	6,490	53,700
Prepaid items	1,972	-	1,972
Total Assets	$ 241,658	$ 64,390	$ 306,048
Liabilities			
Accounts and other payables	$ 2,328	$ -	$ 2,328
Due to other governments	-	2,807	2,807
Accrued salaries payable	8,598	553	9,151
Unearned revenue	1,500	-	1,500
Total Liabilities	12,426	3,360	15,786
Fund Balances			
Nonspendable prepaid items	1,972	-	1,972
Restricted for			
Food service	-	61,030	61,030
Unassigned	227,260	-	227,260
Total Fund Balances	229,232	61,030	290,262
Total Liabilities and Fund Balances	$ 241,658	$ 64,390	$ 306,048

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

The Journey School
St. Paul, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2021

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

Total Fund Balances - Governmental Funds	$	290,262
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets		67,249
Less accumulated depreciation		(9,556)
Noncurrent liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Noncurrent liabilities at year end consist of		
Net pension liability		(387,818)
Capital lease payable		(22,812)
Governmental funds do not report long-term amounts related to pensions.		
Deferred outflows of pension resources		345,436
Deferred outflows of resources - pensions		(954)
Total Net Position - Governmental Activities	$	281,807

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

The Journey School

St. Paul, Minnesota

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2021

	General	Food Service	Total Governmental Funds
Revenues			
Revenue from local sources	$ 159,425	$ -	$ 159,425
Revenue from state sources	1,111,159	1,999	1,113,158
Revenue from federal sources	85,927	165,451	251,378
Interest earned on investments	917	-	917
Sales and other conversion of assets	(661)	-	(661)
Total Revenues	1,356,767	167,450	1,524,217
Expenditures			
Current			
Administration	171,156	-	171,156
District support services	228,937	-	228,937
Regular instruction	330,585	-	330,585
Special education instruction	204,277	-	204,277
Instructional support services	39,253	-	39,253
Pupil support services	7,487		7,487
Sites and buildings	211,070	-	211,070
Fiscal and other fixed cost programs	12,374	-	12,374
Food service	-	154,062	154,062
Capital outlay			
District support services	4,430	-	4,430
Instructional support services	2,985	-	2,985
Pupil support services	49,353	-	49,353
Sites and buildings	1,600	-	1,600
Total Expenditures	1,263,507	154,062	1,417,569
Excess of Revenues Over Expenditures	93,260	13,388	106,648
Other Financing Sources			
Capital lease issued	25,596	-	25,596
Net Change in Fund Balances	118,856	13,388	132,244
Fund Balances, July 1, 2020	110,376	47,642	158,018
Fund Balances, June 30, 2021	$ 229,232	$ 61,030	$ 290,262

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

The Journey School

St. Paul, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2021

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

Total Net Change in Fund Balances - Governmental Funds	$	132,244
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays		50,797
Depreciation expense		(6,681)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Loan forgiveness		82,200
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position		
Capital lease issued		(25,596)
Principal payments on capital lease		2,784
Long-term pension activity is not reported in governmental funds.		
Pension expense		(70,239)
Pension revenue		2,742
Change in Net Position - Governmental Activities	$	168,251

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

The Journey School
St. Paul, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Revenue from local sources	$ 1,500	$ 163,000	$ 159,425	$ (3,575)
Revenue from state sources	1,025,455	1,107,614	1,111,159	3,545
Revenue from federal sources	157,500	180,235	85,927	(94,308)
Interest earned on investments	-	1,250	917	(333)
Sales and other conversion of assets	-	-	(661)	(661)
Total Revenues	1,184,455	1,452,099	1,356,767	(95,332)
Expenditures				
Current				
Administration	164,674	166,993	171,156	(4,163)
District support services	206,104	223,575	228,937	(5,362)
Regular instruction	617,393	412,321	330,585	81,736
Special education instruction	72,386	208,078	204,277	3,801
Instructional support services	12,025	78,350	39,253	39,097
Pupil support services	23,400	9,231	7,487	1,744
Sites and buildings	224,142	213,879	211,070	2,809
Fiscal and other fixed cost programs	7,500	12,250	12,374	(124)
Capital outlay				
District support services	12,500	-	4,430	(4,430)
Instructional support services	5,000	25,730	2,985	22,745
Pupil support services	-	23,760	49,353	(25,593)
Sites and buildings	7,500	2,000	1,600	400
Total Expenditures	1,352,624	1,376,167	1,263,507	112,660
Excess (Deficiency) of Revenues Over (Under) Expenditures	(168,169)	75,932	93,260	17,328
Other Financing Sources				
Capital lease issued	-	-	25,596	25,596
Net Change in Fund Balances	(168,169)	75,932	118,856	42,924
Fund Balances, July 1, 2020	44,040	(49,285)	110,376	159,661
Fund Balances, June 30, 2021	$ (124,129)	$ 26,647	$ 229,232	$ 202,585

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

The Journey School
St. Paul, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
Food Service Fund
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Revenue from state sources	$ 7,950	$ -	$ 1,999	1,999
Revenue from federal sources	261,113	160,000	165,451	5,451
Sales and other conversion of assets	1,879	-	-	-
Total Revenues	270,942	160,000	167,450	7,450
Expenditures				
Current				
Food service	246,269	163,120	154,062	9,058
Net Change in Fund Balances	24,673	(3,120)	13,388	16,508
Fund Balances, July 1, 2020	47,642	47,642	47,642	-
Fund Balances, June 30, 2021	$ 72,315	$ 44,522	$ 61,030	$ 16,508

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

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Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Journey School, (the Charter School), St. Paul, Minnesota is a nonprofit that was formed February 19, 2019 under Section 501(c)(3) of the Internal Revenue Code in accordance with Minnesota Statutes and began operating February 19, 2019 pursuant to applicable Minnesota laws and statutes. The School is authorized by Innovative Quality Schools. The primary objectives of the School are to empower teachers, engage parents, and inspire a community by setting high expectations through technology-supported teaching and learning, implementing high standards, and measuring results.

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

The Charter School does not have any student activity accounts.

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State aid formula grants and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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

Description of Funds

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

Major Governmental Funds

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

The *Food Service fund* accounts for receipts and disbursements of the Charter School's nutrition program. Revenues from state sources and federal sources are restricted to the nutrition program.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Deposits and Investments

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

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The Charter School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

5. Obligation of a school Charter School with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant of statute section 126C.55.

6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Charter School does not have any investments or a formal investment policy.

Note 1: Summary of Significant Accounting Policies (Continued)

Due from the Department of Education

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

Prepaid Items

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

Capital Assets

Capital assets include equipment. Capital assets are defined by the Charter School as assets with an initial, individual cost of more than $2,500 (amount not rounded) 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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated capital assets are recorded at acquisition value at the date of donation.

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

Deferred Outflows of Resources

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

Pensions

Teachers Retirement Association (TRA)

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

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

Public Employees Retirement Association (PERA)

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

	GERP	TRA	Total Pension Expense
Pension Expense	$ 11,360	$ 93,717	$ 105,077

Long-term Obligations

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

Deferred Inflows of Resources

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

Fund Balance

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

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

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

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

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

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

a. Net Investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position balances that do not meet the definition of “restricted” or “investment in capital assets.”

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

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

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

The Charter School amended the budgets to account for changes from initial expectations. In the General fund, budgeted total revenues increased $267,644 and budgeted total expenditures increased $23,543. The Food Service fund budget was also amended with total revenues decreasing $110,942 and total expenditures decreasing $83,149.

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

1. Prior to July 1, the budget is prepared by the Director to be adopted by the Board of Education.

2. Budgets for the General and Food Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

3. Budgeted amounts are as originally adopted, or as amended.

4. Total fund expenditures in excess of the budget require approval of the Board of Directors.

5. Budget appropriations lapse at year end.

6. The legal level of control is the fund level.

7. The Charter School does not use encumbrance accounting.

Note 3: Detailed Notes on All Funds

A. Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the Charter School's carrying amount of deposits was $166,246 and the bank balance was $174,998. The entire bank balance was covered by federal depository insurance.

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Being Depreciated				
Equipment	$ 16,452	$ 50,797	$ -	$ 67,249
Less Accumulated Depreciation for Equipment	(2,875)	(6,681)	-	(9,556)
Governmental Activities Capital Assets, Net	$ 13,577	$ 44,116	$ -	$ 57,693

Governmental Activities	
District Support	$ 460
Elementary and Secondary Regular Instruction	240
Instructional Support Services	2,988
Food service	67
Pupil Support Services	2,926
Total Depreciation Expense - Governmental Activities	$ 6,681

C. Capital Leases

Capital Leases

In Fiscal Year 2021 the school entered into a lease for a Ford Transit Van. The lease extends through December 2024.

The asset acquired through the capital lease is as follows:

Description	Cost	Accumulated Depreciation	Net Book Value
Ford Transit Van	$ 45,596	$ (2,660)	$ 42,936

Note 3: Detailed Notes on All Funds (Continued)

The lease agreement qualifies as a capital lease for accounting purposes and, therefore have been recorded at the present value of the future minimum lease payments as of the date of inception. Annual debt service requirements to maturity for the lease is as follows:

Year Ending June 30,	Governmental Activities
2022	$ 7,520
2023	7,520
2024	7,520
2025	3,761
Total Minimum Lease Payments	26,321
Less: Amount Representing Interest	(3,399)
Present Value of Minimum Lease Payments	$ 22,922

D. Long-term Liabilities

Loans Payable

The Charter School's Paycheck Protection Program (PPP) loan was forgiven in full on November 5, 2020.

Change in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Loans					
Paycheck Protection Program Loan	$ 82,200	$ -	$ (82,200)	$ -	$ -
Capital Leases	-	25,596	(2,784)	22,812	5,911
Total	$ 82,200	$ 25,596	$ (84,984)	$ 22,812	$ 5,911

Note 3: Detailed Notes on All Funds (Continued)

E. Operating Lease

The Charter School leases classroom and administrative space at 775 Lexington Parkway N., St. Paul, MN. The lease agreement is cancelable and has a term of 53 months with four renewal options of five years each. The Charter School entered into a new lease with The SON Experience, a Minnesota nonprofit corporation operated as a Christian church on July 1, 2019. The initial lease term on this agreement extends through June 30, 2022.

The following is a summary of future minimum lease payments:

Year Ending June 30,	Amount
2022	$ 174,500

The Charter School's ability to make payments under such lease agreements is dependent on its revenues which are, in turn, largely dependent on sufficient enrollments being served at the Charter School and on sufficient state aids per student being authorized and received from the State of Minnesota. The Charter School believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

Note 4: Defined Benefit Pension Plans

A. Teacher Retirement Association (TRA)

1. Plan Description

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

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

2. Benefits Provided

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

Note 4: Defined Benefit Pension Plans (Continued)

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

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

With these provisions:

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

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

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

or

Tier II: For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent per year for Basic members applies. Beginning July 1, 2017, the early retirement reduction factors are based on rates established under Minnesota statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

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

Note 4: Defined Benefit Pension Plans (Continued)

3. Contribution Rate

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

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

The Charter School's contributions for the year ending June 30, 2021 and 2020 were $25,086 and $19,985. The Charter School's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

The following is a reconciliation of employer contributions in TRA's Comprehensive Annual Financial Report "Statement of Changes in Fiduciary Net Position" to the employer contributions used in schedule of employer and non-employer pension allocations.

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

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

Note 4: Defined Benefit Pension Plans (Continued)

4. Actuarial Assumptions

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

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

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

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

Note 4: Defined Benefit Pension Plans (Continued)

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

Changes in actuarial assumptions since the 2019 valuation:

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

5. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2020 contribution rate, contributions from school Charter 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).

6. Pension Liability

At June 30, 2021, the School reported a liability of $339,854 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School’s proportion of the net pension liability was based on the School’s contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School Charter School. The School’s proportionate share was 0.0046 percent at the end of the measurement period and 0.0000 percent for the beginning of the year.

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

Charter School's Proportionate Share of Net Pension Liability	$	339,854
State's Proportionate Share of Net Pension Liability Associated with the Charter School		28,564

For the year ended June 30, 2021, the Charter School recognized pension expense of $91,100. It also recognized $2,617 as an increase to pension expense for the support provided by direct aid.

Note 4: Defined Benefit Pension Plans (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 6,815	$ -
Changes in Actuarial Assumptions	256	-
Net Difference Between Projected and Actual Earnings on Plan Investments	27,104	-
Changes in Proportion	234,563	-
Contributions to TRA Subsequent to the Measurement Date	25,086	-
Total	$ 293,824	$ -

Deferred outflows of resources totaling $25,086 related to pensions resulting from the District's contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2022	$ 66,831
2023	66,831
2024	66,831
2025	66,831
2026	1,414

7. Pension Liability Sensitivity

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

1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
$ 520,313	$ 339,854	$ 191,165

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

8. Pension Plan Fiduciary Net Position

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

Note 4: Defined Benefit Pension Plans (Continued)

B. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Plan

All full-time and certain part-time employees of the Charter School are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Benefits Provided

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

General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Note 4: Defined Benefit Pension Plans (Continued)

3. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the Charter School was required to contribute 7.50 percent for Coordinated Plan members. The Charter School's contributions to the General Employee Fund for the year ending December 31, 2021 and 2020 were $9,753 and $4,176. The Charter School's contributions were equal to the required contributions for each year as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2021, the Charter School reported a liability of $47,964 for its proportionate share of the General Employees Fund's net pension liability. The Charter School's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The Charter School's proportionate share of the net pension liability was based on the Charter School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the Charter School's proportion was 0.0008 percent.

Charter School's Proportionate Share of the Net Pension Liability	$	47,964
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the Charter School		1,435
Total	$	49,399

For the year ended June 30, 2021, the School recognized pension expense of $11,235 for its proportionate share of the General Employees Plan's pension expense. In addition, the Charter School recognized $125 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

Note 4: Defined Benefit Pension Plans (Continued)

At June 30, 2021, the School reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ -	$ 181
Changes in Actuarial Assumptions	-	773
Net Difference Between Projected and Actual Earnings on Plan Investments	4,635	-
Changes in Proportion	37,224	-
Contributions to GERF Subsequent to the Measurement Date	9,753	-
Total	$ 51,612	$ 954

The $9,753 reported as deferred outflows of resources related to pensions resulting from the Charter School's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follow:

2022	$ 13,249
2023	13,250
2024	13,249
2025	1,157

5. Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.5% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

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

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

Note 4: Defined Benefit Pension Plans (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Note 4: Defined Benefit Pension Plans (Continued)

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

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

6. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund 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.

7. Pension Liability Sensitivity

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

1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
$ 76,869	$ 47,964	$ 24,119

8. Pension Plan Fiduciary Net Position

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

Note 5: Other Information

A. Risk Management

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

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

B. Contingencies

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 fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the Charter School expects such amounts, if any, to be immaterial.

C. Income Taxes

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

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

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

Note 6: COVID-19

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

THE JOURNEY SCHOOL
CHARTER SCHOOL NO. 4258
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

The Journey School
St. Paul, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2021

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	Charter School's Proportion of the Net Pension Liability	Charter School's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	Charter School's Covered Payroll (c)	Charter School's Proportionate Share of the Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/20	0.0046 %	$ 339,854	$ 28,564	368,418	$ 252,336	134.7 %	75.5 %

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

Schedule of Employer's TRA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Charter School's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/21	$ 25,086	$ 25,086	$ -	$ 308,561	8.13 %
6/30/20	19,985	19,985	-	252,336	7.92

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

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

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

2019 - No changes noted.

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

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

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

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

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

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2020 - No changes noted.

2019 - No changes noted.

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

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

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

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

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

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

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

2017 - No changes noted.

2016 - No changes noted.

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

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

The Journey School
St. Paul, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	Charter School's Proportion of the Net Pension Liability	Charter School's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	Charter School's Covered Payroll (c)	Charter School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/20	0.0008 %	$ 47,964	$ 1,435	$ 49,399	$ 55,680	86.1 %	79.0 %

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

Schedule of Employer's PERA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Charter School's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/21	$ 9,753	$ 9,753	$ -	$ 130,040	7.50 %
6/30/20	4,176	4,176	-	55,680	7.50

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

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

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

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

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

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

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

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

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

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

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

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

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

2016 - No changes noted.

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

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INDIVIDUAL FUND SCHEDULE AND TABLE

THE JOURNEY SCHOOL
CHARTER SCHOOL NO. 4258
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

The Journey School
St. Paul, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Page)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Revenue from local sources	$ 1,500	$ 163,000	$ 159,425	$ (3,575)	$ 473,392
Revenue from state sources	1,025,455	1,107,614	1,111,159	3,545	546,534
Revenue from federal sources	157,500	180,235	85,927	(94,308)	19,566
Interest earned on investments	-	1,250	917	(333)	820
Sales and other conversion of assets	-	-	(661)	(661)	-
Total Revenues	1,184,455	1,452,099	1,356,767	(95,332)	1,040,312
Expenditures					
Current					
Administration					
Salaries	107,500	112,000	117,648	(5,648)	109,308
Fringe benefits	38,149	44,431	43,470	961	39,217
Purchased services	1,500	1,500	120	1,380	175
Supplies and materials	7,525	-	-	-	40
Other	10,000	9,062	9,918	(856)	6,438
Total administration	164,674	166,993	171,156	(4,163)	155,178
District support services					
Salaries	2,625	-	-	-	-
Fringe benefits	414	-	468	(468)	4,465
Purchased services	173,090	206,825	213,980	(7,155)	147,486
Supplies and materials	25,975	16,250	14,389	1,861	55,179
Other	4,000	500	100	400	165
Total district support services	206,104	223,575	228,937	(5,362)	207,295
Regular instruction					
Salaries	287,500	215,887	217,300	(1,413)	177,547
Fringe benefits	81,295	73,701	47,005	26,696	44,157
Purchased services	64,748	21,383	2,745	18,638	28,563
Supplies and materials	183,850	101,350	63,535	37,815	32,330
Total regular instruction	617,393	412,321	330,585	81,736	282,597
Special education instruction					
Salaries	40,000	99,800	98,267	1,533	40,734
Fringe benefits	6,686	26,260	25,292	968	15,865
Purchased services	25,400	71,064	71,677	(613)	32,553
Supplies and materials	300	10,954	9,041	1,913	1,353
Total special education instruction	72,386	208,078	204,277	3,801	90,505
Instructional support services					
Purchased services	3,000	25,500	10,251	15,249	9,066
Supplies and materials	9,025	52,850	29,002	23,848	4,499
Total instructional support services	12,025	78,350	39,253	39,097	13,565
Pupil support services					
Salaries	-	3,240	5,091	(1,851)	1,280
Fringe benefits	-	491	772	(281)	194
Purchased services	23,150	5,500	377	5,123	330
Supplies and materials	250	-	625	(625)	724
Other	-	-	622	(622)	-
Total pupil support services	23,400	9,231	7,487	1,744	2,528

The Journey School
St. Paul, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Period July 1, 2020 to June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Sites and buildings					
Salaries	$ -	$ -	$ 1,280	$ (1,280)	$ -
Fringe benefits	-	-	194	(194)	175
Purchased services	219,117	213,629	209,162	4,467	209,763
Supplies and materials	5,025	250	434	(184)	205
Total sites and buildings	224,142	213,879	211,070	2,809	210,143
Fiscal and other fixed cost programs					
Purchased services	7,500	12,250	12,374	(124)	5,633
Total current	1,327,624	1,324,677	1,205,139	119,538	967,444
Capital outlay					
District support services	12,500	-	4,430	(4,430)	11,533
Regular instruction	-	-	-	-	8,567
Instructional support services	5,000	25,730	2,985	22,745	12,952
Pupil support services	-	23,760	49,353	(25,593)	-
Sites and buildings	7,500	2,000	1,600	400	11,640
Total capital outlay	25,000	51,490	58,368	(6,878)	44,692
Total Expenditures	1,352,624	1,376,167	1,263,507	112,660	1,012,136
Excess (Deficiency) of Revenues Over (Under) Expenditures	(168,169)	75,932	93,260	17,328	28,176
Other Financing Sources					
Capital lease issued	-	-	25,596	25,596	-
Net Change in Fund Balances	(168,169)	75,932	118,856	42,924	28,176
Fund Balances, July 1, 2020	44,040	(49,285)	110,376	159,661	82,200
Fund Balances, June 30, 2021	$ (124,129)	$ 26,647	$ 229,232	$ 202,585	$ 110,376

DEPARTMENT OF EDUCATION

Fiscal Compliance

Fiscal Compliance Report - 6/30/2021
District: THE JOURNEY SCHOOL (4258-7)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$1,356,767	$1,356,768	($1)
Total Expenditures	$1,263,507	$1,263,508	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$1,972	$1,972	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$0	$0	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$0	$0	$0
4.72 Medical Assistance	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$0	$0	$0
Unassigned:			
4.22 Unassigned Fund Balance	$227,260	$227,261	($1)
02 FOOD SERVICES			
Total Revenue	$167,450	$167,450	$0
Total Expenditures	$154,062	$154,061	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust			

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
18 CUSTODIAL			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures			

	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$61,030	$61,031	($1)
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

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

45 OPEB IRREVOCABLE TRUST

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

47 OPEB DEBT SERVICE

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

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OTHER REQUIRED REPORTS

THE JOURNEY SCHOOL
CHARTER SCHOOL NO. 4258
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Education
The Journey School
St. 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, the major fund and the remaining aggregate fund information of The Journey School, (the Charter School), St. Paul, Minnesota as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated December 2, 2021.

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

Abdo

Abdo
Minneapolis, Minnesota
December 2, 2021

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

Members of the Board of Education
The Journey School
St. 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, the major fund and remaining aggregate fund information of The Journey School, (the Charter School), St. Paul, Minnesota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated December 2, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Abdo
Minneapolis, Minnesota
December 2, 2021