Howard Gardner Multiple Intelligence Charter School

Financial Statements and
Supplementary Information

June 30, 2021

Howard Gardner Multiple Intelligence Charter School

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Independent Auditors' Report

To the Board of Trustees of the
Howard Gardner Multiple Intelligence Charter School

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activity, the discretely presented component unit, and the General Fund of the Howard Gardner Multiple Intelligence Charter School (School), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the 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.

Auditors' 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 Standa*rds, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity, the discretely presented component unit, and the General Fund of the School as of June 30, 2021, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 and the Required Supplementary Information on pages 26 and 27 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2021 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Wilkes-Barre, Pennsylvania
September 22, 2021

This Management's Discussion and Analysis (MD&A) of the financial performance of the Howard Gardner Multiple Intelligence Charter School (School) provides an overall review of the School's financial activities for its fiscal year ended June 30, 2021. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the basic financial statements and related notes to enhance their understanding of the School's financial performance.

School Profile and Mission

The School is located in Scranton, Pennsylvania and operates a charter school under approved charters received from the Scranton and Abington Heights School Districts in accordance with Pennsylvania Act 22 of 1997. The mission of the School is to provide students from kindergarten through eighth grade with individualized educational experiences consistent with the theory of multiple intelligences.

2021 Financial Highlights

On a government-wide basis, revenues exceeded expenses by $95,274, increasing net position to $12,729 at June 30, 2021. On a fund basis, the General Fund reported a decrease of $625,137 in its fund balance to $750,028, or 14% of 2021 expenditures.

Overview of the Financial Statements

The MD&A is intended to serve as an introduction to the School's basic financial statements, which include government-wide financial statements, fund financial statements and notes to the basic financial statements. This report also contains required supplementary information related to pensions.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to private sector business. These statements are prepared using the accrual basis of accounting. The focus of the statements is for the long-term.

The School must evaluate related entities to determine if they should be included in the School's financial statements. The School has determined the Howard Gardner Charter School Foundation (Foundation) meets the criteria for inclusion in the financial statements and, accordingly, the School has reported the Foundation as a discretely presented component unit in the government-wide financial statements.

The statement of net position presents information on all the School's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial condition of the School is improving or deteriorating. To assess the School's overall health, the reader will need to consider additional nonfinancial factors such as student performance and changes in the condition of school buildings and other facilities.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported 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 in future fiscal periods (e.g., earned but unused vacation leave and pension benefits).

The government-wide financial statements distinguish the functions of the School that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). All of the School’s activity is reported as a governmental activity as the School has no business-type activities.

The government-wide financial statements can be found on pages 8 and 9 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 School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of governmental fund financial statements is short-term. Governmental fund financial statements are prepared using the modified accrual basis of accounting. The School uses the governmental fund type.

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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements. The School currently has only one government fund, the General Fund.

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 School's near-term financing decisions. Both the balance sheet - General Fund and the statement of revenues, expenditures and change in fund balance - General Fund provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The General Fund statements can be found on pages 10 through 13 of this report.

The School adopts an annual budget for its General Fund using the Executive Budget approach. A budgetary comparison statement for the General Fund has been provided on page 14 of this report to demonstrate compliance with this budget.

Notes to the Financial Statements

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

The notes to the financial statements can be found on pages 15 through 25 of this report.

Government-Wide Financial Analysis

The following table presents condensed information at June 30:

	Governmental Activity	
	2021	**2020**
Assets and Deferred Outflows of Resources		
Current assets	$ 1,687,067	$ 1,761,333
Noncurrent assets	2,520,290	1,905,159
Total assets	4,207,357	3,666,492
Deferred outflows of resources	371,866	351,302
Total assets and deferred outflows of resources	$ 4,579,223	$ 4,017,794
Liabilities, Deferred Inflows of Resources and Net Position (Deficit)		
Current liabilities	$ 937,039	$ 462,811
Long-term liabilities	3,202,455	3,159,528
Total liabilities	4,139,494	3,622,339
Deferred inflow of resources	427,000	478,000
Total liabilities and deferred inflow of resources	4,566,494	4,100,339
Net Position (Deficit)		
Net investment in capital assets	1,649,107	1,527,903
Unrestricted	(1,636,378)	(1,610,448)
Total net position (deficit)	12,729	(82,545)
Total liabilities, deferred inflows of resources and net position (deficit)	$ 4,579,223	$ 4,017,794

The School's total assets and pension deferred outflows increased by $561,429 from 2020 to 2021 due primarily to an increase in capital assets related to the School’s construction project. Total liabilities and pension deferred inflows increased by $466,155 due to primarily to a $484,082 increase in construction related accounts payable and a decrease of $51,000 in the pension deferred inflows and net pension liability. The total net position increased by $95,274 to $12,729 at June 30, 2021.

A portion of the School's net position includes its investment in capital assets net of accumulated depreciation less any outstanding debt used to acquire those assets. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt and construction payables, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. At June 30, 2021, the School's net investment in capital assets was $1,649,107, an increase of $121,204 from 2020, resulting primarily from current year capital assets additions less principal payments on debt and depreciation expense.

The following table presents condensed information for the years ended June 30, 2021 and 2020:

	Governmental Activity	
	2021	2020
Revenues		
Charges for services	$ 13,984	$ 18,955
Operating grants and contributions	4,183,449	3,763,334
General revenues	54,339	59,575
Total revenues	4,251,772	3,841,864
Expenses		
Instruction	2,374,726	2,046,359
Support services	1,623,010	1,408,192
Student activities	57,382	94,484
Interest expense	19,640	14,069
Depreciation	81,740	83,090
Total expenses	4,156,498	3,646,194
Change in Net Position	95,274	195,670
Net Deficit, Beginning	(82,545)	(278,215)
Net Position (Deficit), Ending	$ 12,729	$ (82,545)

Operating grants and contributions in the governmental activity increased $420,115 compared to 2020. The increase results from a change in student mix, increased per pupil funding rates versus 2020, and grant funding related to the COVID-19 pandemic. Expenses increased $510,304 or 14% compared to 2020. This increase was primarily due to salaries, benefits and expenditures necessitated by the COVID-19 pandemic.

Fund Financial Analysis

The governmental fund financial statements provide detailed information on the School's only fund, the General Fund, through which it conducts all of its operations. At June 30, 2021, the General Fund had a fund balance of $750,028, which is a decrease of $625,137 from June 30, 2020. This decrease resulted primarily from expenditures for the School’s building project.

Activity in the General Fund and the governmental activity noted above are essentially the same except for the effects of certain amounts such as depreciation, capital outlay, principal paid on debt and long-term liabilities (pension and compensated absences). Accordingly, the changes discussed in the analysis of the government-wide financial statements account for the significant changes in the General Fund revenues and expenditures.

General Fund Budget Information

The School budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by management and submitted to the Board of Trustees for approval prior to the beginning of the fiscal year. The General Fund's final approved budget for 2021 included $4,143,277 of revenues and $4,003,325 of expenditures. Actual revenues were $108,495 over budget and actual expenditures and other financing uses were $1,260,685 over budget.

Local source revenues were $87,736 over budget as student enrollment and per pupil funding were greater than budgeted. Budgeted enrollment was 260 regular and 40 special education students or 300 total students. Actual total enrollment was 309 with 255 regular and 54 special education students. The change in the student mix, coupled with the increase in per pupil funding, accounted for the local source revenue increase.

Total expenditures were $1,260,685 over budget primarily due to capital expenditures for the School’s building project, additional debt service related to the refinancing of a mortgage note, and increased salaries and benefits.

Capital Assets

At June 30, 2021, the School had land, construction in progress, buildings and equipment with a cost of $3,030,734 and accumulated depreciation of $510,444. Capital outlay totaled $696,871 in 2021 including building improvements of $6,000, furniture and equipment of $6,958 and construction in progress of $683,913. Depreciation expense was $81,740.

The School initiated a master plan review of its facility in 2019 with the goal to, among other things, increase the number of classrooms based on current enrollment and to improve vehicular circulation during student arrival and dismissal times. Following the outline of the master plan, the School completed preliminary architectural and engineering work in 2020. Construction contracts have been awarded totaling $4,320,138 and site work began in mid-2021. Occupancy is planned for the 2022-2023 school year. Funding of $4,500,000 has been obtained from a local bank in the form of tax-exempt financing.

Debt

At June 30, 2021, the School's long-term debt was $387,101. In 2021, the School paid $396,896 of debt service including principal of $377,256 and interest of $19,640. $320,149 of the principal was refinanced into the bank loan noted above. The bank loan will be drawn down as construction progresses and requires monthly interest only payments through October 2022. Thereafter, monthly principal and interest payments of $25,035 will be required through October 2033.

Economic Condition and Outlook

The School adopted its 2021-2022 budget with $4,505,843 of revenues and $4,449,059 of expenditures. Increased student enrollment accounts for the increase in revenues over 2021 while salaries and benefits are the main factor in the expenditure increase over 2021.

The School's major funding source is based on the per pupil cost of the student's home district as per Pennsylvania law. Changes in how that funding is determined may have a negative effect on the School's financial results. Any such changes would have to be enacted via legislation.

In response to the ongoing pandemic, the School operated in the 2020-2021 school year with hybrid and remote learning. For the 2021-2022 school year, the School has returned to in-person learning, following the School’s Health and Safety Plan, Emergency Instruction Plan and Continuity of Services Plan. Should the need arise, the School will operate using its approved hybrid model.

The School was awarded $835,519 of funds under the American Rescue Plan Act - Elementary and Secondary Schools Emergency Relief Fund to defray salary and program costs incurred from March 13, 2020 through September 30, 2024. No funds were received and no revenue recognized at June 30, 2021.

Request for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Executive Officer, Howard Gardner Multiple Intelligence Charter School, 1615 East Elm Street, Scranton, Pennsylvania, 18505.

Howard Gardner Multiple Intelligence Charter School

Statement of Net Position
June 30, 2021

	Governmental Activity	Component Unit
Assets and Deferred Outflows of Resources		
Current Assets		
Cash	$ 1,335,574	$ 53,836
Due from other governments	348,155	-
Due from School	-	8,441
Prepaid expenses	3,338	-
Total current assets	1,687,067	62,277
Capital Assets	2,520,290	-
Total assets	4,207,357	62,277
Deferred Outflows of Resources, Pension	371,866	-
Total assets and deferred outflows of resources	$ 4,579,223	$ 62,277
Liabilities, Deferred Inflows of Resources and Net Position		
Liabilities		
Current liabilities:		
Accounts payable	$ 19,089	$ -
Accounts payable, construction	484,082	
Accrued salaries and benefits	415,058	-
Due to Foundation	8,441	-
Unearned revenues	10,369	-
Total current liabilities	937,039	-
Noncurrent liabilities:		
Note payable	387,101	-
Compensated absences	58,354	-
Net pension liability	2,757,000	-
Total liabilities	4,139,494	-
Deferred Inflows of Resources, Pension	427,000	-
Net Position		
Net investment in capital assets	1,649,107	-
Unrestricted	(1,636,378)	62,277
Total net position	12,729	62,277
Total liabilities, deferred inflows of resources and net position	$ 4,579,223	$ 62,277

See notes to financial statements

Howard Gardner Multiple Intelligence Charter School

Statement of Activities
Year Ended June 30, 2021

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net Revenue (Expense) and Changes in Net Position (Deficit) Total	Component Unit
Governmental Activity					
Instruction	$ (2,374,726)	$ -	$ 2,390,158	$ 15,432	
Instructional student support	(550,169)	-	706,518	156,349	
Administrative and financial support services	(822,546)	-	772,239	(50,307)	
Operation and maintenance of plant services	(250,295)	-	235,514	(14,781)	
Student activities	(57,382)	13,984	60,581	17,183	
Depreciation	(81,740)	-	-	(81,740)	
Interest on long-term debt	(19,640)	-	18,439	(1,201)	
Total governmental activity	$ (4,156,498)	$ 13,984	$ 4,183,449	40,935	
Component Unit					
Howard Gardner Charter School Foundation	$ (38,587)	$ -	$ 49,279		$ 10,692
General Revenues					
Grants, subsidies and contributions not restricted				52,052	-
Investment earnings				2,287	-
Total general revenues				54,339	-
Change in Net Position				95,274	10,692
Net Position (Deficit), Beginning				(82,545)	51,585
Net Position, Ending				$ 12,729	$ 62,277

See notes to financial statements

Howard Gardner Multiple Intelligence Charter School

Balance Sheet - General Fund
June 30, 2021

Assets		
Cash	$	1,335,574
Due from other governments		348,155
Prepaid expenses		3,338
Total	$	1,687,067
Liabilities		
Accounts payable	$	19,089
Accounts payable, construction		484,082
Accrued salaries and benefits		415,058
Due to component unit		8,441
Unearned revenues		10,369
Total liabilities		937,039
Fund Balance		
Nonspendable		3,338
Unassigned		746,690
Total fund balance		750,028
Total	$	1,687,067

See notes to financial statements

Howard Gardner Multiple Intelligence Charter School

Reconciliation of the Balance Sheet - General Fund to the Statement of Net Position (Deficit)
June 30, 2021

Fund Balance - General Fund	$	750,028
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in the governmental activity are not financial resources and are not reported in the General Fund		2,520,290
Deferred inflows and outflows of resources are not reported in the General Fund:		
Deferred outflows of resources, pension		371,866
Deferred inflows of resources, pension		(427,000)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the General Fund:		
Note payable		(387,101)
Compensated absences		(58,354)
Net pension liability		(2,757,000)
Net Position - Governmental Activity	$	12,729

See notes to financial statements

Howard Gardner Multiple Intelligence Charter School

Statement of Revenues, Expenditures and Change in Fund Balance - General Fund
Year Ended June 30, 2021

Revenues	
Local sources	$ 3,936,995
State sources	12,736
Federal sources	302,041
Total revenues	4,251,772
Expenditures	
Instruction	2,496,290
Support services	1,616,571
Noninstructional services	57,382
Capital outlay	696,871
Debt service	396,896
Total expenditures	5,264,010
Other Financing Sources	
Proceeds from note payable	387,101
Excess of Expenditures Over Revenues and Other Financing Sources	(625,137)
Fund Balance, Beginning	1,375,165
Fund Balance, Ending	$ 750,028

See notes to financial statements

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance - General Fund to the Statement of Activities
Year Ended June 30, 2021

Net Change in Fund Balance - General Fund	$	(625,137)
Amounts reported for the governmental activity in the statement of activities are different because:		
Capital outlays are reported in the General Fund as expenditures		696,871
Depreciation expense on capital assets is reported in the statement of activities but not in the the General Fund		(81,740)
Note payable proceeds are current financial resources and are reported in the funds but not the statement of activities		(387,101)
Principal repayment of the note payable uses current financial resources and is reported in the General Fund but not in the statement of activities		377,256
Long-term liabilities do not use current financial resources and are reported in the statement of activities but not in the General Fund These amounts represent the net change during the year:		
Compensated absences		(6,439)
Pension		121,564
Change in Net Position - Governmental Activity	$	95,274

See notes to financial statements

Howard Gardner Multiple Intelligence Charter School

Statement of Revenues, Expenditures and Change in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2021

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Local sources	$ 3,873,348	$3,849,259	$ 3,936,995	$ 87,736
State sources	13,249	101,730	12,736	(88,994)
Federal sources	152,754	192,288	302,041	109,753
Total revenues	4,039,351	4,143,277	4,251,772	108,495
Expenditures				
Instruction:				
Regular programs	2,248,343	2,111,322	2,240,245	(128,923)
Special programs	241,441	293,674	256,045	37,629
Other instructional programs	3,000	272,528	-	272,528
Support services:				
Students	220,495	-	387,730	(387,730)
Instructional staff	40,761	100,887	89,125	11,762
Administration	349,602	470,955	570,982	(100,027)
Pupil health	58,588	65,676	63,087	2,589
Business	193,747	277,649	255,352	22,297
Operation and maintenance	122,468	222,078	250,295	(28,217)
Noninstructional services:				
Food service	29,257	62,587	50,427	12,160
Student activities	25,000	5,000	6,955	(1,955)
Capital outlay	12,750	12,750	696,871	(684,121)
Debt service	264,028	108,219	396,896	(288,677)
		-		
Total expenditures	3,809,480	4,003,325	5,264,010	(1,260,685)
Other Financing Sources				
Proceeds from note payable	-	-	387,101	387,101
Excess of Expenditures Over Revenues and Other Financing Sources	229,871	139,952	(625,137)	(765,089)
Fund Balance, Beginning	902,522	902,522	1,375,165	472,643
Fund Balance, Ending	$ 1,132,393	$ 1,042,474	$ 750,028	$ (292,446)

See notes to financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

The financial statements of the Howard Gardner Multiple Intelligence Charter School (School) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. The School is required by the Commonwealth of Pennsylvania to follow accounting principles applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Nature of Operations

The School is located in Scranton, Pennsylvania and operates a charter school under an approved charter from the Scranton and the Abington Heights School Districts in accordance with Pennsylvania Act 22 of 1997. The charter is renewed every five years with the current charter set to expire in June 2022.

The mission of the School is to provide students from kindergarten through eighth grade with individualized educational experiences consistent with Montessori principals.

The School is a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Reporting Entity

In evaluating whether other organizations should be included in the School's financial reporting entity as component units, the School considers the following criteria: financial accountability, fiscal dependency and legal separation.

Based on these criteria, the School has determined the Howard Gardner Charter School Foundation (Foundation) should be included in the School's financial statements as a discretely presented component unit. The Foundation is a legally separate nonprofit entity formed to provide support for the School; however, the School appoints members to the Foundation's board of trustees and can remove them at will. As such, the School is able to significantly influence the activities of the Foundation.

The financial activity of the Foundation is presented as of and for the year ended June 30, 2021. In 2021, the Foundation provided $38,587 to the School.

Separate financial statements are not issued by the Foundation

Basis of Presentation - Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements report financial information for the School as a whole on a full accrual, economic resource basis. Individual funds are not displayed, but the statements distinguish governmental activities, supported by intergovernmental and general revenues, financed in whole or in part with fees charged to users.

The statement of activities reports the expenses of a given function or program offset by program revenues directly connected with that function or program. A function is an assembly of similar activities. Program revenues include (1) charges for services to users of the School's services, (2) operating grants and contributions that finance annual operating activities and (3) capital grants and contributions that fund the acquisition, construction or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Basis of Presentation - Fund Financial Statements

The accounts of the School are organized on the basis of funds, each of which constitutes a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures/ expenses. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent. The School only uses the following fund type.

Governmental Fund Type

Governmental funds are those through which governmental functions of the School are financed. The acquisition, use and balances of the School's expendable financial resources and the related liabilities are accounted for through governmental funds. The School currently uses only one governmental fund, the General Fund, to account for all operations of the School.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the School are included on the statement of net position (deficit). The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in the School's total net position.

Fund Financial Statements

Governmental funds are accounted for using the flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred inflows and outflows of resources and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis

Government-wide financial statements are prepared using the accrual basis of accounting. For exchange transactions, revenues are recognized when earned and expenses are recognized when incurred. Nonexchange transactions, in which the School receives value without directly giving equal value in return, requires revenue be recognized when donor or grantor restrictions are met.

Modified Accrual Basis

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund revenues. Expenditures, other than principal and interest on notes payable, compensated absences, pensions, and claims and judgments, are recorded when the related fund liability is incurred. Principal and interest on notes payable, compensated absences, pension, and claims and judgments are recorded as fund liabilities when due and unpaid.

The School reports unearned revenue in both the government-wide and fund financial statements. Unearned revenue arises when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues may also arise when the School receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

Allocation of Indirect Expenses

The School does not allocate any indirect expenses including depreciation.

Budgets

An operating budget is adopted each year for the General Fund on the modified accrual basis of accounting.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets are stated at cost or estimated cost, net of accumulated depreciation. Donated capital assets are recorded at their fair value as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All capital assets except land are depreciated. Construction-in-progress costs are accumulated until the project is complete and placed in service. At that time, the costs are transferred to the appropriate asset class and depreciation begins.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	15-39 years
Furniture and equipment	5-7 years

The School does not have any infrastructure capital assets.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The School reports certain changes in its net pension liability in the government-wide statement of net position in this category.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The School reports certain changes in its net pension liability in the government-wide statement of net position in this category.

Compensated Absences

Professional administrators earn up to four weeks of vacation a year depending on years of service. All vacation earned must be taken annually and no carry-over is permitted; therefore, no liability is recorded in the financial statements. All full-time employees receive ten sick days each year. Unused sick days are allowed to accumulate up to 100 days. Accumulated sick days paid or expected to be paid upon retirement during the current year are recorded as expenditures in the governmental fund that will pay it.

Pensions

The School provides eligible employees with retirement benefits through the Commonwealth of Pennsylvania Public School Employees' Retirement System (PSERS), a governmental cost-sharing multiple-employer defined benefit pension plan. PSERS was established as of July 18, 1917, under the provisions of Public Law 1043, No. 343.

For purposes of measuring the PSERS net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of PSERS and additions to/deductions from PSERS fiduciary net position have been determined on the same basis as they are reported by PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The School also sponsors a 403(b) plan. Employees hired on or after July 1, 2015 must contribute a minimum of 7.5% of their compensation and the School must contribute 7.5% of the participant's compensation to the Plan. These employees do not participate in the PSERS plan. Other employees may participate in the 403(b) plan and are allowed to contribute an amount each year equal to the maximum annual amount allowed by the Internal Revenue Service. These employees do not receive a matching contribution from the School. The 2021 403(b) expense was $115,378.

Governmental Fund Balance Classifications

Fund balances are classified based on the level of constraints placed on the usage of fund resources.

- *Nonspendable* fund balances are amounts that cannot be spent because they are either not in spendable form or, are legally or contractually required to be maintained intact. At June 30, 2021, $3,338 of prepaid expenses are considered nonspendable.

- *Restricted* fund balances are amounts that are restricted to specific purposes by constraints placed on their use that are externally imposed by creditors, grantors, contributions, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. There was no restricted fund balance at June 30, 2021.

- *Committed* fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolution of the School's Board of Trustees. These amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specific use by taking the same action it employed to previously commit the amounts. There was no committed fund balance at June 30, 2021.

- *Assigned* fund balances are amounts constrained by the School's intent to be used for a specific purpose, but are neither restricted nor committed. The School's Board of Trustees has designated the Business Manager to assign fund balance amounts as deemed financially necessary and appropriate. There was no assigned fund balance at June 30, 2021.

- *Unassigned* fund balance is a residual classification and represents amounts that have not been assigned to other funds, and have not been restricted, committed or assigned to a specific purpose within the General Fund.

Use of Restricted Net Position/Fund Balances

When an expenditure is incurred that can be paid using either restricted or unrestricted resources, the School's policy is to use restricted amounts first, and then unrestricted amounts as needed.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Concentration of Credit Risk

The School maintains its deposit accounts with one local financial institution.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance. The School does not have a formal policy for custodial credit risk. At June 30, 2021, the bank balance of the School's deposits with its financial institution was $1,385,193 compared to the carrying amount of $1,335,574. The difference is caused by outstanding checks. $1,135,193 of the School's deposits were exposed to custodial credit risk at June 30, 2021 as they are not covered by depository insurance.

The Foundation’s bank and carrying balances were $53,836 and are 100% covered by depository insurance.

3. Due from Other Governments

Due from other governments consists of the following:

Local source revenues - local school districts and intermediate unit	$	333,482
Federal source revenue - Pennsylvania Department of Education (PDE)		14,673
Total	$	348,155

4. Capital Assets

The changes in the School's government activity capital assets in 2021 are summarized as follows:

	Beginning Balance	Additions	Transfers/ Disposals	Ending Balance
Capital assets not being depreciated:				
Land	$ 315,700	$ -	$ -	$ 315,700
Construction in progress	219,021	683,913	-	902,934
Total	534,721	683,913	-	1,218,634
Capital assets being depreciated:				
Building and improvements	1,589,101	6,000	-	1,595,101
Furniture and equipment	210,041	6,958	-	216,999
Total	1,799,142	12,958	-	1,812,100
Less accumulated depreciation:				
Building and improvements	(267,183)	(61,695)	-	(328,878)
Furniture and equipment	(161,521)	(20,045)	-	(181,566)
Total	(428,704)	(81,740)	-	(510,444)
Capital assets, net	$ 1,905,159	$ 615,131	$ -	$ 2,520,290

Construction in progress is related to the construction of a two-story addition to the School’s facility. The School is committed to the total estimated cost of approximately $4.3 million.

5. Line of Credit

The School has a $150,000 line of credit with a bank for working capital purposes. Interest is payable monthly at a rate of prime plus 1% with a floor of 4.25%. The line is secured by the School's accounts receivable and expires May 2022. There were no borrowings at June 30, 2021.

6. Notes Payable

In April 2021, the School entered into a $4,500,000 tax free multiple advance construction note with a bank for the construction of a two-story addition to the School’s facility and to refinance an existing note payable. The note requires monthly interest only payments through October 2022. From November 2022 until October 2033, monthly principal and interest payments of $25,035 are required. Thereafter, the monthly payment will be adjusted to an amount that will fully amortize the note through its maturity in October 2043. Interest is fixed at 2.99% through April 2031. Thereafter, the interest rate shall either be 72.5% of the then-current national prime rate or a fixed rate to be negotiated, with a floor of 2.99%, through maturity. The note is secured by substantially all of the School’s assets.

In the event of a prepayment of the note, a prepayment penalty equal to a percentage of principal will be assessed. The penalty is 5% in year 1 and decreases by 1% each year though year 4. A 1% penalty will be assessed for any prepayment after year 4 through maturity.

The note specifies an event of default may occur if the School, among other matters, (1) fails to make any payment of interest or principal or any other amount due and owing within five days after the due date (2) merges, consolidates, discontinues its operations, or dissolves, (3) sells or transfer any of the collateral, (4) fails to comply with certain covenants including limits on additional indebtedness, (5) encumbers or pledges the collateral, (6) revises the building plans without bank consent, (7) fails to maintain a minimum debt service coverage ratio at end of each fiscal year, (8) enters into voluntary and involuntary bankruptcy, or (9) has a material adverse change, as determined in good faith by the bank, in the financial or business condition of the School which may have a material effect on the ability of the School to repay the note. If an event of default occurs, the interest rate will increase to the then current rate plus 4% until the event of default is cured or the note is paid in full. Upon demand of the bank, the whole amount of the loan payments is due and payable including costs and expenses of collection.

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021	Current Portion
Note, Series 2013	$ 377,256	$ -	$ 377,256	$ -	$ -
Note, Series 2021	-	387,101	-	387,101	-
Total	$ 377,256	$ 387,101	$ 377,256	$ 387,101	$ -

The 2021 note is considered a direct borrowing.

Total interest paid in 2021 was $19,640. No interest was capitalized in 2021. No interest is reported as a direct expense in the statement of activities.

7. Compensated Absences

The changes in compensated absences are summarized as follows:

Balance, July 1, 2020	$ 51,915
Increases	15,696
Decreases	(9,257)
Balance, June 30, 2021	$ 58,354

8. PSERS Retirement Plan

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in PSERS include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending on membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of 5 years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For class T-E and Class T-F members, the right to benefits is vested after 10 years of service.

Participants are eligible for disability retirement benefits after completion of 5 years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final salary (as defined in the Code) multiplied by the number of years of credited service but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least 1 year of credited service (age 65 with at least 3 years of credited service for Class T-E and Class T-F members) or who has at least 5 years of credited service (10 years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Member Contributions

Active members who joined PSERS prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.5% (Membership Class T-D) of the member's qualifying compensation.

Members who joined PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.5% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

Members who joined PSERS after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a shared risk provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Membership Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

School Contributions

The School's required contribution rate for the year ended June 30, 2021 was 33.51% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liabilities. Contributions to PSERS from the School were $231,866 in 2021.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2021, the School reported a liability of $2,757,000 for its proportionate share of the PSERS net pension liability. The PSERS 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 rolling forward the PSERS total pension liability as of June 30, 2019 to June 30, 2020. The School's proportion of the PSERS net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2021, the School's proportion was 0.0056%, which was a decrease from its proportion measured as of June 30, 2020 of 0.0060%.

For the year ended June 30, 2021, the School recognized PSERS pension expense of $104,000 in the governmental activity. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 7,000	$ 66,000
Net difference between projected and actual investment earnings	121,000	-
Changes in proportion	12,000	361,000
School contributions subsequent to the measurement date	231,866	-
Total	$ 371,866	$ 427,000

The $231,866 reported as deferred outflows of resources resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30:	
2021	$ (210,000)
2022	(102,000)
2023	(12,000)
2024	37,000
Total	$ (287,000)

Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined by rolling forward PSERS' total pension liability at June 30, 2019 to June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay;
- Investment return - 7.25%, includes inflation at 2.75%;
- Salary increases - Effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases;

- Mortality rates were based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study that was performed for the five year period ended June 30, 2015.

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 pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	15.0 %	5.2 %
Private equity	15.0	7.2
Fixed income	36.0	1.1
Commodities	8.0	1.8
Absolute return	10.0	2.5
Risk parity	8.0	3.3
Infrastructure/MLPs	6.0	5.7
Real estate	10.0	5.5
Cash	6.0	(1.0)
Financing (LIBOR)	(14.0)	(0.7)
Total	100.0 %	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2020.

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
School's proportionate share of the net pension liability	$ 3,411,000	$ 2,757,000	$ 2,203,000

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.pa.gov.

9. Contingencies

The School participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The School is potentially liable for any expenditure that may be disallowed pursuant to the terms of these grant programs. The School is not aware of any material items of noncompliance that would result in the disallowance of program expenditures.

10. Subsequent Event

In March 2021, the U.S. government enacted the American Rescue Plan Act which allocated funds to the Elementary and Secondary School Emergency Relief Fund to assist schools with COVID-19 relief. In August 2021, the School applied for and was allocated $835,519 of such funds. The School may use these funds for allowable costs incurred from March 2020 through September 2024. The School has not received nor recognized any revenue related to these funds as of June 30, 2021.

Howard Gardner Multiple Intelligence Charter School

Schedule of the School's Proportionate Share of the PSERS Net Pension Liability
Year Ended June 30, 2021
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015
School's proportion of the PSERS net pension liability	0.0056%	0.0060%	0.0065%	0.0064%	0.0075%	0.0073%	0.0072%
School's proportionate share of the PSERS net pension liability	$ 2,757,000	$ 2,807,000	$ 3,120,000	$ 3,161,000	$ 3,717,000	$ 3,162,000	$ 2,849,000
School's covered-employee payroll	$ 787,044	$ 823,013	$ 880,868	$ 854,697	$ 971,303	$ 939,816	$ 923,710
School's proportionate share of the PSERS net pension liability as a percentage of its covered-employee payroll	350.30%	341.06%	354.20%	369.84%	382.68%	336.45%	308.43%

The School adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27,* in 2015. Information for years prior to 2015 is not available for reporting.

Howard Gardner Multiple Intelligence Charter School

Schedule of the School's PSERS Pension Contributions
Year Ended June 30, 2021
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 231,866	$ 264,585	$ 273,616	$ 283,933	$ 247,628	$ 244,454	$ 185,254
Contributions in relation to the contractually required contribution	231,866	264,585	273,616	283,933	247,628	244,454	185,254
Contribution excess	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 674,323	$ 771,502	$ 821,319	$ 808,224	$ 897,089	$ 1,064,025	$ 1,102,134
Contributions as a percentage of covered-employee payroll	34.39%	34.29%	33.31%	35.13%	27.60%	22.97%	16.81%

The School adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27,* in 2015. Information for years prior to 2015 is not available for reporting.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Trustees of the
Howard Gardner Multiple Intelligence Charter School

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 activity, the discretely presented component unit, and the General Fund of the Howard Gardner Multiple Intelligence Charter School (School), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements, and have issued our report thereon dated September 22, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2021-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School's Response to Findings

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses and corrective action plan. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Wilkes-Barre, Pennsylvania
September 22, 2021

Finding No.

2021-001 Internal Control Over Financial Reporting - Reconciliation and Review of Account Balances - Material Weakness

Criteria: Internal controls 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 critical element of internal control is the timely preparation, review and approval of account reconciliations.

Condition/Context: We noted that the School did not properly reconcile its general ledger accounts nor was there formal evidence of review and approval of such reconciliations

Effect: Numerous audit adjustments were required which, in the aggregate, were material to the School's financial statements.

Cause: Due to turnover in the business manager position, account reconciliations were not performed timely and not appropriately reviewed.

Recommendation: We recommend management review its procedures relating to the preparation and review of account reconciliations to ensure all such reconciliations are prepared and reviewed timely.

Views of Responsible Officials and Planned Corrective Actions: The School hired a new business manager who will review procedures relating to the preparation and review of account reconciliations and implement changes as necessary.