PROGENY ACADEMY
CHARTER SCHOOL NO. 4263

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
TABLE OF CONTENTS
JUNE 30, 2022

INTRODUCTORY SECTION

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2022

SCHOOL BOARD

Dr. David Kimori	2022 resigned	Chair
Jeramie Steinert	2025	Treasurer
Lakisha Witter	2022 resigned	Secretary
Peter Zwach	2025	Community
James Ommart	2022	Community

ADMINISTRATION

Nicole Nelson	Executive Director
Wilderness Pinna	Financial Management
District Offices:	Charter School No. 4263 Progeny Academy 5929 Brooklyn Boulevard, Brooklyn Center, MN 55429

FINANCIAL SECTION

CHUCK RINKEY, LTD.
CERTIFIED PUBLIC ACCOUNTANT

5775 WAYZATA BOULEVARD
SUITE 990
MINNEAPOLIS, MN 55416
TELEPHONE (952) 546-1052
FAX (952) 546-1284

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Charter School No. 4263
Progeny Academy
Brooklyn Center, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Progeny Academy as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Progeny Academy basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Progeny Academy, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Progeny Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Progeny Academy's basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information as identified in the table of contents 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022 on our consideration of Progeny Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Progeny Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Progeny Academy's internal control over financial reporting and compliance.

Chuck Rinkey, Ltd.

CHUCK RINKEY, LTD.
Minneapolis, Minnesota

December 19, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

This section of Progeny Academy's annual financial report presents our discussion and analysis of the Progeny Academy's financial performance during the fiscal year that ended June 30, 2022. Please read it in conjunction with the School's financial statements, which immediately follow this section. Certain comparative information between the current year (2021 – 2022) and the prior year (2020 – 2021) is required to be presented in the Management's Discussion and Analysis.

Financial Highlights

Key financial highlights for the 2021 – 2022 fiscal year includes the following:

- The fund balance of the General Fund increased $98,939 from the prior year for an ending fund balance of ($8,989) at June 30, 2022.
- Total General Fund revenues were $1,380,939 as compared to $946,071 of expenditures.
- Government-wide total revenues were $1,436,989 as compared to $1,395,081 of expenses.

Overview of the Financial Statements

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

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

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

Government-Wide Statements

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

The two government-wide statements report the School's *net position* and how it has changed. Net position—the difference between the School's assets deferred outflows, liabilities and deferred inflows —is one way to measure the School's financial health or *position*.

Overview of the Financial Statements (Continued)
Government-Wide Statements (Continued)

- Over time, increases or decreases in the School's net position are indicators of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the School requires consideration of additional non-financial factors such as changes in the School's student population and the condition of school buildings and other facilities.

In the government-wide financial statements the School's activities are shown in one category:

- To assess the overall health of the School you need to consider additional non-financial factors such as changes in the School's creditworthiness and the condition of school buildings and other facilities
- *Governmental Activities* – The School's basic services are included here, such as regular and special education and administration. State aids finance most of these activities.

Fund Financial Statements
The fund financial statements provide more detailed information about the School's *funds,* focusing on its most significant or "major" funds, not the school as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.
- The School may establish other funds to control and manage money.

The School maintains the following type of fund:
Governmental Funds – Most of the School's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the entity-wide statements, we provide separate reconciliations to explain the relationship (or differences) between them.

Financial Analysis of the School as a Whole
Net Position
The School's combined net position was $(146,685) on June 30, 2022 (See Table A-1).

Table A-1
The School's Net Position

	Governmental Activities as of June 30,		
	2022	2021	Percentage Change
Assets			
Current assets	$ 284,189	$ 92,019	208.8%
Capital assets	2,368	-	
Total assets	286,557	92,019	
Deferred Outflows of Resources			
Related to pension	356,196	374,470	-4.9%
Liabilities			
Current Liabilities	293,178	199,947	46.6%
Net Pension Liability	230,780	410,831	-43.8%
Total liabilities	523,958	610,778	-14.2%
Deferred Inflows of Resources			
Related to pension	223,572	2,396	
Net Position			
Unrestricted	$ (104,777)	$ (146,685)	-28.6%

The School's net position increased $41,908.

Financial Analysis of the School as a Whole (Continued)

Changes in Net Position

The School's total government-wide revenues were $1,436,989 for the year ended June 30, 2022 (See Table A-2). State formula aid accounted for 61.0% of total revenue for the year. The remaining 39.0% came from operating grants and other general and program revenues.

Table A-2
Change in Net Position

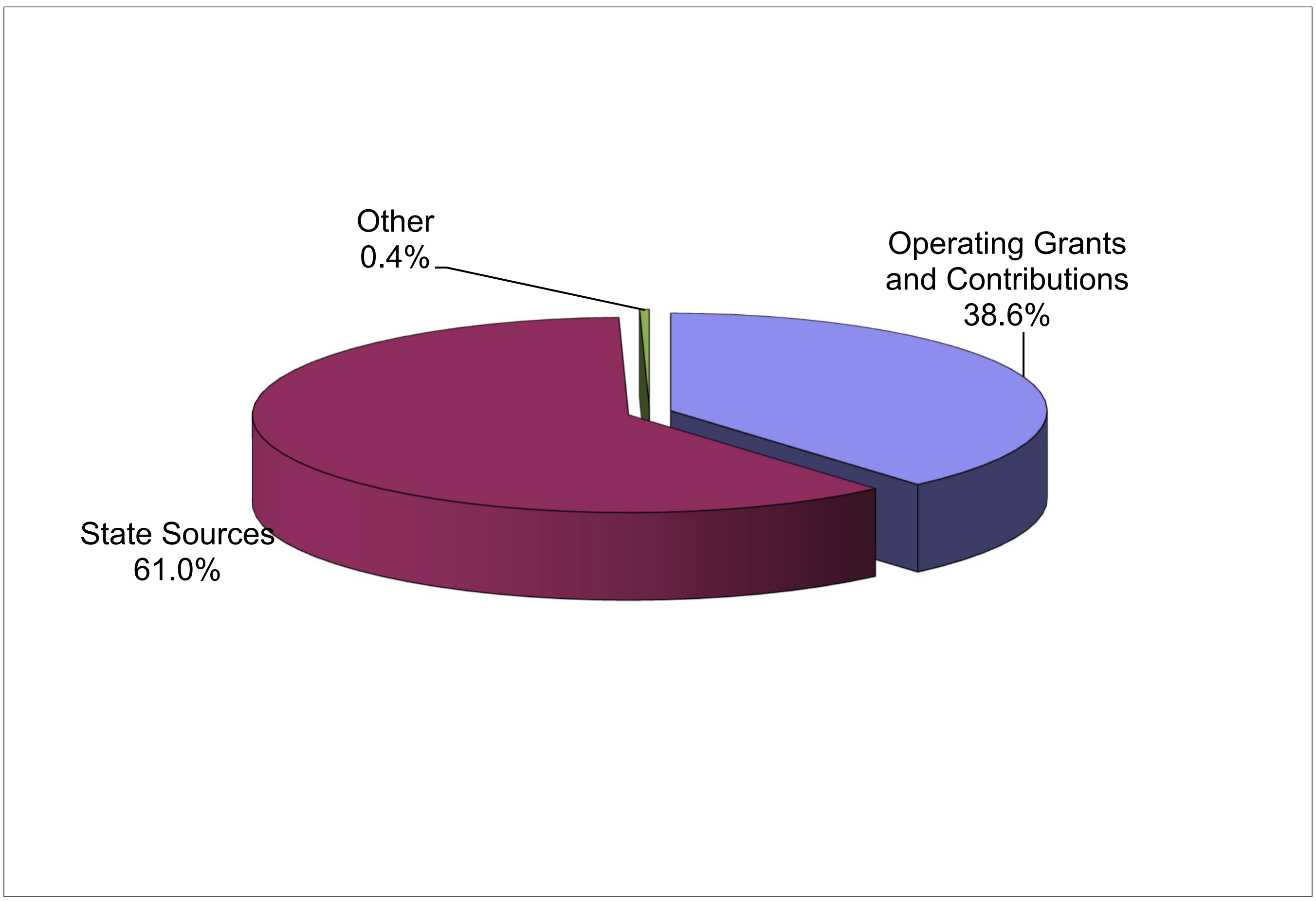
	Governmental Activities Fiscal Year Ended June 30, 2022	2021	Percentage Change
Revenues			
Program Revenues			
Operating Grants and Contributions	$ 555,043	$ 266,839	108%
General Revenues			
State Aid	876,006	715,858	
Paycheck Protection Plan Forgiveness	-	146,900	
Other	5,940	8,216	-28%
-	1,436,989	1,137,813	26%
Expenses			
School administration	21,274	41,883	-49%
District support services	173,038	198,904	-13%
Regular instruction	402,631	393,486	
Special education instruction	286,945	172,459	
Instructional support services	28,734	-	
Pupil support services	246,967	173,348	
Food service	58,188	43,225	
Sites, buildings and equipment	164,377	188,806	
Fiscal and other fixed costs	12,927	23,414	-45%
Total Expenses	1,395,081	1,235,525	13%
Change in Net Position	41,908	(97,712)	
Beginning net position	(146,685)	(48,973)	
Ending net position	$ (104,777)	$ (146,685)	

Total revenues exceeded expenses increasing the net position by $41,908.
The decrease in net position relates to increased state aid and operating grants.

Financial Analysis of the School as a Whole (Continued)
Changes in Net Position (Continued)
The cost of all governmental activities this year was $1,395,081.

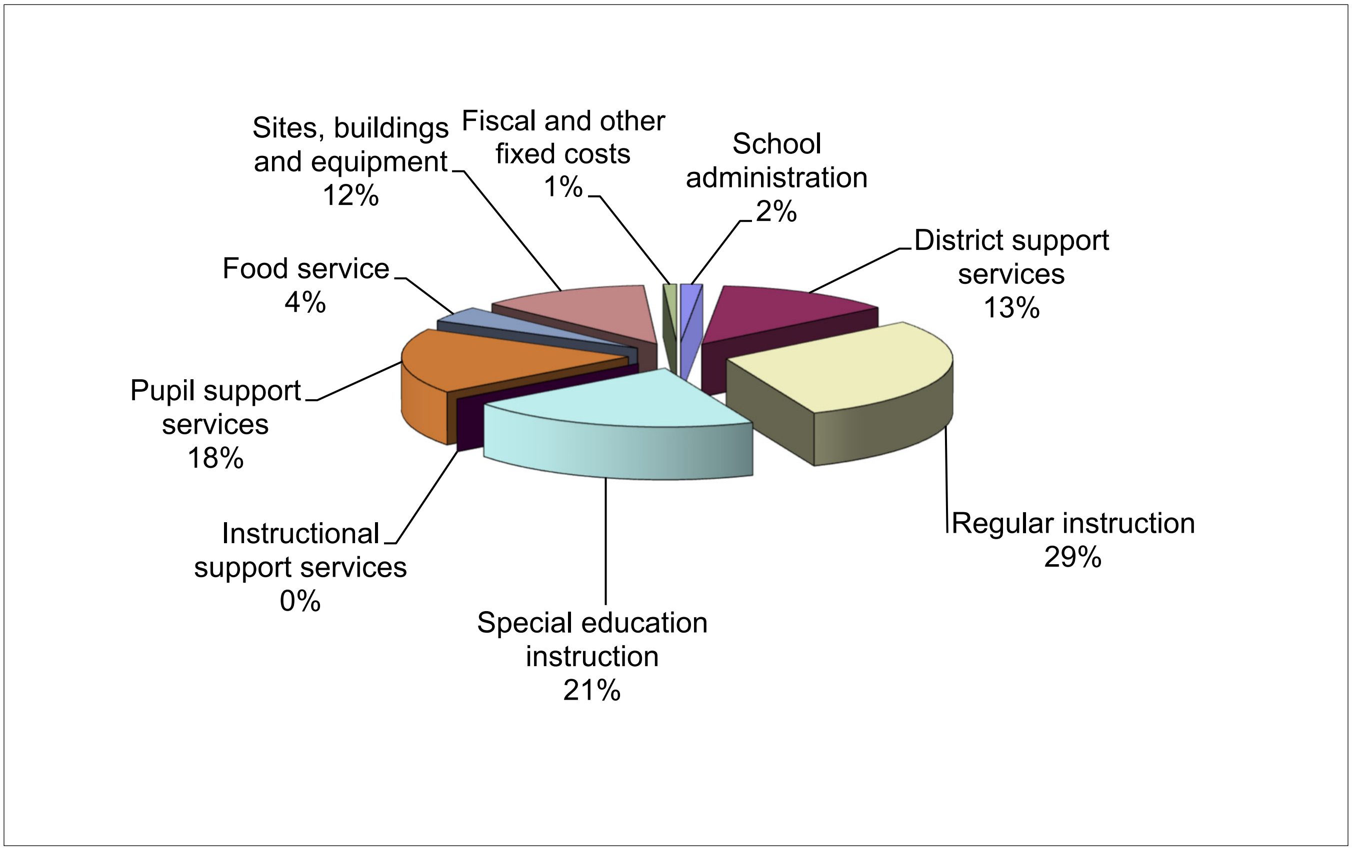
- The state and federal government subsidized certain programs with grants and contributions ($555,043)
- Most of the School's costs were paid for by unrestricted state aid and other general revenue ($881,946)

Figure A-1
Sources of School's Revenues for Fiscal 2022



Financial Analysis of the School as a Whole (Continued)
Changes in Net Position (Continued)

Figure A-2
School Expenses for Fiscal 2022



Financial Analysis of the School as a Whole (Continued)

Changes in Net Position (Continued)

Figure A-2
Program Expenses and Net Cost of Services

	Total Cost of Services 2022	Total Cost of Services 2021	Percentage Change	Net Cost of Services 2022	Net Cost of Services 2021	Percentage Change
School administration	$21,274	$41,883	-49%	$21,274	41,883	-49%
District support services	173,038	198,904	-13%	173,038	198,904	-13%
Regular instruction	402,631	393,486	2%	252,628	280,745	-10%
Special education instruction	286,945	172,459	66%	52,094	172,459	-70%
Instuctionall support services	28,734	-		28,734	-	
Pupil support services	246,967	173,348	42%	246,967	129,215	91%
Food service	58,188	43,225	35%	165	-	
Sites, buildings and equipment	164,377	188,806	-13%	52,211	122,066	-57%
Fiscal and other fixed costs	12,927	23,414	-45%	12,927	23,414	-45%
	$1,395,081	$1,235,525	13%	$ 840,038	$ 968,686	-13%

Financial Analysis of the School's Funds

The financial performance of the School as a whole is reflected in its governmental funds. Revenues for the School's governmental funds were $1,438,962 while total expenditures were $1,340,023. This contributed to a combined fund balance of ($8,989) which is $98,939 higher than last year's ending fund balance of ($107,928).

General Fund

The General Fund includes the primary operations of the School in providing educational services to students from grades 5 through 8.

A large percentage of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources.

Basic general education revenue is determined by multiple complex state formulas, largely enrollment driven, and consists of a specified minimum amount with variable such as socioeconomic indicators driving additional funding. For Minnesota charter schools the majority of all funding consists of general education aid, special education aid and charter school lease aid. Other revenue consists of federal and private grant funding that is often expenditure driven.

Both revenues and expenditures increased over prior year due to increasing reimbursement. The School had 71 students in 2021-2022, compared to 53 students in 2020-21.

General Fund (Continued)

General Fund Budgetary Highlights

The budget is approved prior to the beginning of the fiscal year. The School then may revise the annual operating budget in the fall and then again mid-year. These budget amendments fall into two main categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over from the prior fiscal year.
- Legislation passes subsequent to budget adoption, changes necessitated by employment agreements, and increases in appropriations for significant unbudgeted costs.

Actual revenues were lower than budgeted with a variance of $161,674 due to decreased state and federal reimbursement.

Actual expenditures were less than budgeted with a variance of $150,473 due to decreased state and federal reimbursement.

Other Major Funds

Food Service Fund

Revenues were higher than budget by $6,123 due to increased attendance coming out the pandemic.

Long-Term Liabilities

At year-end the School had Net Pension Liability of $230,780 that had been allocated to the School.

Factors Bearing on the School's Future

The School is dependent on the state of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

The School will strive to meet its commitment to academic excellence and educational opportunity for students. It is anticipated that enrollment will continue to grow. While state funding formulas may not be sufficient to meet instructional programming needs, the increase in planned enrollment is expected to provide the resources to balance future budgets and build a sufficient fund balance.

Contacting the School's Financial Management

This Financial Report is designed to provide our stakeholders with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nicole Nelson, Progeny Academy, Charter School No. 4263, 5929 Brooklyn Boulevard, Brooklyn Center, Minnesota 55429. The telephone number is 763-325-9150.

BASIC FINANCIAL STATEMENTS

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2022

	Governmental Activities	
	2022	**2021**
Assets:		
Cash	$ 24,855	$ -
Other Receivables	300	203
Due from MN Department of Education	199,330	63,438
Due from Federal through MN Department of Education	50,788	24,689
Prepaid Expenditures	8,916	3,689
Capital Assets, Net of Depreciation	2,368	-
Total assets	$ 286,557	$ 92,019
Deferred Outflows of Resources		
Deferred Outflows Related to Pension	$ 356,196	$ 374,470
Liabilities and Net Position:		
Liabilities:		
Salaries and Benefits	$ 45,406	$ 41,923
Short-Term Indebtedness	100,000	-
Accounts Payable	147,772	158,024
Long Term Liabilities:		
Net Pension Liability	230,780	410,831
Total Liabilities	$ 523,958	$ 610,778
Deferred Inflows of Resources		
Deferred Inflows Related to Pension	$ 223,572	$ 2,396
Net Position:		
Unrestricted	$ (104,777)	$ (146,685)

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in NetPosition: Total Governmental Activities	2021
Governmental activities:					
Instructional services:					
Administration	$ 21,274	$ -	$ -	$ (21,274)	$ (41,883)
District Support Services	173,038	-	-	(173,038)	(198,904)
Regular Instruction	402,631	-	150,003	(252,628)	(280,745)
Special Education Instruction	286,945	-	234,851	(52,094)	(172,459)
Instructional Support Services	28,734		-	(28,734)	(172,459)
Pupil Support Services	246,967	-	-	(246,967)	(129,215)
Sites and Buildings	164,377	-	112,166	(52,211)	(122,066)
Fiscal and Other Fixed Cost Programs	12,927	-	-	(12,927)	(23,414)
Food service	58,188	-	58,023	(165)	-
Total	$ 1,395,081	$ -	$ 555,043	$ (840,038)	$ (968,686)

	2022	2021
General revenues:		
State Aid Grants	876,006	715,858
Paycheck Protection Plan Loan forgiven	-	146,900
Miscellaneous	5,940	8,216
Total general revenues	881,946	870,974
Change in net position	41,908	(97,712)
Net position - beginning	(146,685)	(48,973)
Net position - ending	$ (104,777)	$ (146,685)

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022

	General Fund	Food Service Fund	Total Governmental Funds 2022	Total Governmental Funds 2021
Assets:				
Cash	$ 21,530	$ 3,325	$ 24,855	$ -
Other Receivables	300	-	300	203
Due from MDE	199,274	56	199,330	63,438
Due from Federal through MDE	47,744	3,044	50,788	24,689
Due from Other Governments	8,916	-	8,916	3,689
Total assets	277,764	6,425	284,189	92,019
Liabilities and fund balances:				
Liabilities:				
Salaries Payable & Payroll Liabiliities	43,380	2,026	45,406	41,923
Short-Term Indebtedness	100,000	-	100,000	-
Accounts Payable	143,944	3,828	147,772	158,024
Total Liabilities	287,324	5,854	293,178	199,947
Fund Balance				
Non-Spendable	-	-	-	$ 3,689
Restricted	-	571	571	-
Unassigned	(9,560)	-	(9,560)	(111,617)
Total Fund Balances	(9,560)	571	(8,989)	(107,928)
Total Liabilities and Fund Balances	$ 277,764	$ 6,425	$ 284,189	$ 92,019

	2022	2021
Total fund balance - governmental funds	$ (8,989)	$ (107,928)
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources, and, therefore, are not reported as assets in the funds.		
Furniture and Equipment, Net of Accumulated Depreciation	2,368	-
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Net Pension Liability	(230,780)	(410,831)
Deferred outflows of resources and defered inflows of resouces are created as a result of differences between actual and expected contributions and earnings on plan investments as well as changes in proportion and are not recognized in the governmental funds		
Deferred Outflows of Resource Related to Pensions	356,196	374,470
Deferred Inflows of Resource Related to Pensions	(223,572)	(2,396)
Total Net Position - Governmental Activities	$ (104,777)	$ (146,685)

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2022

	General	Food Service	Total Governmental Funds	2021
Revenues:				
Local Revenues				
Other	$ 5,940	$ -	$ 5,940	8,216
Revenues from State Sources	1,096,359	972	1,097,331	782,988
Revenues from Federal Sources	278,640	57,051	335,691	199,000
Total revenues	1,380,939	58,023	1,438,962	990,204
Expenditures:				
Current:				
Administration	21,164	-	21,164	41,883
District Support Services	168,382	-	168,382	198,904
Regular Instruction	363,764	-	363,764	332,851
Special Education Instruction	281,666	-	281,666	172,459
Instructional Support Services	28,734		28,734	
Pupil Support Services	241,557		241,557	173,348
Sites and Buildings	164,377	-	164,377	188,806
Fiscal and Other Fixed Costs	12,927	-	12,927	23,414
Food service	-	57,452	57,452	43,225
Total expenditures	1,282,571	57,452	1,340,023	1,174,890
Excess of Revenues (Under) Expenditures	98,368	571	98,939	(184,686)
Other Financing Sources:				
Paycheck Protection Loan Proceeds	-	-	-	67,800
Operating Transfers Out	-	-	-	(153)
Operating Transfers In	-	-	-	153
Total Other Financing Sources	-	-	-	67,800
Net change in fund balances	98,368	571	98,939	(116,886)
Fund Balance				
Fund balance - beginning	(107,928)	-	(107,928)	8,958
Fund balance - ending	$ (9,560)	$ 571	$ (8,989)	$ (107,928)

	Total Governmental Funds	2021
Net change in fund balances-total governmental funds	$ 98,939	$ (116,886)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Forgiveness (Proceeds) from long-term debt increase fund balance as an other financing source, but are presented as a liability in the government-wide financial statements	-	79,100
Governmental funds recognize pension contributions as expenditures, however pension expense is reported in the statement of activities		
Pension expense	(57,426)	(60,635)
State Aid related to Pension Expense	(1,973)	709
Change in Net Position- Governmental Activities	$ 41,908	$ (97,712)

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Current Year Actual Amounts	Variance with Final Budget Over (Under)	2021
	Original	Final			
Revenues:					
Local Sources					
Other	6,120	6,215	5,940	(275)	8,216
Revenue from State Sources	942,729	1,126,376	1,096,359	(30,017)	782,949
Revenue from Federal Sources	510,503	410,022	278,640	(131,382)	154,906
Total revenues	1,459,352	1,542,613	1,380,939	(161,674)	946,071
Expenditures:					
Current					
Administration	43,655	23,576	21,164	(2,412)	41,883
District Support Services	294,607	203,226	168,382	(34,844)	198,904
Regular Instruction	573,646	421,247	363,764	(57,483)	332,851
Special Education Instruction	185,956	255,415	281,666	26,251	172,459
Instructional Support Services	-	21,050	28,734	7,684	-
Pupil Support Services	127,200	314,169	241,557	(72,612)	173,348
Sites and Buildings	150,100	175,677	164,377	(11,300)	188,806
Fiscal and Other Fixed Costs Programs	9,100	11,000	12,927	1,927	23,414
Total expenditures	1,384,264	1,425,360	1,282,571	(142,789)	1,131,665
Excess of Revenues over Expenditures	75,088	117,253	98,368	(18,885)	(185,594)
Other Financing Sources:					
Paycheck Protection Loan Proceeds	-	-	-	-	67,800
Operating Transfers Out	500	200	-	(200)	(153)
Total Other Financing Sources	500	200	-	(200)	67,647
Net change in fund balance	$ 75,588	$ 117,453	98,368	$ (19,085)	(117,947)
Fund balance					
Beginning of Year			(107,928)		10,019
End of Year			$ (9,560)		$ (107,928)

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Current Year Actual Amounts	Variance with Final Budget Over (Under)	2021
	Original	Final			
Revenues:					
Revenue from State Sources	$ 15,000	$ 3,300	$ 972	$ (2,328)	$ 39
Revenue from Federal Sources	10,000	48,600	57,051	8,451	44,094
Total revenues	25,000	51,900	58,023	6,123	44,133
Expenditures:					
Current					
Food Service	25,500	52,100	57,452	5,352	43,225
Net Change in Fund Balance	$ (500)	$ (200)	571	$ 771	$ 908
Other Financing Sources:					
Operating Transfers In	500	200	-		153
Net change in fund balances	$ -	$ -	571		1,061
Fund balance					
Beginning of Year	-	-	-		(1,061)
End of Year	$ -	$ -	$ 571		$ -

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Charter School No. 4263, also known as Progeny Academy, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The *Governmental Accounting Standards Board* (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

Charter School No. 4263, also known as Progeny Academy (the School), is a nonprofit corporation that was formed on July 1, 2017, in accordance with Minnesota Statutes. The School is authorized by Innovative Quality Schools (IQS) – and operates under a six-year charter school contract extending through June 30, 2023. The governing body consists of a board of directors composed of at least five members elected by voters of the general membership of the School to serve three-year terms. The School's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the School is considered to be financially accountable.

Component units are legally separate entities for which the School is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no component units of the School.

Aside from its authorizer role, Innovative Quality Schools has no authority, control, power, or administrative responsibilities over Progeny Academy. Therefore, the School is not considered a component unit of Innovative Quality Schools.

Student activity accounts are under control of the School Board and are included in these financial statements as part of the General Fund.

B. Basic Financial Statement Information

The School-wide financial statements (i.e. the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the School.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

The School applies restricted resources first when an expense is incurred for the purpose for which both restricted and unrestricted net positions are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. 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. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. **Revenue Recognition**
   Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. **Recording of Expenditures**
   Expenditures are generally recorded when a liability is incurred. The exception to this general rule is that interest and principal expenditures are recognized when payment is due. However, expenditures are recorded as prepaids for approved disbursements or liabilities incurred in advance of the period in which the item is to be used.

As required by state statute, the School operates as a nonprofit corporation under *Minnesota Statutes* 317A. However, state law also requires the School comply with Uniform Financial Accounting and Reporting Standards (UFARS) for Minnesota School Districts which mandates the use of a governmental fund accounting structure. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. A description of the fund included in this report is as shown on the following page:

Major Funds:

General Fund – This fund is the basic operating fund of the School and is used to account for all financial resources except those required to be accounted for in another fund.

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Cash and investments at June 30, 2022, were comprised of deposits.

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

F. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 that time. The School has one item that qualifies for reporting in this category. A deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 item which qualifies for reporting in this category. A deferred inflow of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

G. Pensions

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 Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board passed a resolution authorizing the school director and financial manager to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts.

The School Board has adopted a spending prioritization policy for restricted fund balance. The School applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted fund balance is available. The default spending priority per GASB Statement No. 54 for unrestricted fund balance is when an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts. The School has a minimum general fund balance policy of 20% of general fund expenditures.

I. Net Position

Net position represents the difference between assets deferred outflows of resources; and liabilities and deferred inflows in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

K. Tax Status

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) as an organization. The School is also exempt from Minnesota franchise or income tax.

The School is required to assess whether an uncertain tax position exists and if there should be recognition of a related benefit or liability in the financial statements. The School has determined there are not amounts to record as assets or liabilities related to uncertain tax positions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Budgetary Information

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

1. Prior to July 1, the Director of the School submits to the School's Board of Directors a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Formal budgetary integration is employed as a management control device during the year for the General and Food Service Funds.
3. 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.
4. Budgets are as originally adopted or as amended by the School's Board of Directors. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 DEPOSITS

The School maintains a cash and investment pool that is available for use by all funds. Each fund’s portion of this pool is displayed on the Statement of Net Position and on the balance sheet as “Cash.” In accordance with applicable Minnesota Statutes, the School maintains deposits at financial institutions which are authorized by the School Board.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the School’s deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated “A” or better; revenue obligations of a state or local government rated “AA” or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

As of June 30, 2022, the School’s deposits in banks of $57,690 were entirely covered by FDIC insurance or collateral in accordance with Minnesota Statutes.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Furniture and equipment	$ -	$ 2,918		$ 2,918
Total capital assets, being depreciated	-	2,918	-	2,918
Accumulated depreciation for:				
Furniture and equipment	-	550		550
Total accumulated depreciation	-	550	-	550
Governmental activities capital assets, net	$ -	$ 2,368	$ -	$ 2,368

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

Governmental activities:	
District Support Services	$ 550
Regular Instruction	-
Special Education Instruction	-
Food Service	-
Sites and Buildings	-
Total depreciation expense, governmental activities	$ 550

NOTE 4 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The Academy participates in various pension plans, total pension expense for the year ended June 30, 2022 was $57,426. The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the Liability related to the pensions.

Teachers' Retirement Association

A. 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 schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those teachers 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 Minnesota State.

B. Benefits Provided

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

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

Tier 1 Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006 or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006 or after	1.9% per year

B. Benefits Provided (Continued)

With these provisions:

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

- 3% per year early retirement reduction factor for all years under normal retirement age.

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

Tier II Benefits

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

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

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

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

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2020, June 30, 2021, and June 30, 2022, were:

	June 30, 2020		June 30, 2021		June 30, 2022	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0%	11.92%	11.0%	12.13%	11.0%	12.34%
Coordinated	7.5%	7.92%	7.5%	8.13%	7.5%	8.34%

C. Contribution Rate (Continued)

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

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Employer contributions reported in TRA's ACFR Statement of Changes in Fiduciary Net Position	$ 448,829
Add employer contributions not related to future contribution efforts	379
Deduct TRA's contributions not included in allocation	(538)
Total employer contributions	448,670
Total non-employer contributions	37,840
Total contributions reported in Schedule of Employer and Non-Employer Allocations	$ 486,510

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.

D. Actuarial Assumptions

The total pension liability in the June 30, 2021, 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, 2021
Measurement date	June 30, 2021
Experience study	June 5, 2019 (demographic assumptions) November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	RP 2014 white collar employee table, male rates set back five 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 projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

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

D. Actuarial Assumptions (Continued)

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

The TRA actuary has determined the average of the expected remaining services lives of all members for fiscal year 2022 is six years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of six years in the schedule presented. The amortization period for "Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of five years as required by GASB 68.

Changes in actuarial assumptions since the 2020 valuation:

- The investment return assumption was changed from 7.5% to 7.0%.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The discount rate used to measure the total pension liability at the prior measurement date was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2021 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

On June 30, 2022, the Academy reported a liability of $183,805 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The Academy’s proportionate share was 0.0042% at the end of the measurement period and 0.0041% 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 Academy 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 Academy were as follows:

Academy's proportionate share of net pension liability	$ 183,805
State of Minnesota's proportionate share of the net pension liability associated with the Academy	15,658
	$ 199,463

For the year ended June 30, 2022, the Academy recognized pension expense of $65,309. Included in this amount, the Academy recognized ($175) as pension expense for the support provided by direct aid.

On June 30, 2022, the Academy had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,860	$ 2,442
Net difference between projected and actual earnings on plan investment	-	150,377
Changes of actuarial assumptions	67,353	-
Changes in proportion	175,945	-
Contributions paid to plan subsequent to the measurement date	21,280	-
	$ 269,438	$ 152,819

The $21,280 reported as deferred outflows of resources related to pensions resulting from Academy 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, 2023.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,		
2023	$	22,852
2024		22,852
2025		22,803
2026		12,624
2027		14,208
	$	95,339

G. Pension Liability Sensitivity
The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 7.0% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.0%) and 1 percent higher (8.0%) than the current rate.

Academy's Proportionate Share of NPL		
1% decrease (6.0%)	Current (7.0%)	1% increase (8.0%)
$ 371,294	$ 183,805	$ 30,048

The Academy'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.

H. Pension Plan Fiduciary Net Position
Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at www.MinnesotaTRA.org, or 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.

Public Employees' Retirement Association

A. Plan Description
The Academy participates in the following cost-sharing multiple-employer defined benefit pension plan administered by PERA. PERA's defined benefit pension plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

The General Employees Retirement Plan covers certain full time and part time employees of the Academy. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. 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 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 annuity accrual rate for a Coordinated Plan member is 1.2% for each of the first 10 years of service 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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.

C. Contributions

Minnesota Statutes Chapter 353 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 and the Academy was required to contribute 7.5% for Coordinated Plan members. The Academy's contributions to the General Employees Fund for the year ended June 30, 2022, were $9,668. The Academy's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2022, the Academy reported a liability of $46,975 for its proportionate share of the General Employees Fund's net pension liability. The Academy's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Academy totaled $1,392.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The

Academy's proportionate share of the net pension liability was based on the Academy's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The Academy's proportionate share was 0.0011% at the end of the measurement period and 0.0018% for the beginning of the period.

Academy's proportionate share of net pension liability	$ 46,975
State of Minnesota's proportionate share of the net pension liability associated with the Academy	1,392
	$ 48,367

For the year ended June 30, 2022, the Academy recognized pension expense of $24,975 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the Academy recognized $112 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.

At June 30, 2022, the Academy reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 27	$ 1,543
Net difference between projected and actual earnings on plan investment	-	36,545
Changes of actuarial assumptions	28,682	1,189
Changes in proportion	48,381	31,476
Contributions paid to plan subsequent to the measurement date	9,668	-
	$ 86,758	$ 70,753

The $9,668 reported as deferred outflows of resources related to pensions resulting from Academy contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2023	$ 14,330
2024	12,947
2025	(9,843)
2026	(11,097)
	$ 6,337

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	35.5 %	5.10 %
International stocks	17.5	5.30
Bonds (fixed income)	20.0	0.75
Alternative assets (private markets)	25.0	5.90
Cash	2.0	0.00
Total	100.0 %	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation.

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

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the previous valuation.
- Augmentation or current privatized members was reduced to 2.0% for the period July 1, 2020, through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

G. Discount Rates

The discount rate used to measure the total pension liability in 2021 was 6.5%. 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 was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

The following table presents the Academy'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 Academy'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:

Academy's Proportionate Share of NPL		
1% decrease (5.5%)	Current (6.5%)	1% increase (7.5%)
$ 95,805	$ 46,975	$ 6,907

I. Pension Plan Fiduciary Net Position

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

NOTE 5 SHORT TERM DEBT

The district owed $100,000 to Propel Nonprofits at June 30, 2022. Annual interest was 6.5% and the loan matures February 22, 2023

Short-term debt activity is as follows:

Beginning Balance	Increases	Decreases	Ending Balance
$ -	$ 100,000	$ -	$ 100,000
-	-	-	-
$ -	$ 100,000	$ -	$ 100,000

NOTE 6 COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

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 School expects such amounts, if any, to be immaterial.

B. Short-Term Lease for Educational Space

During fiscal year 20221, the School signed a new one-year lease effective July 1, 2022. The lease requires monthly payments of $10,817 plus operating costs.

Rental expense was $97,409. The School qualified for state charter school lease aid of $101,927. This entitlement is subject to proration by the Minnesota Department of Education to the extent the overall funding that has been provided is insufficient to meet all amounts owed to Minnesota charter schools.

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

NOTE 6 GOING CONCERN

The ability of the School to continue as a going concern is dependent upon its ability to improve its student enrollment, raise additional funds, and continue with positive operations. This need may be adversely impacted by uncertain economic conditions and approval by regulatory bodies. The school currently has a strategic plan to sustain operations, including strict cost management, and maximizing enrollment through recruitment efforts.

The Board has increased enrollment from 71 to 76 students in FY 23. The budget for FY 23 is for a fund balance increase of $55,430.

REQUIRED SUPPLEMENTARY INFORMATION

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
JUNE 30, 2022

Progeny Academy
Schedule of Academy's and Non-Employer Proportionate Share
of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	Academy's Proportion of the Net Pension Liability (Asset)	Academy's Proportionate Share of the Net Pension Liability (Asset)	Academy's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	Academy's Covered Payroll	Academy's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0001%	$ 5,529	$ 167	$ 5,696	$ 10,000	55.29%	80.23%
2020	0.0018%	107,918	3,408	111,326	131,627	81.99%	79.06%
2021	0.0011%	46,975	1,392	48,367	76,880	61.10%	87.00%

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

Schedule of Academy's and Non-Employer Proportionate Share
of Net Pension Liability
Last Ten Years TRA Retirement Fund

For Plan's Fiscal Year Ended June 30,	Academy's Proportion of the Net Pension Liability (Asset)	Academy's Proportionate Share of the Net Pension Liability (Asset)	Academy's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	Academy's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	Academy's Covered Payroll	Academy's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0004%	$ 25,496	$ 2,073	$ 27,569	$ 20,000	127.48%	78.21%
2020	0.0041%	302,913	25,136	328,049	239,053	126.71%	75.48%
2021	0.0042%	183,805	15,658	199,463	252,841	72.70%	86.63%

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

See notes to required supplementary information.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF ACADEMY CONTRIBUTIONS
JUNE 30, 2022

Progeny Academy
Schedule of Academy Contributions
General Employees Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Academy's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	$ 750	$ 750	$ -	$ 10,000	7.50%
2020	9,872	9,872	-	131,627	7.50%
2021	5,766	5,766	-	76,880	7.50%
2022	9,668	9,668	-	128,907	7.50%

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

Schedule of Academy Contributions
TRA Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Academy's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	$ 1,542	$ 1,542	$ -	$ 20,000	7.71%
2020	18,933	18,933	-	239,053	7.92%
2021	20,556	20,556	-	252,841	8.13%
2022	21,280	21,280	-	255,156	8.34%

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

See notes to required supplementary information.

TRA RETIREMENT FUND

2021 Changes
Changes in Actuarial Assumptions

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the 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.

2020 Changes
Changes in Actuarial Assumptions

- None

2018 Changes
Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2020. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2020, and ending July 1, 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, 2020. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years (7.71% in 2018, 7.92% in 2020, 8.13% in 2021, 8.34% in 2022, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes
Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.

TRA Retirement Fund (Continued)

2017 Changes (Continued)
Changes in Actuarial Assumptions

- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes
Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the 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.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

TRA Retirement Fund (Continued)

2015 Changes

Changes of benefit terms

- the DTRFA was merged into TRA on June 30, 2015.

Changes in actuarial assumptions

- The annual cola for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

GENERAL EMPLOYEES FUND

2021 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2020, 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, 2020, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2020, 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, 2020, 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-2020.
- 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 and Survivor option changed from 35% to 45%. The assumed number of married female new retires electing the 100% Joint and 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, 2021 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2021.

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

General Employees Fund (Continued)

2018 Changes
Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2020, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2020. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2020.
- 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 Changes
Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

- 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 2020 to 2031. The State's contribution changed from $16,000,000 to $6,000,000 in calendar years 2020 to 2031.

General Employees Fund (Continued)

2016 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions
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; the State’s contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

.

SUPPLEMENTARY INFORMATION

PROGENY MEDICAL ACADEMY
CHARTER SCHOOL NO. 4263
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS – COMPLIANCE TABLE
JUNE 30, 2022

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$ 1,380,939	$ 1,380,939	$ -
Total Expenditures	$ 1,282,571	$ 1,282,571	$ -
Non Spendable:			
4.60 Non Spendable Fund Balance		$ -	$ -
Restricted / Reserved:			
4.03 Staff Development	$ -	$ -	$ -
4.05 Deferred Maintenance	$ -	$ -	$ -
4.06 Health and Safety	$ -	$ -	$ -
4.07 Capital Projects Levy	$ -	$ -	$ -
4.08 Cooperative Revenue	$ -	$ -	$ -
4.09 Alternative Facility Program	$ -	$ -	$ -
4.13 Project Funded by COP	$ -	$ -	$ -
4.14 Operating Debt	$ -	$ -	$ -
4.16 Levy Reduction	$ -	$ -	$ -
4.17 Taconite Building Maint	$ -	$ -	$ -
4.23 Certain Teacher Programs	$ -	$ -	$ -
4.24 Operating Capital	$ -	$ -	$ -
4.26 $25 Taconite	$ -	$ -	$ -
4.27 Disabled Accessibility	$ -	$ -	$ -
4.28 Learning & Development	$ -	$ -	$ -
4.34 Area Learning Center	$ -	$ -	$ -
4.35 Contracted Alt. Programs	$ -	$ -	$ -
4.36 State Approved Alt. Program	$ -	$ -	$ -
4.38 Gifted & Talented	$ -	$ -	$ -
4.40 Teacher Development and Evaluation	$ -	$ -	$ -
4.41 Basic Skills Programs	$ -	$ -	$ -
4.45 Career Tech Programs	$ -	$ -	$ -
4.48 Achievement and Integration	$ -	$ -	$ -
4.49 Safe School Crime - Crime Levy	$ -	$ -	$ -
4.50 Pre-Kindergarten	$ -	$ -	$ -
4.51 QZAB Payments	$ -	$ -	$ -
4.52 OPEB Liab Not In Trust	$ -	$ -	$ -
4.53 Unfunded Sev & Retiremt Levy	$ -	$ -	$ -
4.72 Medical Assistance	$ -	$ -	$ -
4.73 PPP Loan	$ -	$ -	$ -
Restricted:			
4.64 Restricted Fund Balance	$ -	$ -	$ -
Committed:			
4.18 Committed for Separation	$ -	$ -	$ -
4.61 Committed Fund Balance	$ -	$ -	$ -
Assigned:			
4.62 Assigned Fund Balance	$ -	$ -	$ -
Unassigned:			
4.22 Unassigned Fund Balance	$ (9,560)	$ (9,560)	$ -

	Audit	UFARS	Audit - UFARS
02 FOOD SERVICE			
Total Revenue	$ 58,023	$ 58,023	$ -
Total Expenditures	$ 57,452	$ 57,452	$ -
Non Spendable:			
4.60 Non Spendable Fund Balance	$ -	$ -	$ -
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$ -	$ -	$ -
Restricted:			
4.64 Restricted Fund Balance	$ 571	$ 572	$ (1)
Unassigned:			
4.63 Unassigned Fund Balance	$ -	$ -	$ -
04 COMMUNITY SERVICE			
Total Revenue	$ -	$ -	$-
Total Expenditures	$ -	$ -	$-
Non Spendable:			
4.60 Non Spendable Fund Balance	$-	$-	$-
Restricted / Reserved:			
4.26 $25 Taconite	$-	$-	$-
4.31 Community Education	$-	$-	$-
4.32 E.C.F.E	$-	$-	$-
4.40 Teacher Development and Evaluation	$-	$-	$-
4.44 School Readiness	$-	$-	$-
4.47 Adult Basic Education	$-	$-	$-
4.52 OPEB Liab Not In Trust	$-	$-	$-
Restricted:			
4.64 Restricted Fund Balance	$ -	$ -	$-
Unassigned:			
4.63 Unassigned Fund Balance	$-	$-	$-

OTHER REQUIRED REPORTS

CHUCK RINKEY, LTD.
CERTIFIED PUBLIC ACCOUNTANT
5775 WAYZATA BOULEVARD
SUITE 990
MINNEAPOLIS, MN 55416
TELEPHONE (952) 546-1052
FAX (952) 546-1284

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

To the Board of Directors
Progeny Academy
Charter School No. 4263
Minneapolis, Minnesota

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Progeny Academy, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Progeny Academy's basic financial statements, and have issued our report thereon dated December 19, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Progeny Academy's financial statements are free from material misstatement, I 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, I do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Chuck Rinkey, Ltd.

CHUCK RINKEY, LTD.
Minneapolis, Minnesota

December 19, 2022

CHUCK RINKEY, LTD.
CERTIFIED PUBLIC ACCOUNTANT

5775 WAYZATA BOULEVARD
SUITE 990
MINNEAPOLIS, MN 55416
TELEPHONE (952) 546-1052
FAX (952) 546-1284

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Directors
Progeny Academy
Charter School No. 4263
Minneapolis, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 19, 2022

In connection with our audit, we noted that Progeny Academy failed to comply with provisions of the charter school section 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 as described in the Schedule of Findings as items 2022-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that Progeny Academy failed to comply with the provisionsof the charter school section of the *MinnesotaLegal Compliance Audit Guide for Charter Schools*, 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 attentionregarding the 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.

Chuck Rinkey, Ltd.

CHUCK RINKEY, LTD.
Minneapolis, MN 55416

December 19, 2022

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
SCHEDULE OF FINDINGS
JUNE 30, 2022

FINDINGS – MINNESOTA LEGAL COMPLIANCE

Current Year
Finding 2022-001
Lack of Prompt Payment of Bills

Criteria or specific requirement: Minnesota Statutes requires municipalities to pay each vendor obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period, defined as within 35 days from the date of receipt for municipalities which have regularly scheduled meetings at least once a month.

Condition: Of the disbursements we tested we noted that six were not paid by the School within this standard payment period.

Cause: Invoices were not processed through the School's approval and accounts payable process in time to be paid within the standard payment period.

Effect: The School was not in compliance with state statutes related to payment of local government bills.

Recommendation: We recommend the School make every effort possible to ensure that invoices are approved and sent to accounts payable for payment in a timely manner.

Management Response: There is no disagreement with this finding.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:
There is no disagreement with the audit finding.

Actions Planned in Response to Finding:
The School will review their controls and procedures over the accounts payable process, and ensure that invoices are paid within the standard payment period.

Official Responsible for Ensuring CAP:
The Head of School is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:
The planned completion date is June 30, 2022.

Plan to Monitor Completion of CAP:
The School Board will be monitoring this corrective action plan.

Prior Year – Lack of Prompt Payment of Bills