PROGENY ACADEMY
CHARTER SCHOOL NO. 4263

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
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INTRODUCTORY SECTION

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2023

SCHOOL BOARD

Name	Term on Board Expires on	Board Position
Mr. Jeramie Steinert	June 30-2025	Board Chair
Mr. Peter Zwach	June 30-2025	Director
Ms. Yelena Hardcopf	June 30-2024	Director
Mr. Antony Finley	June 30-2023	Director, Parent Member

ADMINISTRATION

Name	Position
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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023, and the related notes to the financial statements, which collectively comprise the Progeny Academy's 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, 2023, and the respective changes in financial position and the respective changes in financial position and the respective budgetary comparison for the General Fund and Food Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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.

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Member: American Institute of Certified Accountants & Florida State Board of Accountancy

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, TRA Schedule of the School's Proportionate Share of the Net Pension Liability, TRA Schedule of School Contributions, GERF Schedule of the School's Proportionate Share of the Net Pension Liability, and GERF Schedule of School Contributions 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.

Required Supplementary Information (Continued)

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. The Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis and is not a required part of the basic financial statements of the school.

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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2024 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.

Thomas & Company CPA
Cooper City, Florida
February 8, 2024

MANAGEMENT’S DISCUSSION AND ANALYSIS

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023

This section of Progeny Academy – Charter School No. 4263's annual financial report presents our discussion and analysis of the Progeny Academy's financial performance during the fiscal year that ended June 30, 2023. Please read it in conjunction with the School's financial statements, which immediately follow this section.

Certain comparative information between the current year (2022-2023) and the prior year (2021-2022) is required to be presented in the Management's Discussion and Analysis.

Financial Highlights

Key financial highlights for the 2022-2023 fiscal year includes the following:

- The School's net position at June 30, 2023 was positive $14,441.

- The fund balance of the General Fund increased $176,642 from the prior year for an ending fund balance of $167,082 at June 30, 2023.

- Total General Fund revenues were $1,478,882 as compared to $1,302,240 of expenditures.

- Government-wide total revenues were $1,563,642 as compared to $1,463,424 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.

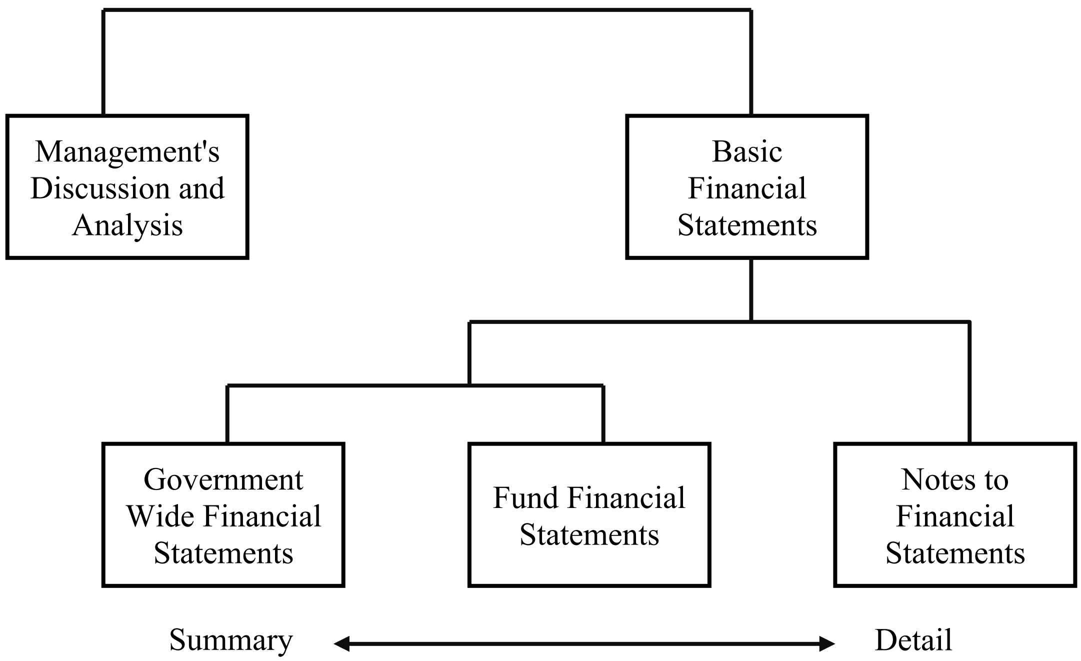
The government funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of supplementary information that further explains and supports the financial statements.

Overview of the Financial Statements (Continued)

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Annual Report Format



Overview of the Financial Statements (Continued)

The major features of the School′s financial statements, including the portion of the School′s activities they cover and the types of information they contain. The remainder of this overview section of the MD&A highlights the structure and contents of each of the statements.

Fund Financial Statements		
	Government-Wide Statements	**Governmental Funds**
Scope	Entire School	The activities of the School
Required financial statements	* Statement of Net Position * Statement of Activities	* Balance Sheet * Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.
Type of assets/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, the assets that are expected to be used up and the liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.

Government-Wide 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.

Overview of the Financial Statements (Continued)

Government-Wide Statements (Continued)

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*.

- 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, creditworthiness and the condition of school buildings and other facilities.

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

- *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 $14,441 on June 30, 2023 (See Table A-1).

Table A-1
The School's Net Position

	Governmental Activities as of June 30, 2023	Governmental Activities as of June 30, 2022	Percentage Change
Assets			
Current and Other Assets	$ 348,781	$ 284,189	22.73%
Capital Assets, Net	16,984	2,368	617.23%
Total Assets	**365,765**	**286,557**	27.64%
Deferred Outflows of Resources			
Deferred Outflows - Pension Payments	303,240	356,196	-14.87%
Total Deferred Outflows of Resources	**303,240**	**356,196**	-14.87%
Total Assets	**669,005**	**642,753**	4.08%
Liabilities and Net Position			
Liabilities			
Current Liabilities	171,505	293,178	-41.50%
Long-Term Liabilities	455,027	230,780	97.17%
Total Liabilities	**626,532**	**523,958**	19.58%
Deferred Inflows of Resources			
Deferred Inflows - Pension Payments	28,032	223,572	-87.46%
Total Deferred Inflows of Resources	**28,032**	**223,572**	-87.46%
Net Position			
Net Investment In Capital Assets	16,984	-	-
Restricted	14,317	-	-
Unrestricted	(16,860)	(104,777)	-83.91%
Total Net Position	**14,441**	**(104,777)**	-113.78%
Total Liabilities and Net Position	**$ 669,005**	**$ 642,753**	4.08%

Financial Analysis of the School as a Whole (Continued)

Changes in Net Position

The School's total government-wide revenues were $1,563,642 for the year ended June 30, 2023 (See Table A-2). State formula aid accounted for 57% of total revenue for the year. The remaining 43% came from operating grants and other general and program revenues.

Table A-2
Change in Net Position

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2023	**2022**	
Revenues			
Program Revenues			
Operating Grants and Contributions	$ 656,694	$ 555,043	18.3%
General Revenues			
Unrestricted State Aid	886,503	876,006	1.2%
Other Revenues	20,445	5,940	244.2%
Total Revenues	**1,563,642**	**1,436,989**	8.8%
Expenses			
Administration	55,060	21,274	158.8%
District Support Services	252,701	173,038	46.0%
Regular Instruction	309,676	402,631	-23.1%
Special Education Instruction	289,497	286,945	0.9%
Instructional Support Services	614	28,734	-97.9%
Pupil Support Services	277,365	246,967	12.3%
Sites And Buildings	194,047	164,377	18.0%
Fiscal and Other Fixed Cost Programs	13,245	12,927	2.5%
Food Service	71,219	58,188	22.4%
Total Expenses	**1,463,424**	**1,395,081**	4.9%
Change in Net Position	100,218	41,908	
Net Position – Beginning of the year, as previously stated	(104,777)	(146,685)	
Prior Period adjustments	19,000	-	
Net Position – Beginning (Restated)	(85,777)	-	
Net Position – Ending of the year	**$ 14,441**	**$ (104,777)**	

Financial Analysis of the School as a Whole (Continued)

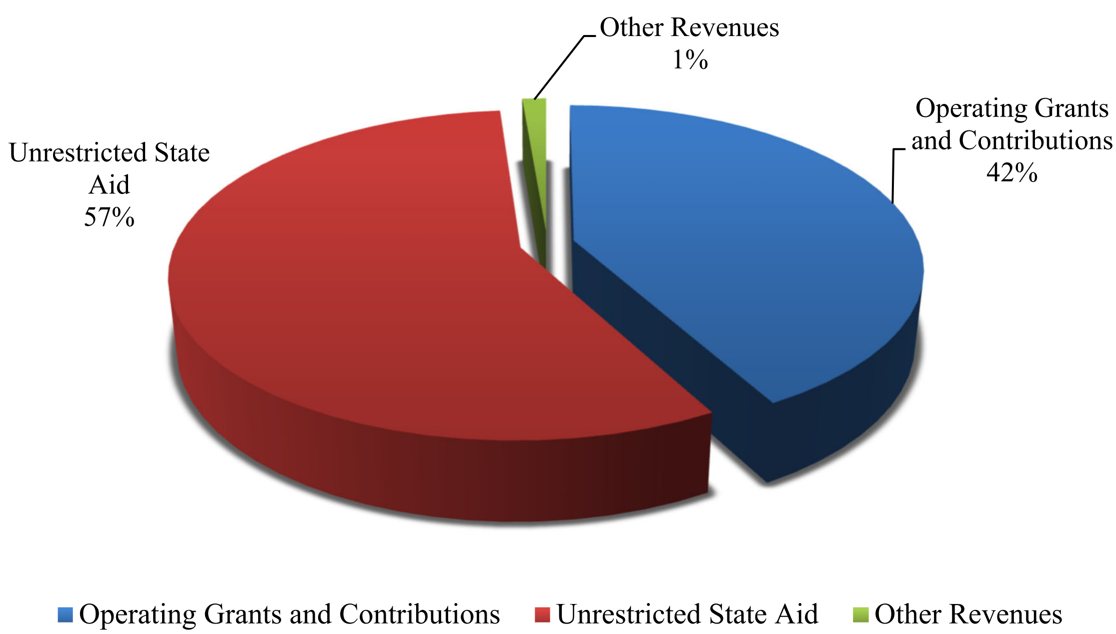
Changes in Net Position (Continued)

Total revenues exceeded expenses increasing the net position by $100,218.
The increase in net position relates to increased state aid and operating grants.

The cost of all governmental activities this year was $1,463,424.

- The state and federal government subsidized certain programs with grants and contributions ($656,694)
- Most of the School's costs were paid for by unrestricted state aid and other general revenue ($906,948)

Figure A-2
Sources of School's Revenues for Fiscal Year 2023



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

Figure A-3
School Expenses for Fiscal Year 2023

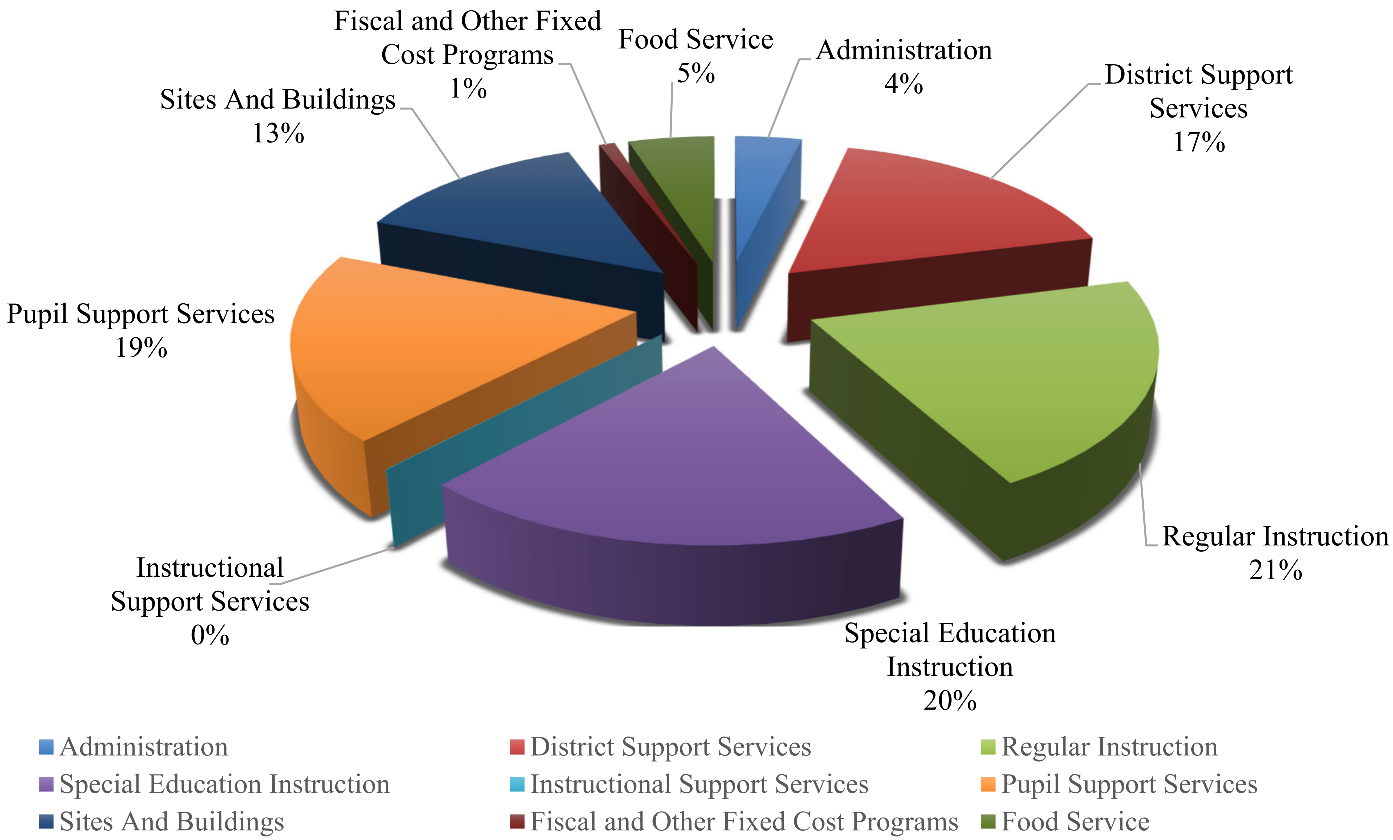


Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services 2023	Total Cost of Services 2022	Percentage Change	Net Cost of Services 2023	Net Cost of Services 2022	Percentage Change
Administration	$ 55,060	$ 21,274	158.81%	$ (55,060)	$ (21,274)	158.81%
District Support Services	252,701	173,038	46.04%	(252,701)	(173,038)	46.04%
Regular Instruction	309,676	402,631	-23.09%	(168,665)	(252,628)	-33.24%
Special Education Instruction	289,497	286,945	0.89%	16,287	(52,094)	-131.26%
Instructional Support Services	614	28,734	-97.86%	(614)	(28,734)	-97.86%
Pupil Support Services	277,365	246,967	12.31%	(277,365)	(246,967)	12.31%
Sites and Buildings	194,047	164,377	18.05%	(64,990)	(52,211)	24.48%
Fiscal and Other Fixed Cost Programs	13,245	12,927	2.46%	(13,245)	(12,927)	2.46%
Food Service	71,219	58,188	22.39%	9,623	(165)	-5932.12%
Total	**$ 1,463,424**	**$ 1,395,081**		**$ (806,730)**	**$ (840,038)**	

Financial Analysis of the School as a Whole (Continued)

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 $1,559,724 while total expenditures were $1,373,459. This contributed to a combined fund balance of $177,276 which is $186,265 higher than last year's ending fund balance of ($8,989).

General Fund

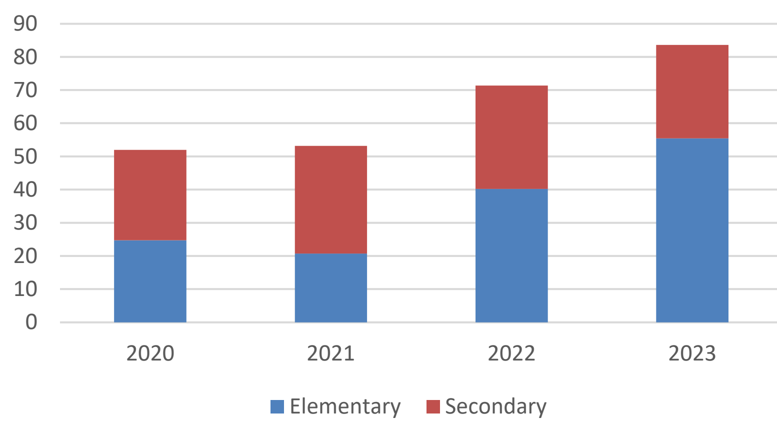
The General Fund includes the primary operations of the School in providing educational services to students from grades K through 8.

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.

Enrollment

Enrollment is a critical factor in determining revenue with approximately 88% of General Fund revenue being determined by enrollment.

Figure A-4
Enrollment Trend
Average Daily Membership (ADM)



It is hoped that the School will maintain a steady enrollment. All staff members need to assume an active role in retention and recruitment efforts. The School will continue to pursue creative and thoughtful marketing strategies to encourage families to consider the School as the option of choice.

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 higher than budgeted with a variance of $45,063 due to increased state reimbursement.

Actual expenditures were less than budgeted with a variance of $26,861 due to state and federal reimbursement.

Other Major Funds

Food Service Fund

Revenues were higher than budget by $28,830 due to increased attendance coming out the pandemic.

Long-Term Liabilities

At year-end the School had Net Pension Liability of $455,027 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, 2023

	Governmental Activities as of June 30, 2023
Assets	
Cash	$ 8,998
Other Receivables	4,278
Due from MN Department of Education	277,653
Due from Federal through MN Department of Education	57,308
Due from Other Governments	544
Capital and Right-to-use Assets, Net	16,984
Total Assets	**365,765**
Deferred Outflows of Resources	
Deferred Outflows - Pension Payments	303,240
Total Deferred Outflows of Resources	**303,240**
Total Assets and Deferred Outflows of Resources	**669,005**
Liabilities and Net Position	
Liabilities	
Salaries and Benefits Payable	31,649
Accounts Payable	139,856
Long-Term Liabilities	
Net Pension Liability	455,027
Total Liabilities	**626,532**
Deferred Inflows of Resources	
Deferred Inflows - Pension Payments	28,032
Total Deferred Inflows of Resources	**28,032**
Net Position	
Net Investment in Capital Assets	16,984
Restricted for:	
Food Service	10,194
Medical Assistance	4,123
Unrestricted	(16,860)
Total Net Position	**14,441**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 669,005**

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Total Governmental Activities**
Governmental Activities				
Administration	$ 55,060	$ -	$ -	$ (55,060)
District Support Services	252,701	-	-	(252,701)
Regular Instruction	309,676	-	141,011	(168,665)
Special Education Instruction	289,497	-	305,784	16,287
Instructional Support Services	614	-	-	(614)
Pupil Support Services	277,365	-	-	(277,365)
Sites and Buildings	194,047	-	129,057	(64,990)
Fiscal and Other Fixed Cost	13,245	-	-	(13,245)
Food Service	71,219	-	80,842	9,623
Total Governmental Activities	**$ 1,463,424**	**$ -**	**$ 656,694**	**(806,730)**
	General Revenues			
	State Aid Not Restricted to Specific Purposes			886,503
	Other Revenues			20,445
	Total General Revenues			**906,948**
	Change in Net Position			**100,218**
	Net Position – Beginning, as previously stated			(104,777)
	Prior Period Restatement - See Note 4			19,000
	Net Position – Beginning (Restated)			**(85,777)**
	Net Position – Ending			**$ 14,441**

See accompanying Notes to Basic Financial Statements.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
BALANCE SHEET GOVERNMENT FUNDS
YEAR ENDED JUNE 30, 2023

	Major Funds		Total Governmental Funds
	General Fund	Food Service Fund	2023
Assets			
Cash	$ -	$ 9,210	$ 9,210
Other Receivables	4,278	-	4,278
Due from MN Department of Education	277,541	112	277,653
Due from Federal through MN Department of Education	49,492	7,816	57,308
Due from Other Governments	544	-	544
Other Assets	-	944	944
Total Assets	**331,855**	**18,082**	**349,937**
Liabilities and Fund Balances			
Liabilities			
Salaries and Benefits Payable	32,593	-	32,593
Bank Over Draft	212	-	212
Accounts Payable	131,968	7,888	139,856
Total Liabilities	**164,773**	**7,888**	**172,661**
Fund Balances (Deficit)			
Restricted for:			
Food Service	-	10,194	10,194
Medical Assistance	4,123	-	4,123
Unassigned	162,959	-	162,959
Total Fund Balances (Deficit)	**167,082**	**10,194**	**177,276**
Total Liabilities and Fund Balances (Deficit)	**$ 331,855**	**$ 18,082**	**$ 349,937**

See accompanying Notes to Basic Financial Statements.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENT FUNDS TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2023

	2023
Total Fund Balances – Governmental Funds	**$ 177,276**
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Capital Assets, Net of Accumulated Depreciation	16,984
The School's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:	
Net Pension Liability	(455,027)
Deferred Inflows of Resources - Pensions	(28,032)
Deferred Outflows of Resources - Pensions	303,240
Total Net Position – Governmental Activities	**$ 14,441**

See accompanying Notes to Basic Financial Statements.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	Major Funds		
	General Fund	**Food Service Fund**	**Total Governmental Funds**
Revenue			
Federal Sources	$ 156,553	$ 78,748	$ 235,301
State Sources	1,301,884	2,094	1,303,978
Local Sources			
Other	20,445	-	20,445
Total Revenue	**1,478,882**	**80,842**	**1,559,724**
Expenditures			
Current:			
Administration	46,169	-	46,169
District Support Services	229,156	-	229,156
Regular Instruction	268,814	-	268,814
Special Education Instruction	276,746	-	276,746
Instructional Support Services	614	-	614
Pupil Support Services	273,449	-	273,449
Sites and Buildings	194,047	-	194,047
Fiscal and Other Fixed Cost	13,245	-	13,245
Food Service	-	71,219	71,219
Total Expenditures	**1,302,240**	**71,219**	**1,373,459**
Net Change in Fund Balances	**176,642**	**9,623**	**186,265**
Fund Balances (Deficit) - Beginning of the year	(9,560)	571	(8,989)
Fund Balances (Deficit) - End of the year	**$ 167,082**	**$ 10,194**	**$ 177,276**

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	2023
Total Net Change in Fund Balances – Governmental Funds	**$ 186,265**
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which depreciation exceeded capital outlays in the current period is:	
Depreciation Expense	(4,384)
Governmental funds recognize pension contributions as expenditures; however, pension expense is reported in the statement of activities	
Pension expense	(85,581)
State Aid related to Pension Expense	3,918
Change in Net Position – Governmental Activities	**$ 100,218**

See accompanying Notes to Basic Financial Statements.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			
	Original Budget	**Final Budget**	**Actual Amounts**	**Over (Under) Final Budget**
Revenue				
Federal Sources	$ 224,750	$ 213,104	$ 156,553	$ (56,551)
State Sources	1,190,803	1,210,680	1,301,884	91,204
Local Sources				
Other	6,215	10,035	20,445	10,410
Total Revenue	**1,421,768**	**1,433,819**	**1,478,882**	**45,063**
Expenditures				
Current				
Administration	46,878	46,987	46,169	818
District Support Services	163,588	197,763	229,156	(31,393)
Regular Instruction	386,014	343,788	268,814	74,974
Special Education Instruction	255,617	247,983	276,746	(28,763)
Instructional Support Services	600	600	614	(14)
Pupil Support Services	315,314	282,490	273,449	9,041
Sites and Buildings	187,239	198,490	194,047	4,443
Fiscal and Other Fixed Cost Programs	11,000	11,000	13,245	(2,245)
Total Expenditures	**1,366,250**	**1,329,101**	**1,302,240**	**26,861**
Excess (Deficiency) of Revenue Over (Under) Expenditures	**55,518**	**104,718**	**176,642**	**71,924**
Other Financing Sources (Uses)				
Transfers Out	(88)	(88)	-	88
Total Other Financing Sources (Uses)	**(88)**	**(88)**	**-**	**88**
Net Change in Fund Balances	**$ 55,430**	**$ 104,630**	**176,642**	**$ 72,012**
Fund Balances (Deficit) - Beginning of the Year			(9,560)	
Fund Balances (Deficit) - End of the Year			**$ 167,082**	

See accompanying Notes to Basic Financial Statements.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts			
	Original Budget	**Final Budget**	**Actual Amounts**	**Over (Under) Final Budget**
Revenue				
Federal Sources	$ 46,512	$46,512	$ 78,748	$ 32,236
State Sources	5,500	5,500	2,094	(3,406)
Total Revenue	**52,012**	**52,012**	**80,842**	**28,830**
Expenditures				
Current				
Food Service	52,100	52,100	71,219	(19,119)
Total Expenditures	**52,100**	**52,100**	**71,219**	**(19,119)**
Excess (Deficiency) of Revenue Over (Under) Expenditures	**(88)**	**(88)**	**9,623**	**9,711**
Other Financing Sources (Uses)				
Transfers In	88	88	-	(88)
Total Other Financing Sources (Uses)	**88**	**88**	**-**	**(88)**
Net Change in Fund Balances	**$ -**	**$ -**	**9,623**	**$ 9,623**
Fund Balances (Deficit) - Beginning of the Year			571	
Fund Balances (Deficit) - End of the Year			**$ 10,194**	

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A. Basis of Presentation

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.

B. Financial 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. On June 22, 2023 the School renewed its contract with IQS for another three years covering the period July 1, 2023 to June 30, 2026. 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.

C. 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Basic Financial Statement Information (Continued)

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.

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. The effect of interfund activity has been removed from these statements.

D. 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. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. Other revenue is generally 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

As required by state statute, the School operates as a nonprofit corporation under *Minnesota Statutes* 317A. However, state law also requires the Charter 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 follows:

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. It includes the general operations and pupil transportation activities of the School, as well as the capital related activities such as maintenance of facilities and equipment purchases.

Food Service Special Revenue Fund

This fund is used to account for food service revenues and expenditures. Primary sources of revenue in the Food Service Fund are state and federal aids that are restricted for the Food Service program.

E. 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, 2023, 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.

F. Accounts Receivable

Accounts receivable represents amounts due from individuals, firms, and corporations for goods and services furnished by the School. No substantial losses are anticipated from present receivable balances; therefore, no allowance for uncollectible accounts is deemed necessary.

G. 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 or is allocated over the period benefitted.

Note 1 - Summary of Significant Accounting Policies (Continued)

H. 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, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until 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 will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one 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.

I. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The School maintains a threshold level of $5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the School, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 20 years for various property, plant and equipment and right-to-use assets.

J. Leases

The School determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statement of net position.

Lease assets represent the School's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Note 1 - Summary of Significant Accounting Policies (Continued)

J. Leases (Continued)

Lease liabilities represent the School's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the net present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the School will exercise that option. The School has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

The individual lease contracts provide information about the discount rate implicit in the lease. Those discount rates were utilized to calculate the net present value of expected lease payments.

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

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

L. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance coverage for such risks.

Note 1 - Summary of Significant Accounting Policies (Continued)

M. Fund Balance

In the fund financial statements, governmental funds report non-spendable, restricted, committed, assigned, and unassigned fund balances. Non-spendable 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 in the General Fund.

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. To ensure the financial strength and stability of the District, the Board will endeavor to maintain a targeted fund balance of no less than 10%.

N. Interfund Activity

From time to time, the School may have interfund activity in the normal course of operations. This activity is eliminated in the government wide financial statements when consolidated. The effects of interfund activities have been removed from the Government-wide financial statements.

O. Net Position

Net position represents the difference between assets and 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. The remaining net position (deficit) is reported as unrestricted.

P. 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Q. 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.

R. Prior Period Restatement

The School restated its beginning net position to correct the understatement of capital assets from the previous year. See note 4 for more information.

S. 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.

T. Adoption of New Accounting Standards

GASB Statement No. 96, Subscription-Based Information Technology Arrangements

In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). A SBITA is defined as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this statement, a governmental entity generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The School adopted the requirements of GASB 96 on July 1, 2022, with no material impacts on the financial statements.

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, 2023, the School's deposits in banks of $89,559 were entirely covered by FDIC insurance or collateral in accordance with Minnesota Statutes.

Note 3 - Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	**Additions**	**Deletions**	**Balance June 30, 2023**
Governmental Activities:				
Capital assets, being depreciated:				
Furniture, Fixtures and Equipment	$ 21,918	$ -	$ -	$ 21,918
Total capital assets, being depreciated	21,918	-	-	21,918
Accumulated depreciation for:				
Furniture, Fixtures and Equipment	(550)	(4,384)	-	(4,934)
Total accumulated depreciation	(550)	(4,384)	-	(4,934)
Governmental activities capital assets, net	**$ 21,368**	**$ (4,384)**	**$ -**	**$ 16,984**

Note 3 - Capital Assets (Continued)

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

Governmental Activities	
District Support Services	$ (4,384)
Total Depreciation, Governmental Activities	$ (4,384)

Note 4 - Prior Period Restatement

The School restated the beginning net position to correct the understatement of capital assets from the previous year. The effects of the restatement is as follows:

	Governmental Activities
Beginning Net Position, as Previously Stated	$ (104,777)
Prior Period Restatement for the Correction of Capital assets	19,000
Beginning Net Position, as Restated	$ (85,777)

Note 5 – Defined Benefit Pension Plans – State-Wide

All employees of the School are required by state law to belong to pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follow. The Academy participates in both the pension plans, total pension expense for the year ended June 30, 2023 was $110,690. The Academy received $3,918 as pension aid from the State, which has been shown as both income and expenses. 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.

Note 5 – Defined Benefit Pension Plans – State-Wide (Continued)

Teachers' Retirement Association (Continued)

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

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).

OR

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.

Note 5 – Defined Benefit Pension Plans – State-Wide (Continued)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

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, 2021, June 30, 2022, and June 30, 2023, were:

	June 30, 2021		June 30, 2022		June 30, 2023	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic Plan	11.00%	12.13%	11.00%	12.34%	11.00%	12.55%
Coordinated Plan	7.50%	8.13%	7.50%	8.34%	7.50%	8.55%

The School's contributions to TRA for the period ended June 30, 2023 were $20,131. The School's contributions were equal to the required contributions set by state statute.

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.

Employer contributions reported in TRA's ACFR Statement of Changes in Fiduciary Net Position	$ 482,679
Employer contributions not related to future contribution efforts	(2,178)
TRA's contributions not included in allocation	(572)
Total employer contributions	479,929
Total non-employer contributions	35,590
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 515,519

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

Note 5 – Defined Benefit Pension Plans – State-Wide (Continued)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2023, 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, 2022
Measurement date	June 30, 2022
Experience study	June 28, 2019 (demographic and economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7%
Price inflation	2.5%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	RP 2014 white collar employee table, male rates set back 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 projection uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

**The assumptions prescribed are based on the experience study dated June 28, 2019. For GASB 67 purposes, the long-term rate of return assumptions is selected by TRA management in consultation with actuary.*

Note 5 – Defined Benefit Pension Plans – State-Wide (Continued)

Teachers' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.50%	5.10%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%
International Equity	16.50%	5.30%
Total	100.00%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2023 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 five years as required by GASB 68.

Changes in actuarial assumptions since the 2021 valuation:

- There have been no changes since the prior valuation.

F. Discount Rate

The discount rate used to measure the total pension liability was 7%. There was no change in the discount rate since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2022 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).

Note 5 – Defined Benefit Pension Plans – State-Wide (Continued)

Teachers' Retirement Association (Continued)

G. Net Pension Liability

On June 30, 2023, the Academy reported a liability of $328,306 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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 0.0041% at the end of the measurement period and 0.0042% 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:

Description	Amount
School’s proportionate share of the TRA net pension liability	$ 328,306
State of Minnesota’s proportionate share of the net pension liability associated with the school	24,324
	$ 352,630

For the year ended June 30, 2023, the Academy recognized pension expense of $ 71,608. Included in this amount, the Academy recognized ($3,345) as pension expense for the support provided by direct aid.

On June 30, 2023, 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 economic experience	$ 4,802	$ 2,765
Changes in actuarial assumptions	52,594	-
Net difference between projected and actual earnings on Plan Investments	9,171	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	130,954	4,091
School Contributions Subsequent to the Measurement Date	20,131	-
Total	$ 217,652	$ 6,856

Note 5 – Defined Benefit Pension Plans – State-Wide (Continued)

Teachers' Retirement Association (Continued)

G. Net Pension Liability(Continued)

The $20,131 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, 2024.

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

Year Ending June, 30	Pension Expense Amount
2024	$ 52,920
2025	52,438
2026	42,696
2027	43,198
2028	$ (587)

H. Pension Liability Sensitivity

The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 7% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6%) and 1 percent higher (8%) than the current rate.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	6.00%	7.00%	8.00%
Academy’s proportionate share of the TRA net pension liability	$ 517,557	$ 328,306	$ 173,180

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.

<u>Note 5 – Defined Benefit Pension Plans – State-Wide (Continued)</u>

Teachers' Retirement Association (Continued)

I. 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 all full time and certain 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.

Note 5 – Defined Benefit Pension Plans – State-Wide (Continued)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

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 2023 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, 2023, were $8,452. The Academy's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At June 30, 2023, the Academy reported a liability of $126,721 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 $3,835.

The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The Academy's proportionate share was 0.0016% at the end of the measurement period and 0.0011% for the beginning of the period.

Note 5 – Defined Benefit Pension Plans – State-Wide (Continued)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Description	Amount
School's proportionate share of the PERA net pension liability	$ 126,721
State of Minnesota's proportionate share of the net pension liability associated with the school	3,835
Total	$ 130,556

For the year ended June 30, 2023, the Academy recognized pension expense of $39,082 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the Academy recognized $573 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, 2023, 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 economic experience	$ 1,058	$ 1,354
Changes in actuarial assumptions	28,679	515
Net difference between projected and actual earnings on Plan Investments	2,198	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	45,201	19,307
School Contributions Subsequent to the Measurement Date	8,452	-
Total	$ 85,588	$ 21,176

Note 5 – Defined Benefit Pension Plans – State-Wide (Continued)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

The $8,452 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June, 30	Pension Expense Amount
2024	$ 32,085
2025	9,185
2026	3,230
2027	$ 11,460

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 Equity	33.50%	5.10%
Private Markets	25.00%	5.90%
Fixed Income	25.00%	0.75%
International Equity	16.50%	5.30%
Total	100.00%	

<u>Note 5 – Defined Benefit Pension Plans – State-Wide (Continued)</u>

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, 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% in the June 30, 2022 actuarial valuation and 7% in the June 30, 2023 actuarial valuation. 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% after 29 years of service and 6% per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. 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 2022:

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rates

The discount rate used to measure the total pension liability in 2022 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.

Note 5 – Defined Benefit Pension Plans – State-Wide (Continued)

Public Employees' Retirement Association (Continued)

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:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	5.50%	6.50%	7.50%
Academy's proportionate share of the GERF net pension liability	$ 200,162	$ 126,721	$ 66,487

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 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 2022, the School signed a new one-year lease effective July 1, 2022 through June 30, 2023. The lease requires monthly payments of $10,817 plus operating costs. Rental expenses for the year ended June 30, 2023 was $153,063.

The School qualified for state charter school lease aid of $117,275. 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.

Note 6 – Commitments And Contingencies (Continued)

B. Short-Term Lease for Educational Space (Continued)

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 7 - Subsequent Events

For the year ended June 30, 2023 the School has evaluated subsequent events and transactions for potential recognition or disclosure through February 8, 2024, which is the date the financial statements were available to be issued, and concluded no additional subsequent events have occurred that would require recognition or disclosure in these financial statements that have not already been accounted for.

REQUIRED SUPPLEMENTARY INFORMATION

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263

TRA Schedule of Academy's and Non-Employer Proportionate Share of Net Pension Liability
For the Year Ended June 30, 2023
Last Four Measurement Dates*

	Measurement Date June 30,			
	2022	**2021**	**2020**	**2019**
School's Proportion of the Net Pension Liability	0.0041%	0.0042%	0.0041%	0.0004%
School's Proportionate Share of the Net Pension Liability	$328,306	$183,805	$302,913	$ 25,496
State's Proportionate Share of the Net Pension Liability Associated with School	24,324	15,658	25,136	2,073
Total	352,630	199,463	328,049	27,569
School's Covered Payroll	$256,367	$252,841	$239,053	$ 20,000
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	128.06%	72.70%	126.71%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.17%	86.63%	75.48%	78.21%

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

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263

Schedule of Academy Contributions TRA Retirement Fund
For the Year Ended June 30, 2023
Last Five Fiscal Years*

	Fiscal Year Ended June 30,				
	2023	**2022**	**2021**	**2020**	**2019**
Statutorily Required Contribution	$ 20,131	$ 21,381	$ 20,556	$ 18,933	$ 1,542
Contributions in Relation to the Statutorily Required Contribution	(20,131)	(21,381)	(20,556)	(18,933)	(1,542)
Contribution Deficiency (Excess)	-	-	-	-	-
School's Covered Payroll	$ 235,450	$256,367	$252,841	$239,053	$ 20,000
Contributions as a Percentage of Covered Payroll	8.55%	8.34%	8.13%	7.92%	7.71%

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

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263

General Employees Plan Schedule Of The School's Proportionate Share Of The Net Pension Liability
For the Year Ended June 30, 2023
Last Four Measurement Dates *

	Measurement Date June 30,			
	2022	**2021**	**2020**	**2019**
School's Proportion of the Net Pension Liability	0.0016%	0.0011%	0.0018%	0.0001%
School's Proportionate Share of the Net Pension Liability	$126,721	$46,975	$107,918	$ 5,529
State's Proportionate Share of the Net Pension Liability Associated with School	3,835	1,392	3,408	167
Total	130,556	48,367	111,326	5,696
School's Covered Payroll	$128,907	$ 76,880	$131,627	$ 10,000
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	98.30%	61.10%	81.99%	55.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.67%	87.00%	79.06%	80.23%

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

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263

General Employees Plan Schedule of The School's Contributions
For the Year Ended June 30, 2023
Last Five Fiscal Years *

	Fiscal Year Ended June 30,				
	2023	2022	2021	2020	2019
Statutorily Required Contribution	$ 8,452	$ 9,073	$ 5,766	$ 9,872	$ 750
Contributions in Relation to the Statutorily Required Contribution	(8,452)	(9,073)	(5,766)	(9,872)	(750)
Contribution Deficiency (Excess)	-	-	-	-	-
School's Covered Payroll	$112,693	$120,973	$76,880	$131,627	$10,000
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%

* - The School started operations in 2019, and the above table will be expanded to 10 years as information is available.

TRA RETIREMENT FUND

Changes in Significant Pension Plan Provisions, Actuarial Methods, and Assumptions - TRA

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

2022 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.5% to 7%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Changes in Significant Pension Plan Provisions, Actuarial Methods, and Assumptions -TRA (Continued)

2018 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions

- The cost-of-living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% 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, 2019, 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, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers 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 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Significant Pension Plan Provisions, Actuarial Methods, and Assumptions -TRA (Continued)

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- 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.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

Changes in Significant Pension Plan Provisions, Actuarial Methods, and Assumptions -TRA (Continued)

2016 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions

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

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

Changes in Significant Pension Plan Provisions, Actuarial Methods, and Assumptions – PERA

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

2022 Changes

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2021 Changes

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 prior valuation.

2020 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, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changes as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

<u>Changes in Significant Pension Plan Provisions, Actuarial Methods, and Assumptions – PERA (Continued)</u>

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- 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, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 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.

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 Significant Pension Plan Provisions, Actuarial Methods, and Assumptions – PERA (Continued)

2018 Changes (Continued)

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. 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, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 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 2019 to 2031. The State's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

Changes in Significant Pension Plan Provisions, Actuarial Methods, and Assumptions – PERA (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.

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SUPPLEMENTARY INFORMATION

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS-COMPLIANCE TABLE
JUNE 30, 2023

	AUDIT	UFARS	Difference
01 GENERAL FUND			
Total Revenue	$1,478,882	$1,478,881	$1
Total Expenditures	1,302,240	1,302,239	1
Non Spendable:			
4.60 Non Spendable Fund Balance			-
Restricted / Reserved:			
4.01 Student Activities	-	-	-
4.02 Scholarships	-	-	-
4.03 Staff Development	-	-	-
4.07 Capital Projects Levy	-	-	-
4.08 Cooperative Revenue	-	-	-
4.13 Funded by COP/FP	-	-	-
4.14 Operating Debt	-	-	-
4.16 Levy Reduction	-	-	-
4.17 Taconite Building Maint	-	-	-
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	-	-	-
4.48 Achievement and Integration	-	-	-
4.49 Safe Schools Levy	-	-	-
4.51 QZAB Payments	-	-	-
4.52 OPEB Liab Not In Trust	-	-	-
4.53 Unfunded Sev & Retiremt Levy	-	-	-
4.59 Basic Skills Extended Time	-	-	
4.67 LTFM	-	-	-
4.72 Medical Assistance	4,123	4,123	-
Restricted:			
4.64 Restricted Fund Balance	-	-	-
4.75 Title VII Impact Aid	-	-	-

4.76 Payments in Lieu of Taxes	-	-	-
Committed:			
4.18 Committed for Separation	-	-	-
4.61 Committed Fund Balance	-	-	-
Assigned:			
4.62 Assigned Fund Balance	-	-	-
Unassigned:			
4.22 Unassigned Fund Balance	162,959	162,959	-
02 FOOD SERVICES			
Total Revenue	80,842	80,843	(1)
Total Expenditures	71,219	71,219	-
Non Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	-	-	-
Restricted:			
4.64 Restricted Fund Balance	10,194	10,195	(1)
Unassigned:			
4.63 Unassigned Fund Balance	$ -	$ -	$ -

OTHER REQUIRED REPORTS

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
Brooklyn Center, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Progeny Academy, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Progeny Academy's basic financial statements, and have issued our report thereon dated February 8, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we 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, we 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 we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

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

Minnesota Legal Compliance

In connection with our audit, we noted that Progeny Academy failed to comply with provisions 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 and recommendations as items 2023-001 and 2023-002. Also, in connection with our audit, nothing came to our attention that caused us to believe that Progeny Academy failed to comply with the provisions of the uniform financial accounting and reporting standards and charter schools sections of the Minnesota Legal Compliance Audit Guide for Charter Schools, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Progeny Academy' noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Progeny Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Progeny Academy' response to the legal compliance findings identified in our audit and described in the accompanying schedule of findings and recommendations. The Progeny Academy' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Thomas & Company CPA PA
Cooper City, Florida
February 8, 2024

THOMAS & COMPANY, C.P.A., P.A.
Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Directors
Progeny Academy
Charter School No. 4263
Brooklyn Center, 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, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated February 8, 2024.

In connection with our audit, we noted that Progeny Academy failed to comply with provisions 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 and recommendations as items 2023-001 and 2023-002. Also, in connection with our audit, nothing came to our attention that caused us to believe that Progeny Academy failed to comply with the provisions of the uniform financial accounting and reporting standards and charter schools sections of the Minnesota Legal Compliance Audit Guide for Charter Schools, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Progeny Academy' noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Progeny Academy' response to the legal compliance findings identified in our audit and described in the accompanying schedule of findings and recommendations. The Progeny Academy' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Thomas S Cuy CPA PA

Thomas & Company CPA PA
Cooper City, Florida
February 8, 2024

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PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
JUNE 30, 2023

2023-001 – Late Submission of Audit Report

Type of Finding: Legal Compliance

Criteria: Minnesota Statutes § 124E.16, subd. 1 require the charter school to submit an audit report to the commissioner and its authorizer annually by December 31.

Condition/Context: The audit report for FY ended June 30, 2023 was not submitted to the Commissioner before December 31, 2023.

Effect: The Minnesota Department of Education and related parties will not receive the annual report on time to review the School and any related findings. Late submission could also affect receiving certain funds related to compliance.

Cause: The schools prior Auditor retired, and the school tried to secure an auditor in a timely manner they even reached out to MDE to get a list of CPAs who work with Charter schools, but they were not able to find anyone who had capacity to take on the audit of the School. The school was in a hard situation, similar to many other schools which had the same issue this year due to the lack of Auditors willing to take on new clients. The current auditor was hired in December 2023 and due to the narrow timeframe before the due date, the auditor was not able to complete the audit before December 31, 2023.

Recommendation: The school should search for and engage auditors prior to the fiscal year end and obtain clarification that they can comply with the deadlines.

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 make sure to have an engagement letter signed before the school year end and ascertain that the auditor will complete the audit in a timely manner.

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

Planned Completion Date for CAP:
The planned completion date is June 30, 2024

Plan to Monitor Completion of CAP:
The School Board monitored this corrective action plan

2023-002 – Prompt Payment of Claims

Type of Finding: Legal Compliance

Criteria: Minnesota Statutes § 471.425, subd. 2 notes that local governmental entities need to pay bills promptly. If the entity is having board meetings on a monthly basis, then payments need to be paid within the contract terms or within 35 days of receiving the claim.

Condition/Context: During the testing of disbursements, we noted certain selections that were not paid within the 35-day payment period noted in state statutes.

Repeat Finding: This is a repeat finding.

Effect: The School was not in compliance with the Minnesota statutes.

Cause: The School did not send payment within 35 days of receiving the claim.

Recommendation: We recommend that the School design a system of internal controls that ensures all claims are promptly paid in line with state statutes.

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 work to ensure that all claims of the School are paid timely in line with state statutes.

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

Planned Completion Date for CAP:
The planned completion date is June 30, 2024.

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

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

Finding Number	**Finding Summary**	**Status**	**Additional Information**
Finding 2022-001	Lack of Prompt Payment of Bills. 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. Out of the disbursements that the previous auditor tested it was noted that six were not paid by the School within this standard payment period. The cause was found to be that invoices were not processed through the School's approval and accounts payable process in time to be paid within the standard payment period.	This is a finding for current year as well.	The Management is facing difficulties in paying invoices on time due to lack of sufficient cash flow and is working to ensure that all claims of the School are paid timely in line with state statutes.