PROGENY ACADEMY
CHARTER SCHOOL NO. 4263

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2024

SUPPLEMENTARY INFORMATION

OTHER REQUIRED REPORTS

INTRODUCTORY SECTION

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2024

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

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
Progeny Academy
Charter School No. 4263
Brooklyn Center, Minnesota

Report on the Audit of the Financial Statements

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, 2024, 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, 2024, 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 and *Government 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, the TRA schedule of school's proportionate share of the net pension liability, the TRA schedule of school's contributions, the GERF schedule of school's proportionate share of the net pension liability, and the GERF schedule of school's contributions, as listed in the table of contents, 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 for the year ended June 30, 2024, conducted for the purpose of forming opinions on the financial statements that collectively comprise the school's basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purpose 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 were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Uniform Financial Accounting and Reporting Standards Compliance Table is 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 November 27, 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 PA

Thomas & Company CPA PA
Cooper City, Florida
November 27, 2024

REQUIRED SUPPLEMENTARY INFORMATION

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, 2024. Please read it in conjunction with the Academy's financial statements, which immediately follow this section. Certain comparative information between the current year (2023-2024) and the prior year (2022-2023) is required to be presented in the Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2023-2024 fiscal year includes the following:

- The fund balance of the General Fund increased $44,988 from the prior year for an ending fund balance of $212,070 on June 30, 2024.
- Net position decreased by $38,576 during fiscal year ended June 30, 2024.
- Total General Fund revenues were $1,714,605 as compared to $1,669,617 of expenditures.
- Government-wide total revenues were $ 1,819,673 as compared to $1,858,249 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 Academy:

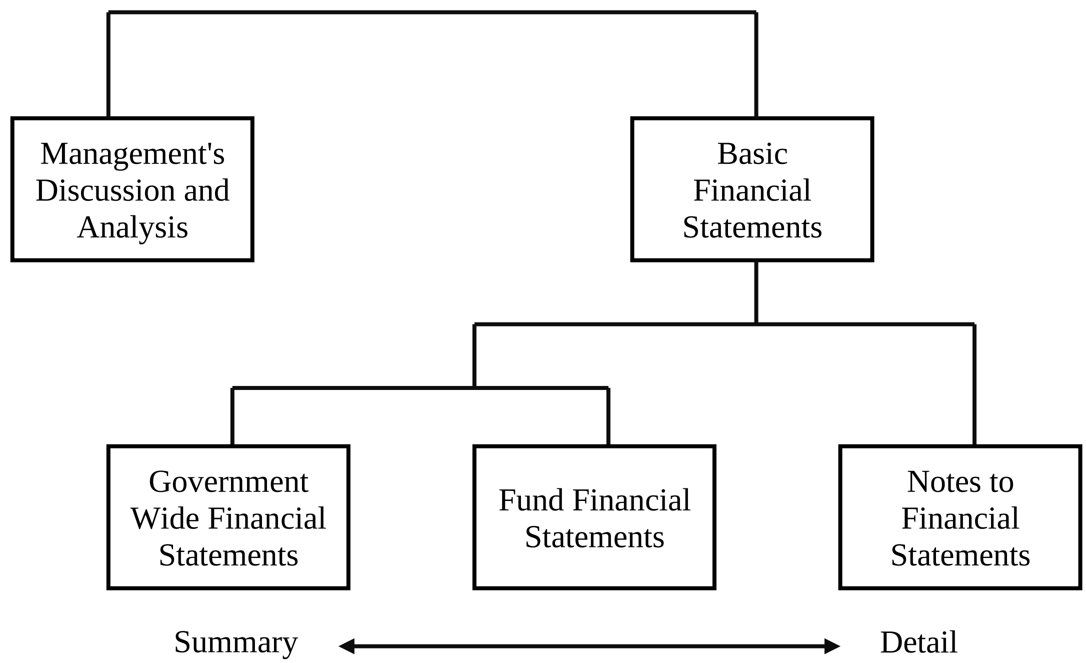
- The first two statements are government-wide financial statements that provide both short-term and long-term information about the Academy's overall financial status.
- The remaining statements are fund financial statements that focus on individual fund activities of the school, reporting the school's operations in more detail than the Academy-wide 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 Academy's financial statements, including the portion of the Academy’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 Academy	The activities of the Academy
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 FINANCIAL STATEMENTS

The government-wide statements (Statement of Net Position and Statement of Activities) report information about the Academy as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Academy’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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

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

- Over time, increases or decreases in the Academy's net position are indicators of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the Academy requires consideration of additional non-financial factors such as changes in the Academy's student population, creditworthiness and the condition of school buildings and other facilities.

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

- *Governmental Activities* – The Academy'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 Academy's *funds,* focusing on its most significant or "major" funds, not the school as a whole. Funds are accounting devices the Academy uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by debt covenants.

- The Academy may establish other funds to control and manage money.

The Academy maintains the following type of fund:

Governmental Funds **–** Most of the Academy's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be 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 fewer financial resources that can be spent soon to finance the school's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide separate reconciliations to explain the relationship (or differences) between them.

FUND FINANCIAL STATEMENTS (CONTINUED)

The Academy uses or may use the following types of Governmental 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.

- Special Revenue Funds – account for specific revenue, such as federal grants, that is legally restricted to expenditures for particular purposes.

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE

Net Position

The school's combined net position was negative $24,135 on June 30, 2024 (see Table A-1).

Table A-1
The School's Net Position

	Governmental Activities as of June 30, 2024	Governmental Activities as of June 30, 2023	Percentage Change
Assets			
Current Assets	$ 443,837	$ 348,781	27.25%
Capital Assets, Net	-	16,984	-100.00%
Total Assets	**443,837**	**365,765**	21.34%
Deferred Outflows of Resources			
Deferred Outflows - Pension Payments	198,307	303,240	-34.60%
Total Assets and Deferred Outflows of Resources	**642,144**	**669,005**	-4.02%
Liabilities and Net Position			
Liabilities			
Current Liabilities	202,643	171,505	18.16%
Net Pension Liability	397,614	455,027	-12.62%
Total Liabilities	**600,257**	**626,532**	-4.19%
Deferred Inflows of Resources			
Deferred Inflows - Pension Payments	66,022	28,032	135.52%
Net Position			
Net Investment In Capital Assets	-	16,984	-100.00%
Restricted	82,108	14,317	473.50%
Unrestricted	(106,243)	(16,860)	530.15%
Total Net Position	**(24,135)**	**14,441**	-267.13%
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 642,144**	**$ 669,005**	-4.02%

FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE (CONTINUED)

Changes in Net Position

The Academy's total government-wide revenues were $1,819,673 for the year ended June 30, 2024 (see Table A-2). State formula aid accounted for 59% of total revenue for the year. The remaining 41% came from other general and program revenues.

Table A-2
Change in Net Position

	Governmental Activities for the Fiscal Year Ended June 30, 2024	2023	Percentage Change
Revenues			
Program Revenues:			
Operating Grants and Contributions	$ 723,921	$ 656,694	10.2%
General Revenues:			
State Aid Grants	1,076,792	886,503	21.5%
Other General Revenues	18,960	20,445	-7.3%
Total Revenues	**1,819,673**	**1,563,642**	16.4%
Expenses			
Administration	55,151	55,060	0.2%
District Support Services	262,447	252,701	3.9%
Regular Instruction	611,786	309,676	97.6%
Special Education Instruction	303,874	289,497	5.0%
Instructional Support Services	389	614	-36.6%
Pupil Support Services	355,818	277,365	28.3%
Sites And Buildings	174,016	194,047	-10.3%
Fiscal and Other Fixed Cost Programs	11,760	13,245	-11.2%
Food Service	83,008	71,219	16.6%
Total Expenses	**1,858,249**	**1,463,424**	27.0%
Change in Net Position	**(38,576)**	**100,218**	
Net Position – Beginning of the year	14,441	(85,777)	
Net Position – End of the year	**$ (24,135)**	**$ 14,441**	

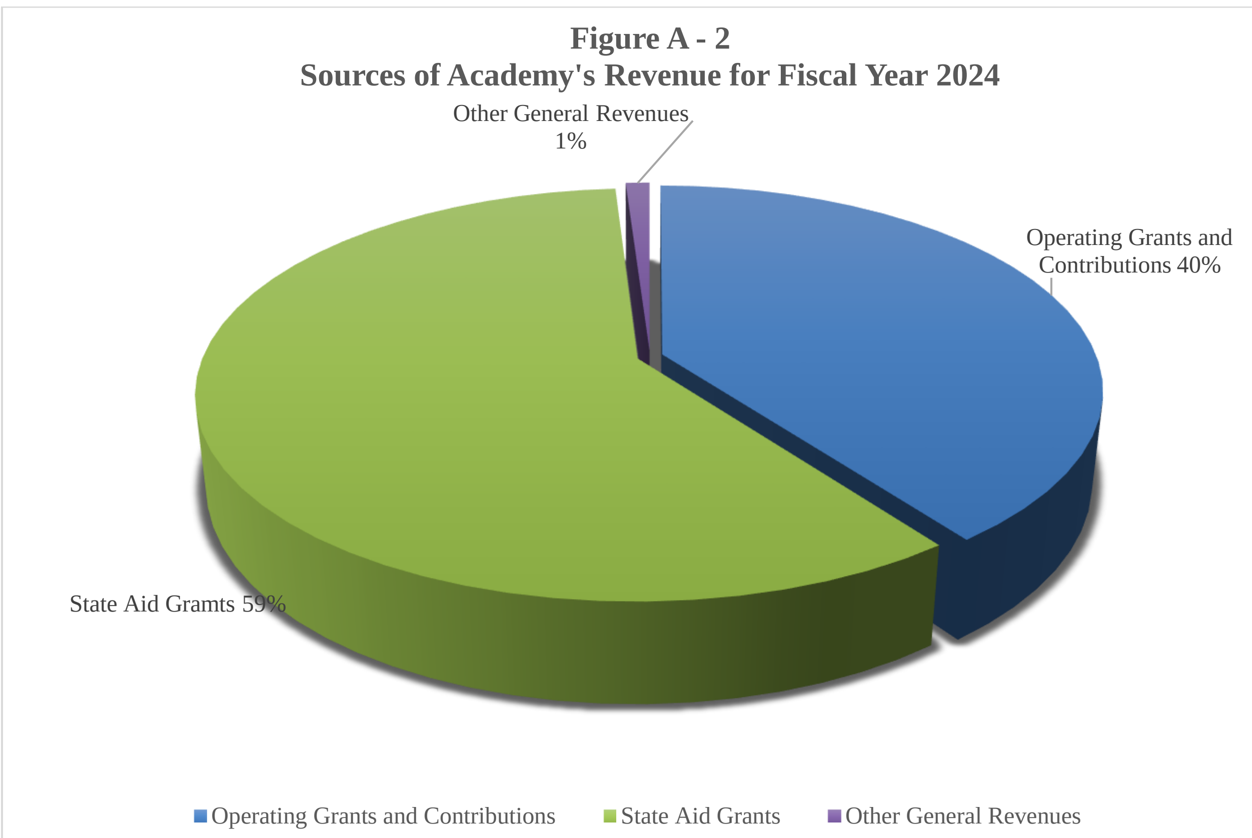
FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The total cost of all programs and services was $1,858,249. Total expenses exceeded revenues resulting in a $38,576 decrease in net position. The decrease in net position can mostly be attributed to a increase in regular instruction compared to fiscal year 2023.

The cost of all governmental activities this year was $1,858,249.

- The state and federal government subsidized certain programs with grants and contributions ($723,921)
- Most of the Academy's costs were paid for by unrestricted state aid and other general revenue ($1,095,752)



FINANCIAL ANALYSIS OF THE ACADEMY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Figure A-3
School Expenses for Fiscal Year 2024

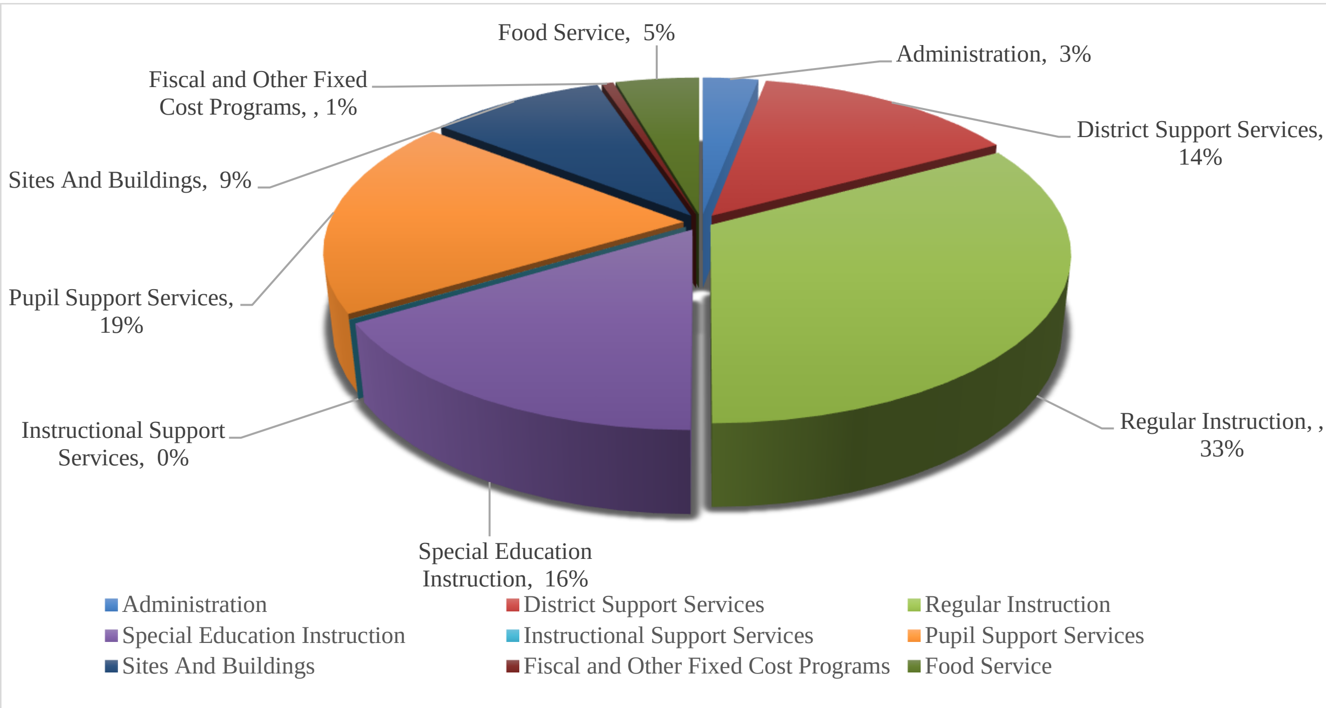


Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services 2024	Total Cost of Services 2023	Percentage Change	Net Cost of Services 2024	Net Cost of Services 2023	Percentage Change
Administration	$ 55,151	$ 55,060	0.17%	$ 55,151	$ 55,060	0.17%
District Support Services	262,447	252,701	3.86%	262,447	252,701	3.86%
Regular Instruction	611,786	309,676	97.56%	442,242	168,665	162.20%
Special Education Instruction	303,874	289,497	4.97%	7,153	(16,287)	-143.92%
Instructional Support Services	389	614	-36.64%	389	614	-36.64%
Pupil Support Services	355,818	277,365	28.29%	355,818	277,365	28.29%
Sites and Buildings	174,016	194,047	-10.32%	18,298	64,990	-71.84%
Fiscal and Other Fixed Cost Programs	11,760	13,245	-11.21%	11,760	13,245	-11.21%
Food Service	83,008	71,219	16.55%	(18,930)	(9,623)	96.72%
Total	**$1,858,249**	**$1,463,424**		**$ 1,134,328**	**$ 806,730**	

FINANCIAL ANALYSIS OF THE ACADEMY'S FUNDS

The financial performance of the Academy as a whole is reflected in its governmental funds as well. Revenues for the Academy's governmental funds were $1,816,543 while total expenditures were $1,752,625. This contributed to a combined fund balance of $241,194 which is $63,918 higher than last year's ending fund balance of $177,276.

GENERAL FUND

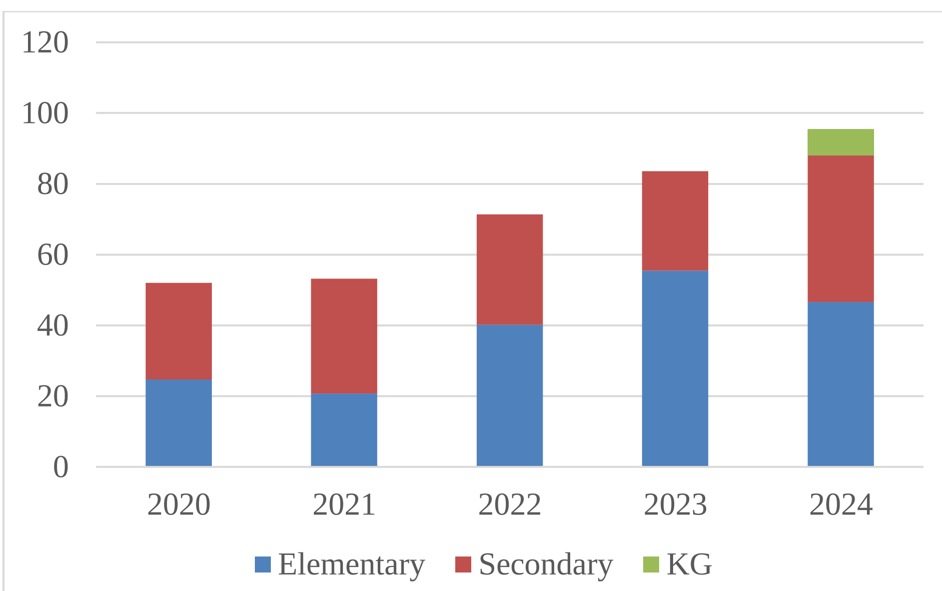
The General Fund includes the primary operations of the Academy in providing educational services to students from grades K through 8.

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 89% of General Fund revenue being determined by enrollment.

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



GENERAL FUND (CONTINUED)

Enrollment (Continued)

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.

The following schedule presents a summary of General Fund Revenues:

Table A-4
General Fund Revenues

	Year Ended June 30,		Change	
	2024	2023	Increase (Decrease)	Percentage Change
Federal Sources	$ 168,633	$ 156,553	$ 12,080	7.72%
State Sources	1,527,012	1,301,884	225,128	17.29%
Local Sources				
Other	18,960	20,445	(1,485)	-7.26%
Total General Fund Revenue	**$1,714,605**	**$1,478,882**	**$ 235,723**	

Total General Fund Revenue was $1,714,605 for the year. Basic general education revenue is determined by multiple complex state formulas, largely enrollment driven, and consists of a specified minimum amount with variables such as socioeconomic indicators driving additional funding. For Minnesota charter schools, most 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.

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended June 30,		Change	
	2024	2023	Increase (Decrease)	Percentage Change
Salaries and Wages	$ 509,391	$ 345,521	$ 163,870	47.43%
Employee Benefits	125,729	88,808	36,921	41.57%
Purchased Services	796,923	651,746	145,177	22.28%
Supplies and Materials	91,586	47,322	44,264	93.54%
Capital Expenditures	133,624	153,063	(19,439)	-12.70%
Debt Service	-	1,624	(1,624)	-100.00%
Other Expenditure	12,364	14,156	(1,792)	-12.66%
Total General Fund Expenditures	**$1,669,617**	**$1,302,240**	**$ 367,377**	

Total General Fund Expenditures were $1,669,617 for the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget is approved prior to the beginning of the fiscal year. The Academy 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 $90,082 due to increased state reimbursement.

Actual expenditures were higher than budgeted with a variance of $70,008 due to increased pupil support services.

OTHER MAJOR FUND

The Food Service Fund accounts for the food service operations. During the 2023-2024 fiscal year, Food Service Fund revenues exceeded expenditures by $18,930 resulting in a fund balance of $29,124.

LONG-TERM LIABILITIES

At year-end the Academy had Net Pension Liability of $397,614 . The Academy's net pension liability relates to the amounts required to be recorded under a GASB standard which relates to the recording of the Academy's share of the estimated unfunded net pension liability for the two statewide pension plans (TRA and PERA).

FACTORS BEARING ON THE SCHOOL'S FUTURE

The Academy 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 constituents, state oversight agencies, lenders, customers, legislative leaders, and creditors with a general overview of the school's finances and to demonstrate the school's accountability for the money it receives. If you have questions about this report or need additional financial information, contact 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
AS OF JUNE 30, 2024

	Governmental Activities
Assets	
Cash and Investments	$ 40,809
Receivables - Other Governments	403,028
Total Assets	**443,837**
Deferred Outflows of Resources	
Deferred Outflows - Pension Payments	198,307
Total Assets and Deferred Outflows of Resources	**642,144**
Liabilities	
Salaries and Benefits Payable	55,096
Accounts Payable	147,547
Long-Term Liabilities	
Net Pension Liability	397,614
Total Liabilities	**600,257**
Deferred Inflows of Resources	
Deferred Inflows - Pension Payments	66,022
Net Position	
Restricted for:	
Literacy Incentive Aid	5,524
School Library Aid	20,000
Student Support Personnel	20,000
Food Service	29,124
Medical Assistance	7,460
Unrestricted	(106,243)
Total Net Position	**(24,135)**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 642,144**

See accompanying Notes to Basic Financial Statements.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Total Governmental Activities**
Governmental Activities					
Administration	$ 55,151	$ -	$ -	$ -	$ (55,151)
District Support Services	262,447	-	-	-	(262,447)
Regular Instruction	611,786	-	169,544	-	(442,242)
Special Education Instruction	303,874	-	296,721	-	(7,153)
Instructional Support Services	389	-	-	-	(389)
Pupil Support Services	355,818	-	-	-	(355,818)
Sites and Buildings	174,016	-	155,718	-	(18,298)
Fiscal and Other Fixed Cost	11,760	-	-	-	(11,760)
Food Service	83,008	-	101,938	-	18,930
Total Governmental Activities	**$ 1,858,249**	**$ -**	**$ 723,921**	**$ -**	**(1,134,328)**
	General Revenues				
	State Aid Grants				1,076,792
	Other General Revenues				18,960
	Total General Revenues				**1,095,752**
	Change in Net Position				**(38,576)**
	Net Position – Beginning of the year				14,441
	Net Position – End of the year				**$ (24,135)**

See accompanying Notes to Basic Financial Statements.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2024

	Major Funds		Total
	General Fund	**Food Service Fund**	**Total Governmental Funds**
Assets			
Cash	$ -	$ 40,809	$ 40,809
Receivables:			
Due from MDE	320,374	50	320,424
Due from Federal through MDE	79,709	2,895	82,604
Due from Other Funds	14,630	-	14,630
Total Assets	**414,713**	**43,754**	**458,467**
Liabilities and Fund Balances			
Liabilities			
Salaries and Benefits Payable	55,096	-	55,096
Accounts Payable	147,547	-	147,547
Due to Other Funds	-	14,630	14,630
Total Liabilities	**202,643**	**14,630**	**217,273**
Fund Balances (Deficit)			
Restricted for:			
Literacy Incentive Aid	5,524	-	5,524
School Library Aid	20,000	-	20,000
Student Support Personnel	20,000	-	20,000
Food Service	-	29,124	29,124
Medical Assistance	7,460	-	7,460
Unassigned	159,086	-	159,086
Total Fund Balances (Deficit)	**212,070**	**29,124**	**241,194**
Total Liabilities and Fund Balances (Deficit)	**$ 414,713**	**$ 43,754**	**$ 458,467**

See accompanying Notes to Basic Financial Statements.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
AS OF JUNE 30, 2024

Total Fund Balances – Governmental Funds	**$ 241,194**
Total net position reported for governmental activities in the statement of net position is different because:	
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	(397,614)
Deferred Inflows of Resources - Pensions	(66,022)
Deferred Outflows of Resources - Pensions	198,307
Total Net Position – Governmental Activities	**$ (24,135)**

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, 2024

	Major Funds		
	General Fund	**Food Service Fund**	**Total Governmental Funds**
Revenue			
Federal Sources	$ 168,633	$ 99,566	$ 268,199
State Sources	1,527,012	2,372	1,529,384
Local Sources			
Other	18,960	-	18,960
Total Revenue	**1,714,605**	**101,938**	**1,816,543**
Expenditures			
Current:			
Administration	48,847	-	48,847
District Support Services	236,356	-	236,356
Regular Instruction	555,892	-	555,892
Special Education Instruction	286,539	-	286,539
Instructional Support Services	389	-	389
Pupil Support Services	355,818	-	355,818
Sites and Buildings	174,016	-	174,016
Fiscal and Other Fixed Cost	11,760	-	11,760
Food Service	-	83,008	83,008
Total Expenditures	**1,669,617**	**83,008**	**1,752,625**
Net Change in Fund Balances	**44,988**	**18,930**	**63,918**
Fund Balances (Deficit) - Beginning of the year	167,082	10,194	177,276
Fund Balances (Deficit) - End of the year	**$ 212,070**	**$ 29,124**	**$ 241,194**

See accompanying Notes to Basic Financial Statements.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

Total Net Change in Fund Balances – Governmental Funds	**$ 63,918**
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	(4,383)
Loss on Disposal of Equipment	(12,601)
Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.	
Pension expense	(88,640)
State Aid related to Pension Expense	3,130
Change in Net Position – Governmental Activities	**$ (38,576)**

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2024

	Budgeted Amounts			Over
	Original Budget	Final Budget	Actual Amounts	(Under) Final Budget
Revenue				
Federal Sources	$ 185,305	$ 164,808	$ 168,633	$ 3,825
State Sources	1,389,547	1,441,265	1,527,012	85,747
Local Sources				
Other	14,035	18,450	18,960	510
Total Revenue	**1,588,887**	**1,624,523**	**1,714,605**	**90,082**
Expenditures				
Current:				
Administration	43,651	43,655	48,847	(5,192)
District Support Services	195,813	230,918	236,356	(5,438)
Regular Instruction	501,800	525,222	555,892	(30,670)
Special Education Instruction	344,481	321,708	286,539	35,169
Instructional Support Services	600	1,350	389	961
Pupil Support Services	282,490	265,609	355,818	(90,209)
Sites and Buildings	198,490	201,147	174,016	27,131
Fiscal and Other Fixed Cost Programs	11,088	10,000	11,760	(1,760)
Total Expenditures	**1,578,413**	**1,599,609**	**1,669,617**	**(70,008)**
Excess (Deficiency) of Revenue Over (Under) Expenditures	**10,474**	**24,914**	**44,988**	**20,074**
Other Financing Sources (Uses)				
Transfers Out	(88)	-	-	-
Total Other Financing Sources (Uses)	**(88)**	**-**	**-**	**-**
Net Change in Fund Balances	**10,386**	**24,914**	**44,988**	**20,074**
Fund Balances (Deficit) - Beginning of the Year			167,082	
Fund Balances (Deficit) - End of the Year			**$ 212,070**	

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, 2024

	Budgeted Amounts			
	Original Budget	Final Budget	Actual Amounts	Over (Under) Final Budget
Revenue				
Federal Sources	$ 46,512	$ 65,600	$ 99,566	$ 33,966
State Sources	5,500	7,000	2,372	(4,628)
Total Revenue	**52,012**	**72,600**	**101,938**	**29,338**
Expenditures				
Current:				
Food Service	52,100	61,100	83,008	(21,908)
Total Expenditures	**52,100**	**61,100**	**83,008**	**(21,908)**
Excess (Deficiency) of Revenue Over (Under) Expenditures	**(88)**	**11,500**	**18,930**	**7,430**
Other Financing Sources (Uses)				
Transfers In	88	-	-	-
Total Other Financing Sources (Uses)	**88**	**-**	**-**	**-**
Net Change in Fund Balances	**$ -**	**$ 11,500**	**18,930**	**$ 7,430**
Fund Balances (Deficit) - Beginning of the Year			10,194	
Fund Balances (Deficit) - End of the Year			**$ 29,124**	

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 Academy), is a nonprofit corporation that was formed on July 1, 2017, in accordance with Minnesota Statutes. The Academy is authorized by Innovative Quality Schools (IQS) – and operates under a charter school contract extending through June 30, 2026. The governing body consists of board of directors composed of at least five members elected by voters of the general membership of the Academy to serve three-year terms.

The Academy's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the Academy is considered to be financially accountable.

Component units are legally separate entities for which the Academy 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 Academy.

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 government-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 Academy.

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 Academy 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 Academy 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 Academy 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 Academy, as well as the capital related activities such as maintenance of facilities and equipment purchases.

Food Service 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, 2024, 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 Academy. 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 Academy 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 Academy 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 Academy 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 Academy, 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 Academy 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 Academy’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 Academy’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 Academy will exercise that option. The Academy 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.

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 Academy 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 Academy purchases commercial insurance coverage for such risks.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

M. Fund Balance (Continued)

The School Board has adopted a spending prioritization policy for restricted fund balance. The Academy 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 Academy 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.

Q. Tax Status

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

The Academy 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 Academy has determined there are not amounts to record as assets or liabilities related to uncertain tax positions.

Note 1 - Summary of Significant Accounting Policies (Continued)

R. Budgetary Information

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

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

Note 2 - Deposits

The Academy 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 Academy’s deposits may not be returned to it. The Academy 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, 2024, the School’s deposits in banks of $71,979 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, 2024 was as follows:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024
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	(4,934)	(4,383)	9,317	-
Total accumulated depreciation	(4,934)	(4,383)	9,317	-
Governmental activities capital assets, Net	**$ 16,984**	**$ (4,383)**	**$(12,601)**	**$ -**

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

Governmental Activities	
District Support Services	$ (4,383)
Total Depreciation, Governmental Activities	**$ (4,383)**

Note 4 – Defined Benefit Pension Plans – State-Wide

All employees of the Academy 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, 2024 was $128,070. The Academy received $3,130 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.

Note 4 – Defined Benefit Pension Plans – State-Wide (Continued)

Teachers' Retirement Association (Continued)

A. Plan Description (Continued)

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

B. Benefits Provided

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

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

Tier 1 Benefits

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

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

Note 4 – Defined Benefit Pension Plans – State-Wide (Continued)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

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.

Tier II Benefits

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

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

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

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2022, June 30, 2023, and June 30, 2024 were:

	June 30, 2022		June 30, 2023		June 30, 2024	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic Plan	11.00%	12.34%	11.00%	12.55%	11.25%	12.75%
Coordinated Plan	7.50%	8.34%	7.50%	8.55%	7.75%	8.75%

The following is a reconciliation of employer contributions in TRA's fiscal year 2023 ACFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Note 4 – Defined Benefit Pension Plans – State-Wide (Continued)

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

	Amount in thousands
Employer contributions reported in TRA's ACFR, Statement of Changes in Fiduciary Net Position	$ 508,764
Employer contributions not related to future contribution efforts	(87)
TRA's contributions not included in allocation	(643)
Total employer contributions	508,034
Total non-employer contributions	35,587
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 543,621

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

D. Actuarial Assumptions

The total pension liability in the June 30, 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, 2023
Measurement Date	June 30, 2023
Experience studies	June 28, 2019 (demographic and economic assumptions) *
Actuarial Cost Method	Entry Age Normal
Actuarial assumptions:	
Investment Rate of Return	7.00%
Price Inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% 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 Adjustments	1% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Note 4 – Defined Benefit Pension Plans – State-Wide (Continued)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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 MP2015 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.*

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 (Geometric Mean)
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25%	0.75%
Private Markets	25%	5.90%
Total	**100%**	

Note 4 – Defined Benefit Pension Plans – State-Wide (Continued)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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 2022 valuation:

The 2023 Tax Finance and Policy Bill, effective July 1, 2025:
- The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8% on July 1, 2025.
- The pension adjustment rate for school districts and the base budgets for Minnesota State, Perpich Center for Arts Education, and Minnesota Academies will increase to reflect the 0.75% employer contribution rate increase.

The 2024 Omnibus Pensions and Retirement Bill:
- The Normal Retirement Age (NRA) for active and eligible deferred Tier II members will be 65 effective July 1, 2024.
- TRA’s amortization date will remain the same at 2048.

E. 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 2023 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

On June 30, 2024, the Academy reported a liability of $313,737 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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 0.0038% at the end of the measurement period and 0.0041% for the beginning of the year.

Note 4 – Defined Benefit Pension Plans – State-Wide (Continued)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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	$ 313,737
State's proportionate share of the net pension liability associated with the school	22,160
Total	**$ 335,897**

For the year ended June 30, 2024, the Academy recognized pension expense of $ 95,978. It also recognized $3,120 as an increase to 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	$ 3,110	$ 4,569
Changes in actuarial assumptions	36,549	-
Net difference between projected and actual earnings on Plan Investments	-	1,164
Changes in Proportion	86,277	19,401
Academy's Contributions Subsequent to the Measurement Date	33,267	-
Total	**$ 159,203**	**$ 25,134**

A total of $33,267 reported as deferred outflows of resources related to pensions resulting from the Academy's contributions to the TRA after the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025.

Note 4 – Defined Benefit Pension Plans – State-Wide (Continued)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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

Year Ending June, 30	Pension Expense Amount
2025	$ 44,526
2026	35,190
2027	32,774
2028	(7,888)
2029	$ (3,800)

G. Pension Liability Sensitivity

The following presents the net pension liability of TRA 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 one percentage point lower (6%) or one percentage point higher (8%) than the current rate (multiply the allocation % by TRA's sensitivity footnote info).

Sensitivity of Net Pension Liability (NPL) to changes in the discount 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	$ 500,387	$ 313,737	$ 160,941

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

H. Pension Plan Fiduciary Net Position

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

Note 4 – Defined Benefit Pension Plans – State-Wide (Continued)

Public Employees' Retirement Association (PERA)

A. Plan Description

The Academy participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (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 accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

Note 4 – Defined Benefit Pension Plans – State-Wide (Continued)

Public Employees' Retirement Association (Continued)

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, 2024, were $8,233. The Academy's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At June 30, 2024, the Academy reported a liability of $83,878 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 $2,250.

The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The Academy's proportionate share was 0.0015% at the end of the measurement period and 0.0016% for the beginning of the period.

Description	Amount
School’s proportionate share of the PERA net pension liability	$ 83,878
State of Minnesota’s proportionate share of the net pension liability associated with the school	2,250
Total	**$ 86,128**

For the year ended June 30, 2024, the Academy recognized pension expense of $32,092 for its proportionate share of the General Employees Plan's pension expense. In addition, the Academy recognized $10 as grant revenue for its proportionate share of the State of Minnesota’s pension expense for the annual $16 million contribution.

Note 4 – Defined Benefit Pension Plans – State-Wide (Continued)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

At June 30, 2024, 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	$ 2,755	$ 578
Changes in actuarial assumptions	13,579	22,990
Net difference between projected and actual investment earnings	-	3,137
Changes in Proportion	14,538	14,184
Contributions paid to PERA subsequent to the measurement date	8,233	-
Total	$ 39,104	$ 40,889

The $8,233 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, 2025. 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
2025	$ (1,834)
2026	(6,813)
2027	448
2028	$ (1,820)

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:

Note 4 – Defined Benefit Pension Plans – State-Wide (Continued)

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment(Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25%	0.75%
Private Markets	25%	5.90%
Total	**100%**	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, 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 7%. 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 7% 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 Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5% to 7%.

Note 4 – Defined Benefit Pension Plans – State-Wide (Continued)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees, Police and Fire and Correctional Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.00%	7.00%	8.00%
Academy's proportionate share of the GERF net pension liability	$ 148,387	$ 83,878	$ 30,817

I. Pension Plan Fiduciary Net Position

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

Note 5 – 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 Academy expects such amounts, if any, to be immaterial.

B. Short-Term Lease for Educational Space

During fiscal year 2023, the Academy signed a new one-year lease effective July 1, 2023 through June 30, 2024. The lease requires monthly payments of $10,817 plus operating costs. Rental expenses for the year ended June 30, 2024 was $133,624.

The Academy qualified for state charter school lease aid of $142,010. This entitlement is subject to proration by the Minnesota Department of Education to the extent the overall funding that has been provided is insufficient to meet all amounts owed to Minnesota charter schools.

The Academy'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 Academy and on sufficient state aids per student being authorized and received from the state of Minnesota. The Academy believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

Note 6 - Subsequent Events

For the year ended June 30, 2024 the School has evaluated subsequent events and transactions for potential recognition or disclosure through November 27, 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 PLAN SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2024
LAST FIVE MEASUREMENT DATES

Measurement Date June 30,	School's Proportion of the Net Pension Liability	School's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with School	Total	School's Covered Payroll	School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0004%	$ 25,496	$ 2,073	$ 27,569	$ 20,000	127.48%	78.21%
2020	0.0041%	302,913	25,136	328,049	239,053	126.71%	75.48%
2021	0.0042%	183,805	15,658	199,463	252,841	72.70%	86.63%
2022	0.0041%	328,306	24,324	352,630	256,367	128.06%	76.17%
2023	0.0038%	$ 313,737	$ 22,160	$ 335,897	$240,947	130.21%	76.42%

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

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
TRA PLAN SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2024
LAST FIVE FISCAL YEARS

Fiscal Year Ended June 30,	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	$ 1,542	$ (1,542)	$ -	$ 20,000	7.71%
2020	18,933	(18,933)	-	239,053	7.92%
2021	20,556	(20,556)	-	252,841	8.13%
2022	21,381	(21,381)	-	256,367	8.34%
2023	20,601	(20,601)	-	240,947	8.55%
2024	$ 33,267	$ (33,267)	$ -	$ 380,194	8.75%

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

See related notes to Required Supplementary Information.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
GERF PLAN SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2024
LAST FIVE MEASUREMENT DATES

Measurement Date June 30,	School's Proportion of the Net Pension Liability	School's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with School	Total	School's Covered Payroll	School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0001%	$ 5,529	$ 167	$ 5,696	$ 10,000	55.29%	80.23%
2020	0.0018%	107,918	3,408	111,326	131,627	81.99%	79.06%
2021	0.0011%	46,975	1,392	48,367	76,880	61.10%	87.00%
2022	0.0016%	126,721	3,835	130,556	120,973	104.75%	76.67%
2023	0.0015%	$ 83,878	$ 2,250	$ 86,128	$ 112,693	74.43%	83.10%

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

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
GERF PLAN SCHEDULE OF SCHOOL'S CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30,2024
LAST FIVE FISCAL YEARS

Fiscal Year Ended June 30,	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	$ 750	$ (750)	$ -	$ 10,000	7.50%
2020	9,872	(9,872)	-	131,627	7.50%
2021	5,766	(5,766)	-	76,880	7.50%
2022	9,073	(9,073)	-	120,973	7.50%
2023	8,452	(8,452)	-	112,693	7.50%
2024	$ 8,233	$ (8,233)	$ -	$ 109,773	7.50%

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

See related notes to Required Supplementary Information.

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

TRA RETIREMENT FUND

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

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 7.5% to 7.00%. This does not affect the GASB valuation which was already using the 7.00% assumption.

Changes in Plan Provisions

- Effective July 1, 2025, the normal retirement age for Tier 2 members will decrease from 66 to 65.
- The employer contribution rate will increase from 8.75% to 9.5% on July 1, 2025.
- The employee contribution rate will increase from 7.75% to 8.00% on July 1, 2025.

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.

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

TRA RETIREMENT FUND (CONTINUED)

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.

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 SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

TRA RETIREMENT FUND (CONTINUED)

2018 Changes (Continued)

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.

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.
- 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%.

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

TRA RETIREMENT FUND (CONTINUED)

2017 Changes (Continued)

For GASB valuation:

- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% 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 cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at 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 postretirement mortality assumption was changed to the RP-2014 while 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 adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made. .

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

TRA RETIREMENT FUND (CONTINUED)

<u>2016 Changes (Continued)</u>

Changes in Plan Provisions

- There have been no changes since the prior valuation.

<u>2015 Changes</u>

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.

  For GASB valuation:
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- 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.

<u>2014 Changes</u>

Changes in Actuarial Assumptions

- The Cost of Living Adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

  For GASB valuation:
- The Cost of Living Adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2034

Changes in Plan Provisions

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

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

PERA RETIREMENT FUND

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

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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.

CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

PERA RETIREMENT FUND (CONTINUED)

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.
- 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 SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

PERA RETIREMENT FUND (CONTINUED)

2019 Changes

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 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 SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

PERA RETIREMENT FUND (CONTINUED)

2017 Changes (Continued)

Changes in Plan Provisions

- The state's contribution for the Minneapolis Employees Retirement Fund equals $16.0 million in 2017 and 2018, and $6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21.0 million to $31.0 million in calendar years 2019 to 2031. The state's contribution changed from $16.0 million to $6.0 million in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

SUPPLEMENTARY INFORMATION

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2024

	AUDIT	UFARS	Difference
01 GENERAL FUND			
Total Revenue	$1,714,605	$1,714,606	$(1)
Total Expenditures	1,669,617	1,669,618	(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	-	-	-
4.12 Literacy Incentive Aid	5,524	5,524	-
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	-	-	-
4.43 School Library Aid	20,000	20,000	-
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	-	-	-
4.71 Student Support Personnel	20,000	20,000	-
4.72 Medical Assistance	7,460	7,460	-
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	159,086	159,086	-
02 FOOD SERVICES			
Total Revenue	101,938	101,937	1
Total Expenditures	83,008	83,009	(1)
Non Spendable:			
4.60 Non Spendable Fund Balance	-	-	-
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	-	-	-
Restricted:			
4.64 Restricted Fund Balance	29,124	29,124	-
Unassigned:			
4.63 Unassigned Fund Balance	$ -	$ -	$ -

OTHER REQUIRED REPORTS

Thomas & Company, CPA, PA
Certified Public Accountants and Business Consultants

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, 2024, and the related notes to the financial statements, which collectively comprise Progeny Academy's basic financial statements, and have issued our report thereon dated November 27, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 or significant deficiencies 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that 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 2024-001 and 2024-002. 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 charter schools and uniform financial accounting and reporting standards 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

Thomas & Company CPA PA
Cooper City, Florida
November 27, 2024

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, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 27, 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 2024-001 and 2024-002. 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 charter schools and uniform financial accounting and reporting standards 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 & Company CPA PA

Thomas & Company CPA PA
Cooper City, Florida
November 27, 2024

2024-001 – 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 some selections that were not paid within the 35-day payment period noted in state statutes.

Repeat Finding: This is a repeat finding.

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

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

Recommendation: We recommend that the Academy 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 Academy will work to ensure that all claims of the Academy 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, 2025.

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

2024-002 – Non-Compliance with Board Composition Requirements

Type of Finding: Legal Compliance

Criteria: Section 2 of Article IV of the charter school's Bylaws and Minnesota Charter School Statute 124E.07 establish specific requirements for the composition of the school board. These rules mandate a minimum of five directors, with the exact number to be determined by board resolution, and require representation from distinct groups: at least one teacher employed by the school, one parent with a student at the school, and one community member who resides in Minnesota and has no affiliation with the school.

Condition/Context: As of June 30, 2024, the School had only three directors, failing to meet the minimum number of directors as per statutory requirements.

Repeat Finding: This is not a repeat finding.

Effect: The school was not in compliance with Minnesota Charter School Statute 124E.07 or its Bylaws, potentially impacting governance quality by not meeting the required diversity and balance among stakeholder groups.

Cause: The school made efforts to recruit additional board members but was unsuccessful in finding qualified candidates to meet the statutory requirements.

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 intensify efforts to recruit qualified board members to meet the Bylaw and statutory composition requirements.

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

Planned Completion Date for CAP:
The planned completion date is June 30, 2025.

Plan to Monitor Completion of CAP:
The School Board will monitor this corrective action plan to ensure compliance with the Bylaws and statutory requirements.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

Finding Number	**Finding Summary**	**Status**	**Additional Information**
Finding 2023-001	The charter school failed to meet the requirement under Minnesota Statutes § 124E.16, subd. 1, which mandates the submission of an annual audit report to the Commissioner and its authorizer by December 31. For the previous year ending June 30, 2023, the report was not submitted on time.	Corrective action taken and finding is fully corrected.	Not Applicable.

PROGENY ACADEMY
CHARTER SCHOOL NO. 4263
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2024

Finding Number	**Finding Summary**	**Status**	**Additional Information**
Finding 2023-002	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 sample disbursements, it was noted that some selections were not paid by the Academy within this standard payment period. The cause was found to be that invoices were not processed through the Academy'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 faced difficulties in paying invoices on time due to lack of sufficient cash flow for the year ended June 30,2024 and is working to ensure that all claims of the Academy are paid timely in line with state statutes.