



**CAPITAL AREA SCHOOL
FOR THE ARTS CHARTER SCHOOL**

YEAR ENDED JUNE 30, 2024



Brown Plus
ACCOUNTANTS + ADVISORS

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

YEAR ENDED JUNE 30, 2024

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Independent Auditor's Report

Board of Trustees
Capital Area School for the Arts Charter School
Harrisburg, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining aggregate fund information of Capital Area School for the Arts Charter School (the School) 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, 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, each major fund and the remaining aggregate fund information of Capital Area School for the Arts Charter School as of June 30, 2024 and the respective changes in the financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the School 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.

Emphasis of matter – Management's Plans

As discussed in Note 15 to the financial statements, the School has suffered decreases in fund balance and net position resulting in a deficit fund balance and net position. Management's evaluation of the events and conditions and management's plans to mitigate these matters are described in Note 15. Our conclusion is not modified with respect to the matter.

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 School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantive doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance; and therefore, is not a guarantee that an audit conducted in accordance with GAAS 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, 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 GAAS, 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 School'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 School'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 on pages 3 through 8 and the schedules of pension and other postemployment benefits information and budgetary comparison information on pages 43 through 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Brown Plus

Camp Hill, Pennsylvania
January 7, 2025

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL
Harrisburg, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED JUNE 30, 2024

The management's discussion and analysis (MD&A) of Capital Area School for the Arts Charter School's (CASA) financial performance provides an overall review of CASA's financial activities for the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at CASA's financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of CASA's financial performance.

The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

FINANCIAL HIGHLIGHTS

The 2023-2024 school year is the eleventh year of operation for CASA. CASA ended the year with a net position deficit of \$4,147,207. Donations and tuition during the fiscal year were significantly less than budget which increased the deficit. On the modified accrual basis of accounting (used for budgetary and operational purposes), CASA's general fund expenses exceeded revenues by \$58,980.

The primary source of revenue for CASA came from sending school districts in the form of tuition, based on each district's 2023-2024 average daily membership (ADM). During at least some portion of the year, there were 28 sending school districts primarily within the Central Pennsylvania area.

DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

These statements are presented and organized to provide the reader with an understanding of CASA as an entire operating entity in a manner similar to private sector business (government-wide statements) and provide information about CASA's financial resources (fund financial statements). The only differences between the government-wide statements and the fund financial statements for CASA is that the general fund capital assets, depreciation expense, accumulated depreciation and pensions are included only on the government-wide statements. Fiduciary fund statements provide information about financial relationships where CASA acts solely as a trustee or custodian for the benefit of others, to whom the resources in question belong. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Government-Wide Financial Statements

The statement of net position presents information on all the Capital Area School for the Arts Charter School's assets and deferred outflows and liabilities and deferred inflows, with the difference between them reported as net position. Tracking increases and decreases in the net position serves as a useful indicator of improvement or deterioration in the financial position of CASA.

The statement of activities presents changes in CASA's net position (deficit) during the most recent fiscal year.

All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g., earned but unpaid salary and benefits).

The government-wide statement of activities categorizes the functions and programs of the Capital Area School for the Arts Charter School and includes instruction and support services.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

Harrisburg, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)

Required Supplementary Information (RSI)

(unaudited)

YEAR ENDED JUNE 30, 2024

Fund Financial Statements

A fund is a group of related accounts used to maintain control over resources and uses of those resources. The Capital Area School for the Arts Charter School, like most charter schools or other governmental units, uses fund accounting. All revenues and expenditures for school operations are reported in the general fund. The capital project fund accounts for financial resources that are restricted, committed or assigned to expenditure for capital outlays.

The general fund is used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Capital Area School for the Arts Charter School.

In particular, the fund balance may serve as a useful measure of a school's net resources available for program purposes at the end of the fiscal year. For the fiscal year ended June 30, 2024, CASA reported an ending general fund balance of \$(209,802).

The capital project fund had a fund balance of \$15,796 on June 30, 2024.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Reconciliations between the governmental funds and the government-wide financial statements are included in the financial statements.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL
Harrisburg, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED JUNE 30, 2024

CONDENSED FINANCIAL INFORMATION

The analysis of net position and results of operations for the 2023-2024 school year compared to the 2022-2023 school year is shown below:

	2022 - 2023	2023 - 2024
	Governmental activities	Governmental activities
ASSETS		
Total current assets	\$ 506,577	\$ 625,304
Capital assets	1,572,248	1,586,369
Accumulated depreciation	(638,922)	(825,767)
	933,326	760,602
Other assets	2,297,031	2,276,383
Accumulated amortization	(656,294)	(975,593)
	1,640,737	1,300,790
Deferred outflows of resources	893,000	914,100
Total assets and deferred outflows of resources	\$ 3,973,640	\$ 3,600,796
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)		
Total current liabilities	\$ 1,039,412	\$ 1,282,714
Long-term liabilities	6,330,561	6,298,289
	7,369,973	7,581,003
Deferred inflows of resources	174,000	167,000
Net position (deficit):		
Net investment in capital assets	128,919	(163,301)
Restricted, contributions	35,000	35,000
Unrestricted	(3,734,252)	(4,018,906)
	(3,570,333)	(4,147,207)
Total liabilities, deferred inflows of resources and net position (deficit)	\$ 3,973,640	\$ 3,600,796

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL
Harrisburg, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED JUNE 30, 2024

	2022 - 2023	2023 - 2024
	Governmental activities	Governmental activities
Program revenues:		
Charges for services	\$ 2,567,519	\$ 2,367,354
Grants and contributions	176,140	151,994
Total program revenues	2,743,659	2,519,348
General revenues:		
Donations	549,115	522,832
Other	32,250	20,753
Total general revenues	581,365	543,585
Total revenues	3,325,024	3,062,933
Expenses:		
Instruction	2,366,766	2,403,047
Support services	1,126,506	1,068,664
Noninstructional services	184,523	168,096
Total expenses	3,677,795	3,639,807
Change in net position (deficit)	(352,771)	(576,874)
Net position (deficit), beginning	(3,217,562)	(3,570,333)
Net position (deficit), ending	\$ (3,570,333)	\$ (4,147,207)

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

During the Capital Area School for the Arts Charter School's eleventh year of operations, tuition and donations were less than expected, which had a negative impact on net position. The net deficit increased as pension and other postemployment benefit expenses continued to increase.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL
Harrisburg, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED JUNE 30, 2024

INDIVIDUAL FUND ANALYSIS

CASA experienced a decrease of \$58,980 in the general fund fund balance during the 2023-2024 school year. Donations were approximately \$224,000 lower than anticipated and tuition was approximately \$518,000 less than anticipated.

CASA does have contract commitments; the most significant is a lease agreement for CASA's facilities that has automatic renewals through June 30, 2028. There are also various service contracts for the upcoming school year. Commitments are further described in the notes to the financial statements.

CASA is related to CASA Charter School Foundation (the Foundation), formerly Capital Region Arts and Education, through common board membership. The Foundation is a nonprofit organization whose sole purpose is to perform fundraising and provide needs-based funding to CASA. CASA received \$388,000 in contributions from the Foundation during the 2023-2024 school year to assist in the school operations. The CASA Charter School Foundation has developed a vigorous fundraising schedule for 2024-2025, hoping to see an increase in awarded grant funds, along with earned income tax credit (EITC) donations.

CASA adopts an annual appropriation budget for its general fund. No revisions were made to the budget during the 2023-2024 school year.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

CASA purchased approximately \$14,000 of capital assets during the 2023-2024 school year.

In October 2015, CASA executed a revolving line of credit agreement with a bank for \$400,000. As of June 30, 2024, \$161,781 was outstanding on the line of credit.

In June 2020, CASA obtained a construction loan to fund the science classroom. As of June 30, 2024, there was an outstanding balance of \$608,059 on the loan.

The School leases classrooms, offices and storage areas, as well as dance, music, video and theater studios, under a lease agreement with Strawberry Square Development Corporation signed in April 2018. As of June 30, 2024, the lease liability and corresponding net right-of-use asset reflected on the statement of net position (deficit) were \$1,616,634 and \$1,300,790, respectively. The School made cash payments of \$154,654 during the year ended June 30, 2024 in connection with the lease.

EXPECTATIONS

CASA's goal is to increase enrollment, while continuing to provide high quality instruction in both the academic and arts programs. CASA Charter School Foundation is developing fundraising plans to address potential cash flow shortfalls.

CASA received its five-year charter renewal from the Harrisburg School District on June 27, 2023. The new charter is effective as of July 1, 2023 and authorizes CASA to provide educational services through the 2027-2028 school year.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL
Harrisburg, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONTINUED)
Required Supplementary Information (RSI)
(unaudited)
YEAR ENDED JUNE 30, 2024

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of the Capital Area School for the Arts Charter School's finances for all those who have an interest in CASA. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

CEO
Capital Area School for the Arts Charter School
150 Strawberry Square
Harrisburg, PA 17101

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

STATEMENT OF NET POSITION (DEFICIT) - JUNE 30, 2024

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Governmental activities</u>
Current assets:	
Cash	\$ 215,138
Due from other governments	388,139
Other receivable	21,414
Prepaid expenses	<u>613</u>
Total current assets	<u>625,304</u>
Capital assets:	
Leasehold improvements	1,422,863
Furniture and fixtures	54,830
Equipment	108,676
Accumulated depreciation	<u>(825,767)</u>
Total capital assets	<u>760,602</u>
Other assets:	
Lease asset, building	2,276,383
Accumulated amortization	<u>(975,593)</u>
Total other assets	<u>1,300,790</u>
Total assets	<u>2,686,696</u>
Deferred outflows of resources:	
Pension	882,500
Other postemployment benefits (HIPAP)	<u>31,600</u>
Total deferred outflows of resources	<u>914,100</u>
Total assets and deferred outflows of resources	<u>\$ 3,600,796</u>

See notes to financial statements.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

STATEMENT OF NET POSITION (DEFICIT) - JUNE 30, 2024

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)

	<u>Governmental activities</u>
Current liabilities:	
Accounts payable and accrued expenses	\$ 298,478
Accrued salaries and benefits	344,777
Payroll deduction and withholdings	14,274
Line of credit	161,781
Current portion of long-term liabilities:	
Commercial loan	114,486
Lease liability, building	<u>348,918</u>
Total current liabilities	<u>1,282,714</u>
Long-term liabilities:	
Net pension liability	4,360,000
Other postemployment benefits (HIPAP)	177,000
Long-term liabilities, net of current portion:	
Commercial loan	493,573
Lease liability, building	<u>1,267,716</u>
Total long-term liabilities	<u>6,298,289</u>
Total liabilities	<u>7,581,003</u>
Deferred inflows of resources:	
Pension	147,000
Other postemployment benefits (HIPAP)	<u>20,000</u>
Total deferred inflows of resources	<u>167,000</u>
Net position (deficit):	
Net investment in capital assets	(163,301)
Restricted, contributions	35,000
Unrestricted (deficit)	<u>(4,018,906)</u>
Total net position (deficit)	<u>(4,147,207)</u>
Total liabilities, deferred inflows of resources and net position (deficit)	<u>\$ 3,600,796</u>

See notes to financial statements.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2024

	Expenses	Program revenues		Net (expense) revenue and change in net position
		Charges for services	Grants and contributions	
Governmental activities:				
Instructional services:				
Special	\$ 272,350	\$ 459,377	\$ 22,016	\$ 209,043
Other	2,130,697	1,907,977	30,490	(192,230)
Total instructional services	2,403,047	2,367,354	52,506	16,813
Support services:				
Pupil personnel	156,584		20,514	(136,070)
Instructional staff	29,696		27,744	(1,952)
Administration	467,262			(467,262)
Pupil health	146,350		3,386	(142,964)
Business services	58,809			(58,809)
Operation of plant and maintenance	132,284		47,844	(84,440)
Central	77,679			(77,679)
Total support services	1,068,664		99,488	(969,176)
Noninstructional services:				
Food services	40,006			(40,006)
Scholarships	3,600			(3,600)
Student activities	23,182			(23,182)
Debt service, interest	101,308			(101,308)
Total noninstructional services	168,096			(168,096)
Total governmental activities	\$ 3,639,807	\$ 2,367,354	\$ 151,994	(1,120,459)
General revenues:				
Donations				522,832
Investment revenue, interest				96
Other				20,657
Total general revenues				543,585
Change in net position (deficit)				(576,874)
Net position (deficit):				
July 1, 2023				(3,570,333)
June 30, 2024				\$(4,147,207)

See notes to financial statements.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

BALANCE SHEET – GOVERNMENTAL FUNDS – JUNE 30, 2024

	Major funds		Total
	General fund	Capital projects fund	governmental funds
ASSETS			
Cash	\$ 199,342	\$ 15,796	\$ 215,138
Due from other governments	388,139		388,139
Other receivable	21,414		21,414
Prepaid expenses	613		613
	\$ 609,508	\$ 15,796	\$ 625,304
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and accrued expenses	\$ 298,478		\$ 298,478
Accrued salaries and benefits	344,777		344,777
Payroll deductions and withholdings	14,274		14,274
Line of credit	161,781		161,781
	819,310		819,310
Fund balance:			
Nonspendable, prepaids	613		613
Restricted, contributions	35,000		35,000
Assigned		\$ 15,796	15,796
Unassigned	(245,415)		(245,415)
	(209,802)	15,796	(194,006)
Total fund balance	(209,802)	15,796	(194,006)
Total liabilities and fund balance	\$ 609,508	\$ 15,796	\$ 625,304

See notes to financial statements.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2024

Total fund balance, governmental funds	\$ (194,006)
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows and inflows of resources related to pensions are applicable to future periods, and therefore, are not reported in the funds:	
Deferred outflows of resources, pension	882,500
Deferred inflows of resources, pension	(147,000)
Deferred outflows and inflows of resources related to other postemployment benefits (HIPAP) are applicable to future periods, and therefore, are not reported in the funds:	
Deferred outflows of resources, other postemployment benefit expense HIPAP	31,600
Deferred inflows of resources, other postemployment benefit expense HIPAP	(20,000)
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of assets is \$1,586,369, and the accumulated depreciation is \$825,767.	
	760,602
Other assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds. The cost of lease assets, building is \$2,276,383 and the accumulated depreciation is \$975,593.	
	1,300,790
Government-wide liabilities not included in governmental funds as a result of the difference in the measurement focus of accounting:	
Commercial loan	(608,059)
Lease liability, building	(1,616,634)
Net pension liability	(4,360,000)
Other postemployment benefits (HIPAP)	(177,000)
Total net position (deficit), governmental activities	<u><u>\$ (4,147,207)</u></u>

See notes to financial statements.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	Major funds		Total governmental funds
	General fund	Capital projects fund	
Revenues:			
Local sources:			
Tuition	\$ 2,367,354		\$ 2,367,354
Donations	522,832		522,832
Investment income	86	\$ 10	96
Other	20,657		20,657
Total local sources	2,910,929	10	2,910,939
State sources	71,744		71,744
Federal sources	80,250		80,250
Total revenues	3,062,923	10	3,062,933
Expenditures:			
Instructional services:			
Special	249,212		249,212
Other	1,543,271		1,543,271
Total instructional services	1,792,483		1,792,483
Support services:			
Pupil personnel	156,584		156,584
Instructional staff	29,696		29,696
Administration	433,528		433,528
Pupil health	135,512		135,512
Business services	58,809		58,809
Operation of plant and maintenance	241,252		241,252
Central	77,679		77,679
Total support services	1,133,060		1,133,060

(continued)

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) –
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2024

	Major funds		Total governmental funds
	General fund	Capital projects fund	
Expenditures (continued):			
Operation of noninstructional services:			
Food services	\$ 40,006		\$ 40,006
Scholarships	3,600		3,600
Student activities	23,182		23,182
	66,788		66,788
Total operation of noninstructional services			
Debt service	15,650	\$ 136,706	152,356
	3,007,981	136,706	3,144,687
Total expenditures			
	54,942	(136,696)	(81,754)
Excess (deficiency) of revenues over expenditures			
Other financing sources (uses)			
interfund transfers	(113,922)	113,922	-
	(58,980)	(22,774)	(81,754)
Net change in fund balance			
	(150,822)	38,570	(112,252)
Fund balance:			
July 1, 2023			
	\$ (209,802)	\$ 15,796	\$ (194,006)
June 30, 2024			

See notes to financial statements.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT)
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

Total net changes in fund balance (deficit), governmental funds **\$ (81,754)**

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

Governmental funds report pension contributions as expenditures.

However, in the statement of activities, the cost of pension benefits earned is reported as:

Pension expense	(595,000)
School pension contributions	397,500

Governmental funds report other postemployment benefit (HIPAP) contributions as expenditures. However, in the statement of activities, the cost of other postemployment benefits earned is reported as:

Other postemployment benefit expense (HIPAP)	(13,000)
School other postemployment benefit contributions (HIPAP)	7,600

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position (deficit).

220,451

Capital outlays are reported in the governmental fund as expenditures.

However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense:

Depreciation expense	(186,845)
Capital outlays, net of disposals	14,121

Other assets are reported in the governmental fund as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as amortization expense

(339,947)

Change in net position (deficit), governmental activities **\$ (576,874)**

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUND
JUNE 30, 2024

	<u>Student activities</u>
Asset, cash	<u>\$ 15,068</u>
Liabilities, accounts payable	\$ 6,034
Net position, restricted for student activities	<u>9,034</u>
Total liabilities and net position	<u>\$ 15,068</u>

See notes to financial statements.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUND
YEAR ENDED JUNE 30, 2024

	<u>Student activities</u>
Additions, donations	\$ 55,733
Deductions, student activities	<u>66,846</u>
Net change in fund balance	(11,113)
Net position:	
July 1, 2023	<u>20,147</u>
June 30, 2024	<u><u>\$ 9,034</u></u>

See notes to financial statements.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

1. Nature of activities and summary of significant accounting policies:

Nature of activities:

Capital Area School for the Arts Charter School (the School) is a charter school created to provide students with a rich, rigorous, arts-infused high school program that enables them to succeed in college and careers. The School is located in the Harrisburg School District and educates students residing within the greater Harrisburg area. The School's charter was initially granted by the Commonwealth of Pennsylvania on February 26, 2013, and authorized the School to operate from July 1, 2013 through June 30, 2018. The School received the renewal of its charter in April 2018, which was effective as of July 1, 2018 and allows the School to operate through June 30, 2023. The School received another renewal of its charter in June 2023, which was effective as of July 1, 2023 and allows the School to operate through June 30, 2028.

Reporting entity:

Generally accepted accounting principles require that the reporting entity include: (1) the School, (2) organizations for which the School is financially accountable and (3) other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's financial statements to be misleading or incomplete. There are no agencies or entities which should be presented with the School.

Basis of presentation:

Government-wide statements (i.e., the statement of net position (deficit) and the statement of activities) report information on all of the non-fiduciary activities of the School. As a general rule, the effect of interfund activity has been eliminated from these statements. Governmental activities are primarily supported by intergovernmental revenues and contributions.

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

The School has two major governmental fund types. The first fund is the general fund, which is used to account for the School's expendable financial resources and related liabilities. The second fund is the capital project fund, which is used to account for the acquisition of capital assets or construction of major capital projects. Financing is provided through grants, debt issuances and transfers from other funds.

The School accounts for assets held as a custodian for various student activities in an custodial fund. The fiduciary fund is not included in the government-wide statements.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

1. Nature of activities and summary of significant accounting policies (continued):

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. Tuition is recognized as revenue in the year it is earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets plus deferred outflows less total liabilities less deferred inflows) is used as a practical measure of economic resources, and the statement of activities includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations. Capital assets, accumulated depreciation and the net pension liability are reported on the statement of net position (deficit).

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenue from federal and state grants designated for payment of specific expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. Expenditures are recorded when a liability is incurred, except for pensions.

Cash and cash equivalents:

The School considers all highly liquid investments with an initial maturity of three months or less when purchased as cash equivalents.

Due from other governments:

These amounts are stated at the amount management expects to collect for outstanding student tuition and state subsidies at year end. Since the School receives tax dollars allocated for public education from local school districts, no losses are expected to be recorded.

Interfund receivables and payables:

Interfund receivables and payables arise from interfund activity and are recorded in the same period by all funds affected.

Capital assets:

Capital assets are reported in the government-wide financial statements and in the proprietary funds. Capital assets are defined by the School as assets with an initial, individual cost of more than \$4,000 and an estimated useful life in excess of one year. Lesser amounts are expensed. Donated capital assets are recorded at acquisition value at the date of donation.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which range from three to nine years.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

1. Nature of activities and summary of significant accounting policies (continued):

Deferred outflows and inflows of resources:

The statement of financial position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are a separate financial statement element and represent consumption of net position or fund balance that applies to future periods, and thus, will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources are a separate financial statement element and represent the acquisition of net position or fund balance that applies to future periods and will not be recognized as an inflow of resources (revenue) until a future period. The School has two items that qualify for reporting as a deferred outflow of resources and two items that qualify for reporting as a deferred inflow of resources in the government-wide financial statements. One item relates to the net pension liability, and these deferrals are only reported in the government-wide statement of net position (deficit). Deferred outflows and deferred inflows of resources result from changes in the School's proportion of the total pension liability and the pension plan's fiduciary net position, for contributions made to the plan between the measurement date of the net pension liability and the end of the School's fiscal year, for differences between projected and actual experience, for changes in actuarial assumptions and for actual pension plan investment earnings in excess of or less than the expected amount included in determining pension expense. The deferred outflows related to the contribution are included in pension expense in the next year, whereas other deferrals are attributed to pension expense over a total of five years, including the current year. The second item relates to the net other postemployment benefit liability (OPEB), and these deferrals are only reported in the government-wide statement of net position (deficit). Deferred outflows and deferred inflows of resources result from changes in the School's proportion of the total other postemployment benefit liability and the pension plan's fiduciary net position, for contributions made to the plan between the measurement date of the net other postemployment benefit liability and the end of the School's fiscal year, for differences between projected and actual experience, for changes in actuarial assumptions and for actual other postemployment benefit plan investment earnings in excess of or less than the expected amount included in determining other postemployment benefits expense. The deferred outflows related to the contribution are included in other postemployment benefits expense in the next year, whereas other deferrals are attributed to other postemployment benefits expense over a total of five to seven years, including the current year.

Pension and other postemployment benefits (HIPAP) plan:

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

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

1. Nature of activities and summary of significant accounting policies (continued):

Pension and other postemployment benefits (HIPAP) plan:

Substantially all full-time and part-time employees of the School participate in a cost-sharing multiple-employer defined benefit pension plan and other postemployment benefits plan for healthcare insurance premium assistance program (HIPAP) through PSERS. On the governmental fund financial statements, the School recognizes annual pension and other postemployment benefits (HIPAP) expenditures or expenses equal to its contractually required contributions. For the fiscal year ended June 30, 2024, the rate of employer contribution was 34.00%. The 34.00% rate is composed of a contribution rate of 33.09% for pension benefits, 0.64% for healthcare insurance premium assistance and 0.27% for defined contribution costs. In the government-wide financial statements, payments are allocated based on function. The School made all required contributions for the year ended June 30, 2024, and has recognized them as expenditures or expenses.

Deferred revenues:

Deferred revenues arise when resources are received by the School before it has legal claim to them, as when grants are received prior to spending the monies on grant related items. In subsequent periods, after the expenditures are incurred, the liability for unearned revenues is removed from the balances sheet and revenue is recognized.

Long-term debt:

In the government-wide financial statements, long-term debt is reported as liabilities in the applicable governmental statements. Principal payments are applied to the liability; interest expense is recognized as it accrues.

Fund balance classification:

The School follows GASB Statement No. 54, which defines how fund balances of the governmental funds are presented in the financial statements.

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable: Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted: Amounts that can be spent only for specific purposes because of the School Charter, city code, state or federal laws or externally imposed conditions by grantors or creditors. The School has \$35,000 of restricted funds as of June 30, 2024 pertaining to donor-restricted contributors.

Committed: Amounts that can be used only for specific purposes determined by a formal action by the School Trustees (highest level of decision-making authority). These amounts cannot be used for any other purpose unless the School Trustees removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. Funds are classified as committed only if the School has committed existing resources and not contractual obligations that are expected to be satisfied with future revenues. There are no committed funds as of June 30, 2024.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

1. Nature of activities and summary of significant accounting policies (continued):

Fund balance classification:

Assigned: Amounts that are designated by the School Trustees for a specific purpose, but are not spendable until a formal action by the School Trustees or ordinance is passed. This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Trustees or through the School Trustees delegating this responsibility to the School's Chief Executive Officer through the budgetary process. There were approximately \$16,000 of assigned funds as of June 30, 2024 related to future capital projects.

Unassigned: All amounts not included in other spendable classifications. This represents the residual fund balance.

The amounts of the fund balances are included in the governmental fund balance sheet. Restricted funds are used first as appropriate. Assigned funds are reduced to the extent that expenditure authority has been budgeted by the School Trustees or the assignment has been changed by the School Trustees or the Chief Executive Officer. Decreases to fund balance first reduce unassigned fund balance; in the event that unassigned fund balance becomes zero, then assigned and committed fund balances are used in that order.

The School would typically use restricted fund balances first, followed by committed resources and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Donations:

All donations are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of donated noncash assets are recorded at their fair values in the period received. The School also receives donated services from unpaid volunteers who assist in fundraising activities and administrative services. No amounts for these services have been recognized in the statement of activities.

Income taxes:

The Capital Area School for the Arts Charter School has been recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore, has made no provision for federal income taxes in the accompanying financial statements.

Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows and inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures or expenses during the reporting period. The estimates for the net pension liability and other postemployment benefits liability were provided by PSERS and are a significant estimate. Actual results could differ from those estimates.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

1. Nature of activities and summary of significant accounting policies (continued):

New accounting pronouncements adopted:

The following summarizes GASB Statements implemented by the School during the year ended June 30, 2024, and the relating effects on the financial statements presentation and disclosure, as applicable:

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. The Statement's objective is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. There were no significant changes to the School's financials as a result of the adoption of the Statement.

Pending GASB pronouncements:

The GASB has issued several pronouncements prior to the year ended June 30, 2024 and through the date the financial statements were available to be issued that have effective dates that may impact future financial presentations:

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The Statement's objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The School will be required to adopt Statement No. 101 for its year ending June 30, 2025 financial statements.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The provisions of Statement No. 102 are effective for the School's June 30, 2025 financial statements.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The provisions of Statement No. 103 are effective for the School's June 30, 2026 financial statements.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

1. Nature of activities and summary of significant accounting policies (continued):

Pending GASB pronouncements:

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires capital assets held for sale be evaluated each reporting period and should disclose the ending balance of capital assets held for sale (with separate disclosure for historical cost and accumulated depreciation by major class of asset) and the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The provisions of Statement No. 104 are effective for the District's June 30, 2026 financial statements.

The effect of implementation of these statements on future years has not yet been determined.

2. Cash:

Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned to it. Section 440.1 of the Public School Code of 1949, as amended, limits the composition of the School's investments. The School does not have a policy for custodial credit risk, nor are there policies that limit the allowable deposits or investments. As of June 30, 2024, \$10,329 of the School's bank balance was exposed to custodial credit risk as detailed below:

Reconciliation to financial statements:

Uninsured amount above	\$ 10,329
Plus amount covered by FDIC insurance	250,000
Less outstanding checks	<u>30,137</u>
Carrying amount, book balances	230,192
Plus petty cash	<u>14</u>
Total cash and cash equivalents per financial statements	<u><u>\$ 230,206</u></u>

Deposits are shown in the financial statements as follows:

Statement of net position (deficit), cash	\$ 215,138
Statement of fiduciary net position, cash	<u>15,068</u>
	<u><u>\$ 230,206</u></u>

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024**

3. Due from other governments:

Amounts due from other governments represent receivables for revenues earned by the School. At June 30, 2024, the following amounts were due from other governmental units:

Federal	\$ 34,713
State	52,093
Local	<u>301,333</u>
Total	<u>\$ 388,139</u>

4. Interfund activity:

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

The School transferred resources from the general fund to the capital projects fund to pay for the current year debt payments on the construction loan. Interfund transfers for the year ended June 30, 2024 were as follows:

	<u>Interfund transfer out</u>	<u>Interfund transfer in</u>
General fund	\$ 113,922	
Capital projects fund	<u> </u>	<u>\$ 113,922</u>
Total	<u>\$ 113,922</u>	<u>\$ 113,922</u>

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

5. Capital assets:

Capital asset activity for the year ended June 30, 2024 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Leasehold improvements	\$ 1,422,863			\$ 1,422,863
Furniture and fixtures	54,830			54,830
Equipment	<u>94,555</u>	<u>\$ 14,121</u>		<u>108,676</u>
 Total assets being depreciated	 <u>1,572,248</u>	 <u>14,121</u>		 <u>1,586,369</u>
 Less accumulated depreciation for:				
Leasehold improvements	522,530	178,617		701,147
Furniture and fixtures	54,830			54,830
Equipment	<u>61,562</u>	<u>8,228</u>		<u>69,790</u>
 Total accumulated depreciation	 <u>638,922</u>	 <u>186,845</u>		 <u>825,767</u>
 Total capital assets being depreciated, net	 <u><u>\$ 933,326</u></u>	 <u><u>\$ (172,724)</u></u>		 <u><u>\$ 760,602</u></u>

Depreciation expense was charged to the following functions:

Other instruction	\$ 173,679
Administration	<u>13,166</u>
 Total	 <u><u>\$ 186,845</u></u>

6. Revolving line of credit:

The School has a revolving line of credit with a bank for \$400,000. The line of credit is payable on demand and is subject to annual review by the lender. The line of credit has a variable interest rate at prime (9.63% at June 30, 2024) plus 1% and is subject to a 4.5% floor. The line of credit is secured by virtually all assets of the School. There is a balance due of \$161,781 on the line of credit at June 30, 2024. The School made draws of \$60,000 and repayments of approximately \$41,000 during the 2023-2024 school year.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

7. Long-term obligations:

Construction loan, lease liability, building, net pension liability and postemployment obligation activity for the year ended June 30, 2024 is as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Construction loan	\$ 717,598		\$ (109,539)	\$ 608,059	\$ 114,486
Lease liability, building	1,727,546		(110,912)	1,616,634	348,918
Net pension liability	4,135,000	\$ 225,000		4,360,000	
Other postemployment benefit obligation (HIPAP)	171,000	6,000		177,000	
	<u>\$ 6,751,144</u>	<u>\$ 231,000</u>	<u>\$ (220,451)</u>	<u>\$ 6,761,693</u>	<u>\$ 463,404</u>

In June 2020, the School executed a construction loan with a local bank to finance the renovations on the third floor of their Strawberry Square location. The loan principal amount available was \$1,122,192. Principal payments will be due in varying amounts through December 2030, based on the amount drawn. The loan bears a variable interest rate using prime rate quoted in *The Wall Street Journal* with a minimum of 4%. The loan is secured by all assets of the School. The loan contains a provision that in an event of default, outstanding amounts become immediately due if the School is unable to make payment. The School drew down and used \$972,532 of the loan during the draw down period.

The following summarizes the principal and interest due based on the terms of the agreement and the current amount outstanding at June 30, 2024:

Year ending June 30,	Principal	Interest	Total
2025	\$ 114,486	\$ 22,220	\$ 136,706
2026	119,150	17,556	136,706
2027	124,005	12,701	136,706
2028	129,057	7,649	136,706
2029	121,361	2,367	123,728
	<u>\$ 608,059</u>	<u>\$ 62,493</u>	<u>\$ 670,552</u>

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

8. Leases:

The School leases classrooms, offices and storage areas, as well as dance, music, video and theater studios, under a lease agreement with Strawberry Square Development Corporation signed in April 2018. The School amended this lease in January 2020 and December 2023. The School recognizes lease expense on a straight-line basis over the term of the lease, taking into account, when applicable, lessor incentives for tenant improvements, periods where no rent payment is required and escalations in rent payments over the term of the lease. The remaining term for the office facility lease is 48 months. The School's lease agreement does not contain any renewal options, material residual value guarantees or material restrictive covenants. As of June 30, 2024, the lease liability and corresponding net right-of-use asset reflected on the statement of net position (deficit) were \$1,616,634 and \$1,300,790, respectively. The School made cash payments of \$154,654 during the year ended June 30, 2024 in connection with the lease.

The discount rate used in determining the liability is 4%. The primary assumption used to determine the discount rate was the School's implicit interest rate.

Future annual minimum payments under the lease are as follows for the fiscal years ending:

Year ending June 30,	Principal	Interest	Total
2025	\$ 348,918	\$ 57,484	\$ 406,402
2026	402,436	41,902	444,338
2027	421,467	25,450	446,917
2028	443,813	8,169	451,982
	<u>\$ 1,616,634</u>	<u>\$ 133,005</u>	<u>\$ 1,749,639</u>

The cost of the lease asset, building is \$2,276,383. At June 30, 2024, the asset had an amortized value of \$1,300,790. Amortization expense for the year ended June 30, 2024 was \$325,198.

9. Defined benefit pension plan:

Plan description:

The School contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by Pennsylvania Public School Employees' Retirement System (PSERS). The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.pa.gov.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

9. Defined benefit pension plan (continued):

Benefits provided:

Benefits are provided by PSERS by statute; therefore, financial statement amounts are affected by PSERS activity. The School's reported amounts will vary over time depending on the pension results of PSERS.

PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service.

Act 5 of 2017 (Act 5) introduced a hybrid benefit with two membership classes and a separate defined contribution plan for individuals who become new members on or after July 1, 2019. Act 5 created two new hybrid membership classes, Membership Class T-G (Class T-G) and Membership Class T-H (Class T-H) and the separate defined contribution membership class, Membership Class DC (Class DC). To qualify for normal retirement, Class T-G and Class T-H members must work until age 67 with a minimum of 3 years of credited service. Class T-G may also qualify for normal retirement by attaining a total combination of age and service that is equal to or greater than 97 with a minimum of 35 years of credited service.

Benefits are generally between 1% to 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

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

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

Member contributions:

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

Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

9. Defined benefit pension plan (continued):

Member contributions:

Members who joined the System after June 30, 2001 and before July 1, 2011 contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after July 1, 2002.

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

Employer contribution:

The School's contractually required contribution rate for the fiscal year ended June 30, 2024 was 33.09% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School were \$397,500 for the year ended June 30, 2024.

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

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

At June 30, 2024, the School reported a liability of \$4,360,000 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 rolling forward the PSERS's total pension liability as of June 30, 2022 to June 30, 2023. There were no events during the period June 30, 2023 to June 30, 2024 that affect the measurement of the net pension liability results. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the School's proportion was .0098%, which was an increase of .0005% from its proportion measured as of June 30, 2022.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

9. Defined benefit pension plan (continued):

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

For the year ended June 30, 2024, the School recognized pension expense of \$595,000. At June 30, 2024, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes of assumptions	\$ 64,000	
Net difference between projected and actual earnings on pension plan investment	124,000	
Differences between expected and actual experience		\$ 59,000
Net changes in proportion	297,000	
Net difference between the School's actual contributions and the calculated portion determined by PSERS		88,000
The School's contributions subsequent to the measurement date	<u>397,500</u>	
	<u>\$ 882,500</u>	<u>\$ 147,000</u>

For the year ended June 30, 2024, \$397,500 was reported as deferred outflows of resources related to pensions resulting from the School contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resource related to pensions will be recognized in pension expense as follows:

<u>Plan year ended June 30,</u>	
2024	\$ 177,000
2025	(48,000)
2026	175,000
2027	<u>34,000</u>
Total	<u>\$ 338,000</u>

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

9. Defined benefit pension plan (continued):

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

Actuarial assumptions:

The total pension liability as of June 30, 2023 was determined by rolling forward the PSERS's total pension liability as of the June 30, 2022 actuarial valuation to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method:	Entry age normal - level % of pay.
Investment return:	7.00%, includes inflation at 2.50%.
Salary increases:	Effective average of 4.50%, which reflects an allowance for inflation of 2.50%, real wage growth and merit or seniority increases of 2.00%.
Mortality rates:	Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Improvement Scale.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2020.

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

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

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

9. Defined benefit pension plan (continued):

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

Actuarial assumptions:

The PSERS board adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023 as follows:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Global public equity	30.0 %	5.2 %
Private equity	12.0	7.9
Fixed income	33.0	3.2
Commodities	7.5	2.7
Infrastructure/MLPs	10.0	5.4
Real estate	11.0	5.7
Absolute return	4.0	4.1
Cash	3.0	1.2
Leverage	<u>(10.5)</u>	1.2
	<u>100.0 %</u>	

Discount rate:

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

9. Defined benefit pension plan (continued):

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions:

Sensitivity of the School's proportionate share:

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current discount rate 7.00%	1% Increase 8.00%
The School's proportionate share of the net pension liability	\$ 5,651,000	\$ 4,360,000	\$ 3,270,000

Pension plan fiduciary net position:

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

10. Other postemployment benefits:

Health Insurance Premium Assistance Program (HIPAP):

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

The System provides Premium Assistance which, is a governmental cost-sharing, multiple-employer HIPAP plan for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program (HOP). As of June 30, 2023, there were no assumed future benefit increases to participating eligible retirees.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

10. Other postemployment benefits (continued):

Premium Assistance eligibility criteria:

Retirees of the System can participate in the Premium Assistance program if they satisfy the following criteria:

- Have 24 ½ or more years of service, or
- Are a disability retiree, or
- Have 15 or more years of service and retired after reaching superannuation age, and participate in the HOP or employer-sponsored health insurance program.

Benefits provided:

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' HOP. As of June 30, 2023, there were no assumed future benefit increases to participating eligible retirees.

Employer contributions:

The School's contractually required contribution rate for the fiscal year ended June 30, 2024 was 0.64% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the OPEB plan from the School were \$7,600 for the year ended June 30, 2024.

HIPAP liabilities, HIPAP expense, deferred outflows of resources and deferred inflows of resources related to HIPAP:

At June 30, 2024, the School reported a liability of \$177,000 for its proportionate share of the net HIPAP liability. The net HIPAP liability was measured as of June 30, 2023, and the total HIPAP liability used to calculate the net HIPAP liability was determined by rolling forward the PSERS's total HIPAP liability as of June 30, 2022 to June 30, 2023. There were no events during the period June 30, 2023 to June 30, 2024 that affect the measurement of the net HIPAP liability results. The School's proportion of the net HIPAP liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2023, the School's proportion was .0098%, which was an increase of .0005% from its proportion measured as of June 30, 2022.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

10. Other postemployment benefits (continued):

HIPAP liabilities, HIPAP expense, deferred outflows of resources and deferred inflows of resources related to HIPAP:

For the year ended June 30, 2024, the School recognized HIPAP expense of \$13,000. At June 30, 2024, the School reported deferred outflows of resources related to HIPAP from the following sources:

	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes in assumptions		\$ 19,000
Differences between expected and actual experience		1,000
Changes in proportion	\$ 24,000	
The School contributions subsequent to the measurement date	<u>7,600</u>	
	<u>\$ 31,600</u>	<u>\$ 20,000</u>

For the year ended June 30, 2024, \$7,600 reported as deferred outflows of resources related to HIPAP resulting from the School contributions subsequent to the measurement date will be recognized as a reduction of the net HIPAP liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to HIPAP will be recognized in HIPAP expense as follows:

Plan year ended	
<u>June 30,</u>	
2024	<u>\$ 4,000</u>

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

10. Other postemployment benefits (continued):

HIPAP liabilities, HIPAP expense, deferred outflows of resources and deferred inflows of resources related to HIPAP:

Actuarial assumptions:

The total HIPAP liability as of June 30, 2023, was determined by rolling forward the System's total HIPAP liability as of June 30, 2022 to June 30, 2023 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method:	Entry age normal - level % of pay.
Investment return:	4.13% - S&P 20 Year Municipal Bond Rate.
Salary growth:	Effective average of 4.5%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
Premium assistance:	Reimbursement is capped at \$1,200 per year.
Assumed healthcare:	Cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
Mortality rates:	Mortality rates were based on a blend of 50% PubT-2010 and 50% PubG-2010 Retiree Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2020 Mortality Improvement Scale.
Participation rate:	Eligible retirees will elect to participate pre age 65 at 50%. Eligible retirees will elect to participate post age 65 at 70%.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year period ended June 30, 2020.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

10. Other postemployment benefits (continued):

HIPAP liabilities, HIPAP expense, deferred outflows of resources and deferred inflows of resources related to HIPAP:

Actuarial assumptions:

The following assumptions were used to determine the contribution rate:

Cost method:	Amount necessary to assure solvency of Premium Assistance through the third fiscal year after the valuation date.
Asset valuation method:	Market value.
Participation rate:	The actual data for retirees benefiting under the plan as of June 30, 2021 was used in lieu of the 63% utilization assumption for eligible retirees.
Mortality rates:	Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

Investments consist primarily of short-term assets designed to protect the principal of the HIPAP plan assets. The expected rate of return on HIPAP plan investments was determined using the HIPAP asset allocation policy and best estimates of geometric real rates of return for each asset class.

The HIPAP plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year.

<u>HIPAP - Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Cash	100.0 %	1.2 %

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

10. Other postemployment benefits (continued):

HIPAP liabilities, HIPAP expense, deferred outflows of resources and deferred inflows of resources related to HIPAP:

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2023.

Discount rate:

The discount rate used to measure the total HIPAP liability was 4.13%. Under the plan's funding policy, contributions are structured for short-term funding of Premium Assistance. The funding policy sets contribution rates necessary to assure solvency of Premium Assistance through the third fiscal year after the actuarial valuation date. The Premium Assistance account is funded to establish reserves that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Due to the short-term funding policy, the HIPAP plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments; therefore, the plan is considered a "pay-as-you-go" plan. A discount rate of 4.13% which represents the S&P 20-year Municipal Bond Rate at June 30, 2023, was applied to all projected benefit payments to measure the total HIPAP liability.

Sensitivity of the School's proportionate share of the net HIPAP liability to changes in healthcare cost trend rates:

Healthcare cost trends were applied to retirees receiving less than \$1,200 in annual Premium Assistance. As of June 30, 2023, retirees Premium Assistance benefits are not subject to future healthcare cost increases. The annual Premium Assistance reimbursement for qualifying retirees is capped at a maximum of \$1,200. As of June 30, 2022, 92,667 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 522 members were receiving less than the maximum amount allowed of \$1,200 per year. The actual number of retirees receiving less than the \$1,200 per year cap is a small percentage of the total population and has a minimal impact on healthcare cost trends as depicted below.

The following presents the School's proportionate share of the net HIPAP liability for June 30, 2023, calculated using current healthcare cost trends, as well as what the System net HIPAP liability would be if health cost trends were 1% lower or 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current trend rates</u>	<u>1% Increase</u>
The School's proportionate share of the net HIPAP liability	\$ 177,000	\$ 177,000	\$ 177,000

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

10. Other postemployment benefits (continued):

HIPAP liabilities, HIPAP expense, deferred outflows of resources and deferred inflows of resources related to HIPAP:

Sensitivity of the School's proportionate share of the net HIPAP liability to changes in the discount rate:

The following presents the School's proportionate share of the net HIPAP liability, calculated using the discount rate of 4.13%, as well as what the net HIPAP liability would be if it were calculated using a discount rate that is 1% lower (3.13%) or 1% higher (5.13%) than the current rate:

	1% Decrease 3.13%	Current discount rate 4.13%	1% Increase 5.13%
The School's proportionate share of the net HIPAP liability	\$ 200,000	\$ 177,000	\$ 158,000

HIPAP plan fiduciary net position:

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

11. Risk management:

The School is exposed to various risks of loss related to theft of, damage to and destruction of assets, errors and omissions, injuries to employees, life and health of employees and natural disasters. The School has purchased various insurance policies to safeguard its assets from risk of loss and limit its liabilities for potential claims. During the year ended June 30, 2024, no settlements exceeded insurance coverage.

12. Related party transactions:

The School is related to CASA Charter School Foundation (formally Capital Region Arts and Education) through common board membership, and the School received approximately \$388,000 from CASA Charter School Foundation in the 2023-2024 fiscal year.

13. Contracts:

The School has entered into agreements with the Capital Area Intermediate Unit (CAIU) to provide various services through June 2025. The costs can vary annually depending on the services provided by the CAIU. On June 16, 2020, the School entered into an agreement with CAIU to provide technology services from July 1, 2020 through June 30, 2023 at a cost of approximately \$41,000 per year. The School and CAIU agreed to honor the contract on a year-to-year basis until either party opts out. For the year ended June 30, 2024, the School incurred expenditures of approximately \$191,000 for services from the CAIU.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2024

14. Economic dependency:

Three school districts generated 45% of tuition revenue (charges for services) during the 2023-2024 school year. Two school districts represented 48% of the amounts due from other governments at June 30, 2024.

15. Management's plans:

While the School is facing a deficit fund balance, the Board of Trustees and the School's staff, as well as the CASA Charter School Foundation have continued their commitment to making the necessary changes in order for the School to remain as the highly regarded arts and academic school that it has worked so hard to build.

The School is a charter arts school with six art concentrations that require careful planning to fill all slots available in order to maximize enrollments. For fiscal years 2022-2023 and 2023-2024, the School has seen a large increase in interest in one art area and a decline in the other arts.

The Board of Trustees and the School's staff developed a plan to be more flexible with its ability to adjust its offerings based on student interests. In the School's current state, it is very hard to do this due to the special equipment, numbers of staff and physical space needs of each individual art.

The School reviewed its faculty and staff structure to ensure all needs are met and the proper skill sets are in place to help take it into the future. A reorganization of staff was implemented to increase efficiency and become more cost-effective. Staff reductions through attrition provided an opportunity to adjust course schedules and accommodate program requests in each of the six disciplines and the academic subjects.

With the fiscal year 2023-2024 enrollment decline and the decrease in school district funding, the School experienced a cash flow shortage. The School worked with vendors to ensure that it is able to pay current outstanding bills as soon as possible. No vendors have requested a payment plan as of the date of the financial statements. The School also worked with the CASA Charter School Foundation on a fundraising plan, as well as looked into options for other short-term funding.

Looking to the fiscal year 2024-2025, the School has experienced a significant enrollment increase, peaking at 195. The increased enrollment has solidified the tuition revenue budgeted for the year. Monitoring of expenditures will continue over the operating months to ensure that financial obligations are met while providing instructional programs to the students, as programmed.

16. Subsequent events:

In August 2024, the School was awarded a \$70,000 Pennsylvania Commission on Crime and Delinquency grant. The grant period is from July 2024 through June 2025 and the grant will be used to increase classroom based mental health support.

The School has evaluated subsequent events through January 7, 2025, which is the date the financial statements were available to be issued.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

SCHEDULES OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 REQUIRED SUPPLEMENTARY INFORMATION
 (unaudited)
 FOR THE VALUATION YEAR ENDED JUNE 30,
 (See independent auditor's report)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The School's proportion of the net pension liability	0.0098%	0.0093%	0.0092%	0.0083%	0.0082%	0.0080%	0.0075%	0.0072%	0.0064%
The School's proportionate share of the net pension liability	\$ 4,360,000	\$ 4,135,000	\$ 3,777,000	\$ 4,087,000	\$ 3,836,000	\$ 3,840,000	\$ 3,704,000	\$ 3,568,000	\$ 2,773,000
The School's covered employee payroll	\$ 1,503,613	\$ 1,373,186	\$ 1,302,695	\$ 1,161,150	\$ 1,134,685	\$ 1,072,654	\$ 997,169	\$ 935,569	\$ 821,828
The School's proportionate share of the net pension liability as a percentage of its covered employee payroll	289.97%	301.12%	289.94%	351.98%	338.07%	357.99%	371.45%	381.37%	337.42%
Plan fiduciary net position as a percentage of the total pension liability	61.85%	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the School is presenting information for those years only for which information is available.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

SCHEDULES OF THE SCHOOL'S PENSION CONTRIBUTIONS
 REQUIRED SUPPLEMENTARY INFORMATION
 (unaudited)
 FOR THE VALUATION YEAR ENDED JUNE 30,
 (See independent auditor's report)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 511,000	\$ 461,000	\$ 436,000	\$ 386,000	\$ 367,000	\$ 339,000	\$ 287,000	\$ 229,000	\$ 165,000
Contributions in relation to the contractually required contribution	<u>474,000</u>	<u>443,000</u>	<u>418,000</u>	<u>381,000</u>	<u>349,000</u>	<u>344,000</u>	<u>301,000</u>	<u>245,000</u>	<u>165,000</u>
Contribution deficiency (excess)	<u>\$ 37,000</u>	<u>\$ 18,000</u>	<u>\$ 18,000</u>	<u>\$ 5,000</u>	<u>\$ 18,000</u>	<u>\$ (5,000)</u>	<u>\$ (14,000)</u>	<u>\$ (16,000)</u>	<u>\$ -</u>
The School's covered employee payroll	\$ 1,503,613	\$ 1,373,186	\$ 1,302,695	\$ 1,161,150	\$ 1,134,685	\$ 1,072,654	\$ 997,169	\$ 935,569	\$ 821,828
Contributions as a percentage of covered employee payroll	31.52%	32.26%	32.09%	32.81%	30.76%	32.07%	30.19%	26.19%	20.08%

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the School is presenting information for those years only for which information is available.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE
OTHER POSTEMPLOYEMENT BENEFITS (HIPAP) LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)
FOR THE VALUATION YEAR ENDED JUNE 30,
(See independent auditor's report)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
The School's proportion of the net OPEB HIPAP liability	0.0098%	0.0093%	0.0092%	0.0083%	0.0082%	0.0080%	0.0075%
The School's proportionate share of the net OPEB HIPAP liability	\$ 177,000	\$ 171,000	\$ 218,000	\$ 179,000	\$ 174,000	\$ 167,000	\$ 153,000
The School's covered employee payroll	\$ 1,503,613	\$ 1,373,186	\$ 1,302,695	\$ 1,161,150	\$ 1,134,685	\$ 1,072,654	\$ 997,169
The School's proportionate share of the net OPEB HIPAP liability as a percentage of its covered employee payroll	11.77%	12.45%	16.73%	15.42%	15.33%	15.57%	15.34%
Plan fiduciary net position as a percentage of the total OPEB HIPAP liability	7.22%	6.86%	5.30%	5.69%	5.56%	5.56%	5.73%

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the School is presenting information for those years only for which information is available.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S OTHER POSTEMPLOYMENT BENEFITS (HIPAP) CONTRIBUTIONS
 REQUIRED SUPPLEMENTARY INFORMATION
 (unaudited)
 FOR THE VALUATION YEAR ENDED JUNE 30,
 (See independent auditor's report)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 10,000	\$ 10,000	\$ 10,000	\$ 9,000	\$ 9,000	\$ 9,000	\$ 8,000
Contributions in relation to the contractually required contribution	<u>11,000</u>	<u>11,000</u>	<u>11,000</u>	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>8,000</u>
Contribution deficiency (excess)	<u><u>\$ (1,000)</u></u>	<u><u>\$ (1,000)</u></u>	<u><u>\$ (1,000)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
The School's covered employee payroll	\$ 1,503,613	\$ 1,373,186	\$ 1,302,695	\$ 1,161,150	\$ 1,134,685	\$ 1,072,654	\$ 997,169
Contributions as a percentage of covered employee payroll	0.73%	0.80%	0.84%	0.78%	0.79%	0.84%	0.80%

This schedule is intended to illustrate information for ten years. However, until a full ten-year trend is compiled, the School is presenting information for those years only for which information is available.

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION

(unaudited)
YEAR ENDED JUNE 30, 2024
(See independent auditor's report)

	<u>Original budgeted amounts</u>	<u>Final budgeted amounts</u>	<u>Actual budgetary activities</u>	Variance with final budget positive (negative)
Revenues:				
Local sources:				
Tuition	\$ 2,885,597	\$ 2,885,597	\$ 2,367,354	\$ (518,243)
Donations	747,000	747,000	522,832	(224,168)
Investment income			86	86
Other revenues	<u>30,000</u>	<u>30,000</u>	<u>20,657</u>	<u>(9,343)</u>
Total local sources	3,662,597	3,662,597	2,910,929	(751,668)
State sources	32,000	32,000	71,744	39,744
Federal sources	<u>97,102</u>	<u>97,102</u>	<u>80,250</u>	<u>(16,852)</u>
Total revenues	<u>3,791,699</u>	<u>3,791,699</u>	<u>3,062,923</u>	<u>(728,776)</u>
Expenditures:				
Instructional services:				
Special	250,054	250,054	249,212	842
Other	<u>1,778,541</u>	<u>1,778,541</u>	<u>1,543,271</u>	<u>235,270</u>
Total instructional services	<u>2,028,595</u>	<u>2,028,595</u>	<u>1,792,483</u>	<u>236,112</u>
Support services:				
Pupil personnel	179,984	179,984	156,584	23,400
Instructional staff	38,429	38,429	29,696	8,733
Administration	607,716	607,716	433,528	174,188
Pupil health	132,975	132,975	135,512	(2,537)
Business services	56,600	56,600	58,809	(2,209)
Operation of plant and maintenance	489,885	489,885	241,252	248,633
Central	<u>57,500</u>	<u>57,500</u>	<u>77,679</u>	<u>(20,179)</u>
Total support services	<u>1,563,089</u>	<u>1,563,089</u>	<u>1,133,060</u>	<u>430,029</u>
Operation of noninstructional services:				
Food services	30,245	30,245	40,006	(9,761)
Scholarships			3,600	(3,600)
Student activities	<u>32,000</u>	<u>32,000</u>	<u>23,182</u>	<u>8,818</u>
Total operation of noninstructional services	<u>62,245</u>	<u>62,245</u>	<u>66,788</u>	<u>(4,543)</u>
Debt service			<u>15,650</u>	<u>(15,650)</u>
Total expenditures	<u>3,653,929</u>	<u>3,653,929</u>	<u>3,007,981</u>	<u>645,948</u>

(continued)

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE –
 BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)
 REQUIRED SUPPLEMENTARY INFORMATION
 (unaudited)
 YEAR ENDED JUNE 30, 2024
 (See independent auditor’s report)

	Original budgeted amounts	Final budgeted amounts	Actual budgetary activities	Variance with final budget positive (negative)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Excess (deficiency) of revenues over expenditures	\$ 137,770	\$ 137,770	\$ 54,942	\$ (82,828)
Other financing uses, interfund transfer out	<u>(136,706)</u>	<u>(136,706)</u>	<u>(113,922)</u>	<u>22,784</u>
Net change in fund balance	<u>\$ 1,064</u>	<u>\$ 1,064</u>	<u>(58,980)</u>	<u>\$ (60,044)</u>
Fund balance:				
July 1, 2023			<u>(150,822)</u>	
June 30, 2024			<u>\$ (209,802)</u>	

CAPITAL AREA SCHOOL FOR THE ARTS CHARTER SCHOOL

NOTES TO STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
REQUIRED SUPPLEMENTARY INFORMATION
(unaudited)
YEAR ENDED JUNE 30, 2024
(See independent auditor's report)

Budgetary data:

Prior to May 31, management submits a proposed operating budget to the School Trustees for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. By June 30, the budget is legally approved and enacted. Unused appropriations lapse at the end of each fiscal year; however, the School can increase the subsequent year's appropriation by an amount equal to outstanding encumbrances and reserve a portion of the fund balance in a like amount. There were no outstanding encumbrances at June 30, 2024.

The budget is adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles used in fund accounting.