

**ANNUAL REPORT ON
LEHIGH VALLEY CHARTER HIGH
SCHOOL FOR THE ARTS
BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2023**

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS

Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS

Basic Financial Statements

For the Fiscal Year Ended June 30, 2023

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December 5, 2023

Board of Directors
Lehigh Valley Charter High School for the Arts
321 East 3rd Street
Bethlehem, PA 18015

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lehigh Valley Charter High School for the Arts, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Borough'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, the business-type activities, each major fund, and the aggregate remaining fund information of Lehigh Valley Charter High School for the Arts at June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, 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 Lehigh Valley Charter High School for the Arts'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 Lehigh Valley Charter High School for the Arts'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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 and the Schedules of the School's Proportionate Share of the Net Pension Liability on page 54, Schedule of the School Contributions to the Pension Plan on page 55, Schedule of the School's Proportionate Share of the Net OPEB Liability on page 56, and Schedule of the School Contributions to the OPEB Plan on page 57, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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.

Supplemental Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the Lehigh Valley Charter High School for the Arts' financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with the basis of accounting described in the notes to the financial statements. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2023 on our consideration of Lehigh Valley Charter High School for the Arts's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Lehigh Valley Charter High School for the Arts's internal control over financial reporting and compliance.

Respectfully submitted,

Hutchinson, Gillahan & Freeh, P.C.

December 5, 2023

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Bethlehem, Pennsylvania

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
For the Year Ended June 30, 2023

This discussion and analysis of the Lehigh Valley Charter High School for the Arts' financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the financial performance as a whole; however, readers should also review the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is a component of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and the Management's Discussion and Analysis – for State and Local Governments issued in 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Lehigh Valley Charter High School for the Arts Mission Statement

The Lehigh Valley Charter High School for the Arts provides a rich and comprehensive educational program for students with talents and potential in dance, instrumental music, vocal music, theatre, production arts and literary arts or visual art. This REGIONAL model enables each student to maximize his or her special talents. Our graduates will increase the quality of their life, the lives of people who surround them, and the respective communities of the Lehigh Valley.

Lehigh Valley Charter High School for the Arts History

Founded by Dr. Thomas Lubben and a group of dedicated community partners, Charter Arts opened in September 2003 with 217 students. Twenty years later, we have full enrollment of 575 students. In 2006, the Middle States Association recommended full accreditation to Charter Arts for our academic program. In 2018, Charter Arts earned the prestigious National Blue-Ribbon Award.

Financial Highlights

- Total general fund revenues of \$10,159,497 due primarily from tuition from participating School Districts.
- At the close of the current fiscal year, the School reports an ending fund balance of \$4,117,148.

FINANCIAL STATEMENTS

The financial statements consist of three parts: Management's Discussion and Analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of Lehigh Valley Charter High School for the Arts. The first two statements are government-wide financial statements – the Statement of Net Position and the Statement of Activities. These provide both long-term and short-term information about the School's overall financial status.

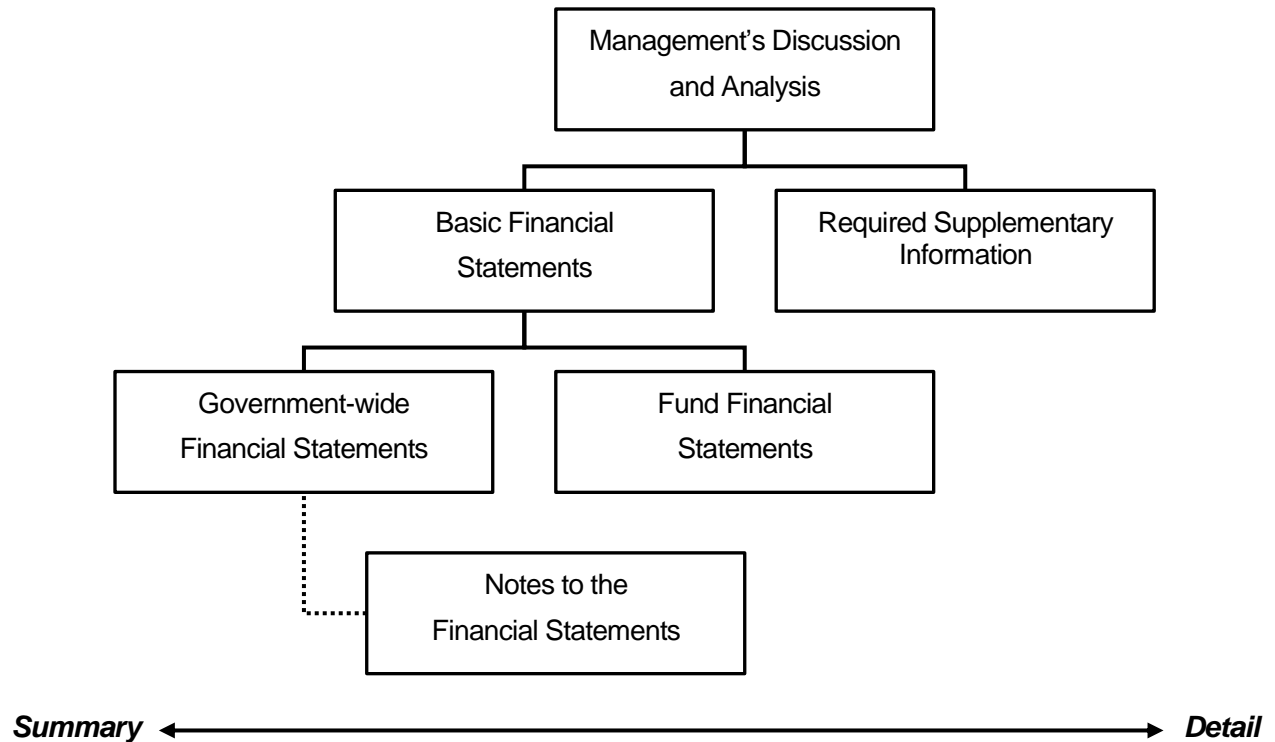
The remaining statements are fund financial statements that focus on individual parts of the School's operations in more detail than the government-wide statements. The governmental funds statements tell how the School's services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and reports the financial statements with the comparison of the School's budget for the year.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
For the Year Ended June 30, 2023

Figure 1 shows how the required parts of the Financial Section are arranged and relate to one another.

Figure 1 - Required Components of Lehigh Valley Charter High School for the Arts Financial Report



LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
For the Year Ended June 30, 2023

Figure 2 summarizes the major features of the financial statements, including the portion of the Program they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Figure 2 - Major Features of Lehigh Valley Charter High School for the Arts' Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statement		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire school (except fiduciary funds)	The activities of the School that are not proprietary or fiduciary, such as education, administration, and community services	Activities the School operates similar to private business – The School has a Food Service Fund.	Instances in which the School is the trustee or agent to someone else's resources – The School has an Activity Fund
Required financial statements	Statement of net position, Statement of activities	Balance Sheet, Statement of revenues, expenditures, and changes in fund balance	Statement of net position, Statement of revenues, expenses and changes in net position, Statement of cash flows	Statement of fiduciary net position, Statement of changes in fiduciary net position (if applicable)
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow-outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
For the Year Ended June 30, 2023

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements, as presented, comprise four components: Management's Discussion and Analysis (this section), the Basic Financial Statements, Supplementary Information and Single Audit Requirements (if applicable).

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The government-wide financial statements report on the function of the School that is principally supported by subsidies from school districts whose constituents attend the School.

Fund Financial Statements

A *fund* is a group of related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. The School, like governmental type entities, utilizes fund accounting to demonstrate compliance with finance-related legal requirements. The School financial statements present two governmental funds – the general fund and a blended component unit presented as a capital projects fund.

- **Governmental funds** – Most of the School's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- **Proprietary funds** – These funds are used to account for the School's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding through user chargers. When the School charges customers for services it provides these services are generally reported in proprietary funds. The Food Service Fund is the School's proprietary fund and is the same as the business-type activity reported in the government-wide statements, but provides more detail and additional information, such as cash flows.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
For the Year Ended June 30, 2023

Notes to the Financial Statements

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

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

The School's total net position was \$9,583,329 at June 30, 2023.

Table 1 - Net Position - Fiscal Year Ended June 30, 2023 and 2022

	2023			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 5,407,500	\$ -	\$ 5,407,500	\$ 7,859,780	\$ -	\$ 7,859,780
Non current assets	23,063,121	-	23,063,121	23,699,282	-	23,699,282
TOTAL ASSETS	28,470,621	-	28,470,621	31,559,062	-	31,559,062
DEFERRED OUTFLOWS OF RESOURCES	792,027	-	792,027	1,016,034	-	1,016,034
Current and other liabilities	830,288	-	830,288	13,000,808	-	13,000,808
Pension liability	5,380,000	-	5,380,000	5,830,000	-	5,830,000
OBEB liability	221,000	-	221,000	336,000	-	336,000
Long-term liabilities	11,941,728	-	11,941,728	7,700,167	-	7,700,167
TOTAL LIABILITIES	18,373,016	-	18,373,016	26,866,975	-	26,866,975
DEFERRED INFLOWS OF RESOURCES	1,306,303	-	1,306,303	1,602,469	-	1,602,469
Net Position						
Invested in capital assets, net of related debt	10,951,186	-	10,951,186	3,632,587	-	3,632,587
Restricted	2,109	-	2,109	2,059	-	2,059
Unrestricted	(1,369,966)	-	(1,369,966)	471,006	-	471,006
TOTAL NET POSITION	\$ 9,583,329	\$ -	\$ 9,583,329	\$ 4,105,652	\$ -	\$ 4,105,652

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
For the Year Ended June 30, 2023

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues, and subsidies that directly relate to specific expense categories are represented to determine the final amount of the School's activities that are supported by other general revenues.

Table 2 takes the information from that Statement and rearranges it slightly so one can see the total revenues for the year.

Table 2 - Changes in Net Position – Fiscal Year Ended June 30, 2023 and 2022

	2023			2022		
	Govern- mental Activities	Business- Type Activities	Total	Govern- mental Activities	Business- Type Activities	Total
PROGRAM REVENUES:						
PROGRAM REVENUES:						
Charges for services	\$ 1,308,430	\$ 57,658	\$ 1,366,088	\$ 1,413,753	\$ -	\$ 1,413,753
Operating Grants and contributions	753,178	-	753,178	1,241,941	-	1,241,941
Capital Grants and contributions	-	-	-	59,620	-	59,620
General revenue	15,111,828	-	15,111,828	10,130,180	-	10,130,180
Transfers	-	37,621	37,621	-	-	-
TOTAL REVENUES	17,173,436	95,279	17,268,715	12,845,494	-	12,845,494
EXPENSES:						
Instruction	5,643,423	-	5,643,423	5,608,865	-	5,608,865
Instructional student support	884,089	-	884,089	867,927	-	867,927
Administrative support	1,998,280	-	1,998,280	1,471,621	-	1,471,621
Operations and maintenance	1,611,517	-	1,611,517	1,617,805	-	1,617,805
Transportation	87,797	-	87,797	85,720	-	85,720
Operation of Non-Instructional Services	70,466	-	70,466	33,660	-	33,660
Food Service	-	95,279	95,279	-	-	-
Interest on long term debt	685,152	-	685,152	777,584	-	777,584
Unallocated depreciation	664,974	-	664,974	679,339	-	679,339
Claims and Judgements	12,440	-	12,440	-	-	-
Transfers	37,621	-	37,621	-	-	-
TOTAL EXPENSES	11,695,759	95,279	11,791,038	11,142,521	-	11,142,521
Change in Net Position	\$ 5,477,677	\$ -	\$ 5,477,677	\$ 1,702,973	\$ -	\$ 1,702,973

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
For the Year Ended June 30, 2023

Table 3 shows the School's largest functions – instructional programs, instructional student support, administrative, and operation and maintenance of plant, among others, with each program's net cost (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants, subsidies, contributions, and charges for services to show the remaining financial needs supported by local education agency revenue and other miscellaneous revenues.

Table 3 - Governmental Activities – Fiscal Year Ended June 30, 2023 and 2022

FUNCTIONS/PROGRAMS	2023		2022	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 5,643,423	\$ 5,155,305	\$ 5,608,865	\$ 5,045,556
Instructional Student Support	884,089	649,069	867,927	375,657
Administrative & Bus. Support Svcs.	1,998,280	1,993,380	1,471,621	1,395,402
Operation & Maint. of Plant	1,611,517	693,103	1,617,805	372,526
Pupil Transportation	87,797	(21,835)	85,720	(15,874)
Operation of Non-Instructional Services	70,466	(235,058)	33,660	(202,983)
Interest on Long-term Debt	685,152	685,152	777,584	777,584
Unallocated Depreciation Expense	664,974	664,974	679,339	679,339
TOTAL GOVERNMENTAL ACTIVITIES	\$ 11,645,698	\$ 9,584,090	\$ 11,142,521	\$ 8,427,207

Government Fund

The focus of the School's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

The School's governmental funds reported an ending fund balance of \$4,789,095 For the year ended June 30, 2023, the School's General Fund revenues of \$10,283,120, exceeded expenditures of \$9,968,897 by \$314,223.

Governmental Fund Budgetary Highlights

The budget revenues exceeded actual revenues. The actual expenses were less than the expenses anticipated in the budget. The result of these variances was a current year overall positive budget variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2023, the School's investment in capital assets for its governmental activities totaled \$23,063,121. This investment in capital assets includes buildings, furniture and equipment and land.

The School invested \$29,613 in additions to capital assets during the year.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Management's Discussion and Analysis (MD&A)
Required Supplementary Information (RSI)
For the Year Ended June 30, 2023

Table 4 - Capital Assets Net of Depreciation – Governmental Activities

	2023	2022
	Govern- mental Activities	Govern- mental Activities
Land	\$ 1,445,813	\$ 1,445,813
Leasehold Improvements	90,295	80,028
Buildings	20,606,592	21,164,355
Buildings Improvements	497,957	511,104
Furniture and Equipment	422,464	497,982
TOTAL	\$ 23,063,121	\$ 23,699,282

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The School does not anticipate any change in programs due to economic factors or budget concerns.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE SCHOOL

No future events that will financially impact the School are anticipated at this time.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

The financial report is designed to provide interested parties a general overview of the School's finances. Questions regarding any of the information provided in this report should be addressed to the Chief Executive Officer, Lehigh Valley Charter High School for the Arts, 321 East 3rd Street, Bethlehem, PA 18015.

FINANCIAL STATEMENTS

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Statement of Net Position
As of June 30, 2023

	<u>PRIMARY GOVERNMENT</u>		<u>TOTAL</u>
	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	
<u>ASSETS</u>			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 3,819,955	\$ -	\$ 3,819,955
Investments	250,000		250,000
Due From Other Governments	1,177,782		1,177,782
Pledges Receivables (Net of Allowance)	12,620		12,620
Other Receivables	46,305		46,305
Prepaid Expenditures	100,838	-	100,838
TOTAL CURRENT ASSETS	<u>5,407,500</u>	<u>-</u>	<u>5,407,500</u>
NON-CURRENT ASSETS:			
Land	1,445,813	-	1,445,813
Buildings (Net of Depreciation)	20,606,592	-	20,606,592
Buildings Improvements (Net of Depreciation)	497,957	-	497,957
Leasehold Improvements (Net of Depreciation)	90,295	-	90,295
Furniture and Equipment (Net of Depreciation)	422,464	-	422,464
TOTAL NON-CURRENT ASSETS	<u>23,063,121</u>	<u>-</u>	<u>23,063,121</u>
TOTAL ASSETS	<u>\$ 28,470,621</u>	<u>\$ -</u>	<u>\$ 28,470,621</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 792,027</u>	<u>\$ -</u>	<u>\$ 792,027</u>
<u>LIABILITIES</u>			
CURRENT LIABILITIES:			
Accounts Payable	\$ 18,620	\$ -	\$ 18,620
Current Portion of Long-Term Obligations	229,798	-	229,798
Accrued Salaries and Benefits	487,515	-	487,515
Payroll Deductions and Withholdings	94,355	-	94,355
TOTAL CURRENT LIABILITIES	830,288	-	830,288
NON-CURRENT LIABILITIES:			
Long-Term Portion of Compensated Absences	55,704	-	55,704
Unfunded Pension Liability	5,380,000	-	5,380,000
Unfunded OPEB Liability	221,000	-	221,000
Other Long Term Liabilities	11,886,024	-	11,886,024
TOTAL LIABILITIES	<u>\$ 18,373,016</u>	<u>\$ -</u>	<u>\$ 18,373,016</u>
DEFERRED INFLOWS OF RESOURCES	<u>\$ 1,306,303</u>	<u>\$ -</u>	<u>\$ 1,306,303</u>
<u>NET POSITION</u>			
Invested in Capital Assets, Net of Related Debt	10,951,186	-	10,951,186
RESTRICTED FOR:			
Other Restrictions	2,109	-	2,109
Unrestricted	(1,369,966)	-	(1,369,966)
TOTAL NET POSITION	<u>\$ 9,583,329</u>	<u>\$ -</u>	<u>\$ 9,583,329</u>

The accompanying notes are an integral part of these financial statements.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Statement of Activities
For the Fiscal Year Ended June 30, 2023

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instruction	\$ 5,643,423	\$ 9,860	\$ 478,258	\$ -	\$ (5,155,305)	\$ -	\$ (5,155,305)
Instructional Student Support	884,089	-	235,020	-	(649,069)	-	(649,069)
Admin. & Fin'l Support Services	1,998,280	-	4,900	-	(1,993,380)	-	(1,993,380)
Oper. & Maint. of Plant Svcs.	1,611,517	883,414	35,000	-	(693,103)	-	(693,103)
Pupil Transportation	87,797	109,632	-	-	21,835	-	21,835
Operation of Non-Instructional Services	70,466	305,524	-	-	235,058	-	235,058
Interest on Long-Term Debt	685,152	-	-	-	(685,152)	-	(685,152)
Unallocated Depreciation Expense	664,974	-	-	-	(664,974)	-	(664,974)
TOTAL GOVERNMENTAL ACTIVITIES	11,645,698	1,308,430	753,178	-	(9,584,090)	-	(9,584,090)
BUSINESS-TYPE ACTIVITIES:							
Food Service	95,279	-	57,658	-	-	(37,621)	(37,621)
TOTAL PRIMARY GOVERNMENT	\$ 11,740,977	\$ 1,308,430	\$ 810,836	\$ -	\$ (9,584,090)	\$ (37,621)	\$ (9,621,711)
GENERAL REVENUES							
Grants, Subsidies, & Contributions					\$ 240,926	\$ -	\$ 240,926
Investment Earnings					92,246	-	92,246
Reduction in Net Pension Liabilities					633,994	-	633,994
Miscellaneous Income					30,297	-	30,297
Local Education Agencies					8,894,355	-	8,894,355
Transfers					(37,621)	37,621	-
Claims and Judgements					(12,440)	-	(12,440)
Gain/Loss on Sale of Fixed Assets					(800)	-	(800)
New Market Tax Credit Debt Forgiveness					5,220,810	-	5,220,810
TOTAL GENERAL REVENUES, SPECIAL ITEMS, EXTRAORDINARY ITEMS, AND TRANSFERS					15,061,767	37,621	15,099,388
CHANGE IN NET POSITION					5,477,677	-	5,477,677
NET POSITION - BEGINNING					4,105,652	-	4,105,652
NET POSITION - ENDING					\$ 9,583,329	\$ -	\$ 9,583,329

The accompanying notes are an integral part of these financial statements.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Balance Sheet – Governmental Funds
As of June 30, 2023

	GENERAL FUND	CAPITAL PROJECT FUND	TOTAL GOVERNMENTAL FUNDS
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 3,325,800	\$ 494,155	\$ 3,819,955
Investments	-	250,000	250,000
Due from Other Funds	78,649	-	78,649
Due from Other Governments	1,177,782	-	1,177,782
Other Receivables	43,167	-	43,167
Prepaid Deposit	-	-	-
Prepaid Expenditures	94,837	6,001	100,838
TOTAL ASSETS	<u>\$ 4,720,235</u>	<u>\$ 750,156</u>	<u>\$ 5,470,391</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES:			
Due to Other Governments	\$ -	\$ -	\$ -
Due to Other Funds	-	78,209	78,209
Accounts Payable	18,619	-	18,619
Current Portion of Long-Term Debt	1,295	-	1,295
Accrued Salaries and Benefits	487,515	-	487,515
Payroll Deductions and Withholdings	94,355	-	94,355
Deferred Revenues	1,303	-	1,303
TOTAL LIABILITIES	<u>603,087</u>	<u>78,209</u>	<u>681,296</u>
FUND BALANCES:			
Nonspendable	94,837	6,001	100,838
Restricted	2,109	-	2,109
Committed	-	-	-
Assigned	641,481	-	641,481
Unassigned	3,378,721	665,946	4,044,667
TOTAL FUND BALANCES	<u>4,117,148</u>	<u>671,947</u>	<u>4,789,095</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,720,235</u>	<u>\$ 750,156</u>	<u>\$ 5,470,391</u>

The accompanying notes are an integral part of these financial statements.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Reconciliation of the Governmental Funds – Balance Sheet
To the Statement of Net Position
As of June 30, 2023

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	4,789,095
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$28,908,215 and the accumulated depreciation is \$5,845,094.		23,063,121
Long-term pledges receivable are not expected to be paid in the current period and therefore are not reported receivable in the general fund.		12,620
Long-term giving circle revenue receivable is not expected to be paid in the current period and therefore are not reported receivable in the general fund.		2,698
Long term deferred outflows related to pensions and OPEB are not financial resources under modified accrual and therefore not reported in governmental funds. Long term deferred outflows at year end consist of:		
OPEB contributions subsequent to measurement date	\$ 11,933	
Pension contributions subsequent to measurement date	549,094	
Difference between projected and actual investment earnings	1,000	
Difference between Expected and Actual - Pension Experience	2,000	
Difference between Expected and Actual - OPEB Experience	2,000	
Pension changes in Proportion	36,000	
Pension changes in assumptions	161,000	
OPEB changes in assumptions	25,000	
OPEB changes in proportions	<u>4,000</u>	792,027
Long-term deferred Inflows related to pensions and OPEB are not financial resources used under modified accrual and therefor not reported in governmental funds. Long-term deferred inflows related to pensions include:		
OPEB changes in assumptions	52,000	
OPEB changes in proportions	75,000	
Difference between Expected and Actual OPEB Experience	1,000	
Difference between projected and actual investment earnings	91,000	
Difference between Expected and Actual Pension Experience	47,000	
Pension changes in proportions	<u>1,039,000</u>	(1,305,000)
Long-term unfunded pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the general fund.		(5,380,000)
Long-term unfunded OPEB liabilities are not due and payable in the current period and therefore are not reported as liabilities in the general fund.		(221,000)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the general fund. Long-term liabilities at year end consist of:		
Loan/Lease Obligations	(12,111,935)	
Compensated Absences	<u>(58,297)</u>	<u>(12,170,232)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	<u>9,583,329</u>

The accompanying notes are an integral part of these financial statements.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	GENERAL FUND	CAPITAL PROJECT FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Local Sources	\$ 9,426,160	\$ 1,215,433	\$ 10,641,593
State Sources	160,522	-	160,522
Federal Sources	<u>572,815</u>	<u>-</u>	<u>572,815</u>
TOTAL REVENUES	<u>10,159,497</u>	<u>1,215,433</u>	<u>11,374,930</u>
EXPENDITURES			
Instruction	5,661,278	-	5,661,278
Support Services	4,167,939	419,477	4,587,416
Operation of Non-Instructional Services	70,466	-	70,466
Capital Outlay	6,171	-	6,171
Debt Service	<u>12,982</u>	<u>15,606,118</u>	<u>15,619,100</u>
TOTAL EXPENDITURES	<u>9,918,836</u>	<u>16,025,595</u>	<u>25,944,431</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>240,661</u>	<u>(14,810,162)</u>	<u>(14,569,501)</u>
OTHER FINANCING SOURCES (USES)			
Refund of Prior Year Receipts	-	-	-
Proceeds from Extended Term Financing	-	12,200,000	12,200,000
Fund Transfers In	123,503	-	123,503
Fund Transfers Out	(37,621)	(123,503)	(161,124)
Refund of Prior Year Expenditures	<u>120</u>	<u>-</u>	<u>120</u>
Gain/Loss on Sale of Investments	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>86,002</u>	<u>12,076,497</u>	<u>12,162,499</u>
SPECIAL/EXTRAORDINARY ITEMS			
Special Items	(12,440)	-	(12,440)
Extraordinary Items	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	314,223	(2,733,665)	(2,419,442)
FUND BALANCES - BEGINNING	<u>3,802,925</u>	<u>3,405,612</u>	<u>7,208,537</u>
FUND BALANCES - ENDING	<u>\$ 4,117,148</u>	<u>\$ 671,947</u>	<u>\$ 4,789,095</u>

The accompanying notes are an integral part of these financial statements.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
To the Statement of Activities
For the Year Ended June 30, 2023

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (2,419,442)**

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

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays, less the fixed asset deletions, exceeded depreciation in the current period.

Capital Outlays	\$ 29,613	
Less: Depreciation	<u>(664,974)</u>	(635,361)

Change in deferred Inflows related to pensions and OPEB is an expenditure in the governmental funds, but the change reduces long-term liabilities in the statement of net assets.		296,166
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Change in deferred outflows related to pensions and OPEB is a reduction in an expenditure in the governmental funds, but the change increases an asset in the statement of net assets.		(224,007)
--	--	-----------

Principal payments on debt netted against new loan proceeds are expenditures in the governmental funds, but are decreases to long-term liabilities in the statement of net assets.		2,733,678
--	--	-----------

New Market Tax Credit Tax Forgiveness Credit related to debt forgiveness is reported as revenue in the statement of net assets		5,220,810
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Change in state subsidies that are not received within the current period are not reported as revenue in the governmental funds but are reported as revenue in the statement of net assets		(58,316)
--	--	----------

In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds; however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount earned versus the amount used.

Compensated Absences	(851)	
Pension and OPEB Liability	<u>565,000</u>	<u>564,149</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 5,477,677**

The accompanying notes are an integral part of these financial statements.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Statement of Net Position
Proprietary Funds
As of June 30, 2023

	FOOD SERVICE FUND	TOTAL
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ -	\$ -
Investments	-	-
Due from Other Funds	-	-
Due from Other Governments	-	-
Other Receivables	-	-
Prepaid Expenses	-	-
Other Current Assets	-	-
TOTAL CURRENT ASSETS	-	-
	-----	-----
NON-CURRENT ASSETS:		
Building & Bldg. Improvements (Net)	-	-
Machinery & Equipment (Net)	-	-
Other Long-Term Receivables	-	-
TOTAL NON-CURRENT ASSETS	-	-
TOTAL ASSETS	\$ -	\$ -
<u>LIABILITIES</u>		
CURRENT LIABILITIES:		
Due to Other Funds	\$ -	\$ -
Due to Other Governments	-	-
Accounts Payable	-	-
Deferred Revenue	-	-
TOTAL CURRENT LIABILITIES	-	-
	-----	-----
NON-CURRENT LIABILITIES:		
Long-Term Portion of Compensated Absences	-	-
Other Retirement Benefits	-	-
TOTAL NON-CURRENT LIABILITIES	-	-
TOTAL LIABILITIES	\$ -	\$ -
<u>NET POSITION</u>		
Invested in Capital Assets, with No Related Debt	-	-
Restricted for Legal Purposes	-	-
Unrestricted	-	-
TOTAL NET POSITION	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	FOOD SERVICE FUND	TOTAL
<u>OPERATING REVENUES</u>		
Charges for Services	\$ 57,658	\$ 57,658
Other Operating Revenues	-	-
TOTAL OPERATING REVENUES	57,658	57,658
<u>OPERATING EXPENSES</u>		
Salaries and Benefits	28,901	28,901
Food Costs	66,053	66,053
Other Operating Expenses	325	325
TOTAL OPERATING EXPENSES	95,279	95,279
OPERATING INCOME (LOSS)	(37,621)	(37,621)
<u>NON-OPERATING REVENUES</u>		
State Sources	-	-
Federal Sources	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	-	-
NET LOSS BEFORE CONTRIBUTIONS	(37,621)	(37,621)
Capital Contributions	-	-
Transfers In (Out)	37,621	37,621
CHANGES IN NET POSITION	-	-
NET POSITION - BEGINNING	-	-
NET POSITION - ENDING	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Statement of Cash Flows
Proprietary Funds
As of June 30, 2023

	FOOD SERVICE FUND	TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Users	\$ 57,658	\$ 57,658
Cash Payments to Employees for Services	(28,900)	(28,900)
Cash Payments to Suppliers for Goods and Services	(66,054)	(66,054)
Cash Payments for Other Operating Expenses	(325)	(325)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	(37,621)	(37,621)
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Charges for Services	-	-
State Sources	-	-
Federal Sources	-	-
Interfund Receipts (Payments)	37,621	37,621
NET CASH PROVIDED BY (USED FOR) NON-CAPITAL FINANCING ACTIVITIES	37,621	37,621
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
NET CASH PROVIDED BY (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES	-	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	-	-
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Statement of Cash Flows
Proprietary Funds
As of June 30, 2023

	FOOD SERVICE FUND	TOTAL
OPERATING INCOME (LOSS)	\$ (37,621)	\$ (37,621)
	-----	-----
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Depreciation and Net Amortization	-	-
Provision for Uncollectible Accounts	-	-
CHANGE IN ASSETS AND LIABILITIES:		
(Increase) Decrease in Receivables	-	-
Increase (Decrease) in Accounts Payable	-	-
TOTAL ADJUSTMENTS	-	-
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	\$ (37,621)	\$ (37,621)

The accompanying notes are an integral part of these financial statements.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Statement of Changes in Net Position
Fiduciary Funds
As of June 30, 2023

	PRIVATE PURPOSE TRUST	CUSTODIAL FUNDS ACTIVITY FUND
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ -	\$ 19,764
Investments	-	-
Due from Other Funds	-	-
Other Receivables	-	177
Prepaid Expenses	-	71
Other Current Assets	-	-
TOTAL ASSETS	\$ -	\$ 20,012
 <u>LIABILITIES</u>		
Accounts Payable	\$ -	\$ -
Due to Other Funds	-	440
Due to Student Clubs	-	-
Due to Taxing Authorities	-	-
Due to Other Governments	-	-
TOTAL LIABILITIES	-	440
 <u>NET POSITION</u>		
Restricted for:	-	-
Student Organizations	-	19,572
TOTAL NET POSITION	\$ -	\$ 19,572

The accompanying notes are an integral part of these financial statements.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Statement of Changes in Net Position
Fiduciary Funds
As of June 30, 2023

	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>CUSTODIAL FUNDS ACTIVITY FUND</u>
ADDITIONS		
Contributions	\$ -	\$ 781
Student Organization Revenue	-	28,536
Transfers from Other Funds	-	-
Investment Earnings:		
Interest and Dividends	-	-
Net Increase (Decrease) in Fair Value of Investments	-	-
Less Investment Expense	-	-
TOTAL ADDITIONS	-	29,317
	-	-
DEDUCTIONS		
Transfers to Other Funds	-	-
Student Organization Expenses	-	31,704
Scholarships	-	-
TOTAL DEDUCTIONS	-	31,704
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	-	(2,387)
NET POSITION - BEGINNING OF YEAR	-	21,959
NET POSITION - END OF YEAR	\$ -	\$ 19,572

The accompanying notes are an integral part of these financial statements.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
For the Year Ended June 30, 2023

	BUDGETED AMOUNTS		ACTUAL (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGET TO GAAP DIFFERENCE	ACTUAL AMOUNTS GAAP BASIS
	ORIGINAL	FINAL				
REVENUES						
Local Sources	\$ 9,309,951	\$ 9,309,951	\$ 9,426,160	\$ 116,209	\$ -	\$ 9,426,160
State Sources	94,292	94,292	160,522	66,230	-	160,522
Federal Sources	749,478	749,478	572,815	(176,663)	-	572,815
TOTAL REVENUES	<u>10,153,721</u>	<u>10,153,721</u>	<u>10,159,497</u>	<u>5,776</u>	<u>-</u>	<u>10,159,497</u>
EXPENDITURES						
Regular Programs	5,669,239	5,669,239	5,312,953	356,286	-	5,312,953
Special Education	378,178	378,178	315,142	63,036	-	315,142
Other Instructional Programs	129,001	129,001	33,183	95,818	-	33,183
Support Services - Students	657,365	657,365	566,529	90,836	-	566,529
Support Services - Instructional Staff	156,806	156,806	150,956	5,850	-	150,956
Support Services - Administration	1,060,175	1,060,175	1,114,986	(54,811)	-	1,114,986
Pupil Health Services	147,275	147,275	166,561	(19,286)	-	166,561
Support Services - Business	840,476	840,476	320,695	519,781	-	320,695
Operation of Building Services	1,560,583	1,560,583	1,618,937	(58,354)	-	1,618,937
Student Transportation Services	80,770	80,770	87,797	(7,027)	-	87,797
Support Services - Central	238,780	238,780	141,478	97,302	-	141,478
Other Support Services	1,382	1,382	-	1,382	-	-
Operation of Non-Instructional Services	20,210	20,210	70,466	(50,256)	-	70,466
Facilities Acquisition, Construction and Improvement	47,200	47,200	6,171	41,029	-	6,171
Debt Service	-	-	12,982	(12,982)	-	12,982
TOTAL EXPENDITURES	<u>10,987,440</u>	<u>10,987,440</u>	<u>9,918,836</u>	<u>1,068,604</u>	<u>-</u>	<u>9,918,836</u>
Excess of Revenues over Expenditures	(833,719)	(833,719)	240,661	1,074,380	-	240,661
OTHER FINANCING SOURCES (USES)						
Gain on Sale of Investment	-	-	-	-	-	-
Loan Proceeds	-	-	-	-	-	-
Refund of Prior Year Expenditures	-	-	120	120	-	120
Refund of Prior Year Receipts	-	-	-	-	-	-
Fund Transfers In	833,719	833,719	123,503	(710,216)	-	123,503
Fund Transfers Out	-	-	(37,621)	(37,621)	-	(37,621)
TOTAL OTHER FINANCING SOURCES (USES)	<u>833,719</u>	<u>833,719</u>	<u>86,002</u>	<u>(747,717)</u>	<u>-</u>	<u>86,002</u>
Special Items	-	-	(12,440)	(12,440)	-	(12,440)
Extraordinary Items	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>314,223</u>	<u>314,223</u>	<u>-</u>	<u>314,223</u>
FUND BALANCE - JULY 1, 2022	<u>-</u>	<u>-</u>	<u>3,802,925</u>	<u>3,802,925</u>	<u>-</u>	<u>3,802,925</u>
FUND BALANCE - JUNE 30, 2023	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,117,148</u>	<u>\$ 4,117,148</u>	<u>\$ -</u>	<u>\$ 4,117,148</u>

The accompanying notes are an integral part of these financial statements.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Note 1 – Background and Summary of Significant Accounting Policies

A. Background and Reporting Entity

Lehigh Valley Charter High School for the Arts (the School) is organized as a nonprofit corporation in Pennsylvania to operate a charter school in accordance with Pennsylvania Act 22 of 1997, whereby a charter is granted for a four-year period and may be renewed for additional five-year periods upon expiration. The School began operations in September 2003. For the year ended June 30, 2023, the School included grades 9-12.

Lehigh Valley Charter High School for the Arts is a charter school which has financial accountability and control over all activities related to the students' education. The School receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the School is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) pronouncement.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School.

As required by generally accepted accounting principles, these financial statements are to present the Lehigh Valley Charter High School for the Arts (the primary government) and organizations for which the primary government is financially accountable. The School is financially accountable for an organization if the School appoints a voting majority of the organization's governing board and (1) the School is able to significantly influence the programs or services performed or provided by the organization and the School financially benefits from the organization, or (2) the School is legally entitled to or can otherwise access the organization's resources, the School is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization, or the School is obligated for the debt of the organization. Component units may also include organizations that are financially dependent on the School in that the School approves their budget. The Lehigh Valley Charter High School for the Arts has one component unit. The Charter Arts Foundation is reported as a blended component unit of the School due to the School's appointing of the majority of the Foundation board combined with the financial benefit the School is expected to receive. A blended component unit is reported as if it was part of the School. Since the Foundation does not qualify as a special revenue fund it has been reported as a capital project fund due to the current capital projects focus of the Foundation. The Foundation is a separately recognized 501(c)3 organization that issues stand-alone financial statements. These financial statements can be obtained from the Foundation office located at 321 E. Third Street, Bethlehem, PA 18015.

B. Basis of Presentation

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

C. Pensions

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

D. Other Postemployment Benefits

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

E. Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report on the School as a whole. The statement of activities demonstrates the degree to which the direct expenses of the School's functions are offset by program revenues. These statements include the Government activities of the School except for fiduciary funds. The statements distinguish between those activities the School that are governmental and those that are considered business-type activities.

During the year, the School segregates transactions related to certain School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School at this more detailed level. The Fund financial statements presented are the School's General Fund and Food Service Fund.

F. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements:

The statement of net position and the statement of activities are prepared 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 the related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

The statement of net position presents the financial condition of the governmental and business-type activities of the School at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School with certain limited exceptions. The comparison of direct expenses with program revenues identified the extent to which each governmental function is self-financing or draws from the general revenues of the School.

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Fund Financial Statements:

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 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. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The School reports the following major governmental funds:

General Fund – The General Fund is the operating fund of the School and accounts for all general revenues and expenditures of the School.

Capital Project Fund – The Capital Project Fund is the operations of the Charter Arts Foundation. According to the Governmental Accounting Standards Board, when a component unit, despite being legally separate from the primary government is so intertwined with the primary government that they are, in substance, the same as the primary government they should be reported as part of the primary government. This method of combining the two entities is known as blending. The Foundation is a nonprofit corporation shown as a blended component unit of the School. In addition, separate financial statements are prepared for the Charter Arts Foundation and can be obtained by contacting the Foundation at 321 East 3rd Street, Bethlehem, PA 18015.

- **Proprietary Funds** – Proprietary funds focus on the determination of changes in net assets, financial position and cash flows are classified as enterprise funds.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School's major enterprise fund is:

Food Service Fund – The Food Service Fund is used to account for the School's food service operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs of providing goods to the student body on a continuing basis be financed primarily through user charges.

Fiduciary Funds:

Fiduciary funds reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School under a trust agreement for individuals, private organizations, or other Schools and are therefore not available to support the Schools own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School has one fiduciary fund which consists of an activity fund.

G. Method of Accounting

The School has adopted the standards for external financial reporting for all state and local governmental entities, which includes a statement of net position and a statement of activities and changes in net position. It requires the classification of net position into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These calculations are defined as follows:

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- **Invested in capital assets, net of related debt** – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The School’s restricted net position represents contributions that are donor restricted for special purposes and federal grants.
- **Unrestricted net position** – This component of net position consists of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

H. Budgets and Budgetary Accounting

An operating budget is adopted prior to the beginning of each year for the General Fund on a modified accrual basis of accounting. The General Fund is the only fund for which a budget is legally required.

The Pennsylvania School Code dictates specific procedures relative to adoption of the School’s budget and reporting of its financial statements.

Legal budgetary control is maintained at the sub-function/major object level. The PA School Code allows the School Board to make budgetary transfers between major function and major object codes only within the last nine months of the fiscal year, unless there is a two-thirds majority of the Board approving the transfer. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the PDE 2028 when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all 2022-2023 budget transfers.

Encumbrances

Any encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. The General Fund Budget is maintained on the modified accrual basis of accounting, except that budgetary basis expenditures include any encumbrances issued for goods or services not received at year-end and not terminated.

The actual results of operations are presented in accordance with GAAP and the School’s accounting policies do not recognize encumbrances as expenditures until the period in which the goods or services are actually received and a liability is incurred.

I. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the

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reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Implementation of New Accounting Standards

The Governmental Accounting Standards Board (GASB) issued the following standards that were scheduled to take effect for the 2022-2023 fiscal year:

GASB Statement 91, *Conduit Debt Obligations*

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

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

GASB Statement No. 99, *Omnibus 2022*

The School has already adopted and implemented all applicable above referenced Statements.

K. Future Changes in Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following standards with future effective dates:

GASB Statement No. 100, *Accounting Changes and Error Corrections* – an amendment of GASB Statement No. 62 – Effective for fiscal year 2023-2024

GASB Statement No. 101, *Compensated Absences* – Effective for fiscal year 2024-2025

The School will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable.

L. Cash

All highly liquid investments with a maturity of less than three months, when purchased, are considered cash equivalents.

The School's cash is considered to be cash on hand, bank deposits and a money market mutual fund.

M. Investments

In accordance with GASB Standards, investments are stated at fair value, except:

- a) Non-participating interest earning investment contracts are recorded at amortized cost.
- b) Money market investments and participating interest earning investment contracts mature within one year of acquisition are recorded at amortized cost; and,
- c) Investments held in 2a7-like pools (Pennsylvania Local Government Investment Trust and Pennsylvania School District Liquid Asset Fund) are recorded at the pool's share price.

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N. Receivables

Receivables primarily consist of amounts due from Pennsylvania Department of Education for federal and state subsidy programs, amounts due from LEAs for services provided, a receivable related to the New Market Tax Credit, and pledges made by donors for the construction of a school building. Accounts receivables are stated at the amount management expects to collect from outstanding balances. As of June 30, 2023, a \$1,702 allowance for doubtful accounts was deemed warranted on pledges receivable.

O. Capital Assets

Capital assets, which include leasehold improvements and equipment, are reported in the government-wide financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. All assets purchased with a useful life greater than one year and costing more than \$1,000 are capitalized per board policy. The board policy does not include textbooks. The School does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Capital assets of the School are depreciated using the straight-line method over the following useful lives:

Buildings	40 Years
Furniture and Equipment	5 - 10 Years

P. Income Tax Status

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Service Code. The School did not have any unrelated business taxable income in the fiscal year presented. The School has reviewed the tax positions for each of the open tax years (2019-20 through 2021-22) or expected to be taken in its 2022-23 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

Q. Compensated Absences

The School reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For the governmental fund, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using currently available financial resources.

R. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets.

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S. Reclassification

Certain amounts have been reclassified to conform to the June 30, 2023, presentation of government-wide financial statements on the accrual basis of accounting versus the governmental fund financial statements on the modified accrual basis of accounting.

T. Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

U. Fund Balance

The Governmental Accounting Standards Board has established accounting and financial reporting standards for all governments that report governmental funds. They established criteria for classifying fund balances into the following specifically defined classifications:

- **Nonspendable** fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- **Restricted** fund balance includes amounts that are restricted externally by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- **Committed** fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally. The School's highest level of decision making is the Board of Directors.
- **Assigned** fund balance comprises amounts intended to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. The School has chosen to express this intent through board action and has not delegated this authority.
- **Unassigned** fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes a reconciliation between "fund balance -total governmental funds" and "net position - governmental activities" as reported in the government-wide statement of net

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position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds".

The details of this \$12,170,232 difference are:

Loan Obligations	\$ 12,111,935
Compensated Absences	<u>58,297</u>
Net adjustment to reduce "fund balance - total governmental funds" to arrive at "net position - governmental activities"	<u>\$ 12,170,232</u>

B. Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and School-wide statements certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories.

The amounts shown in the columns on the following page represent:

- a) Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the statement of activities. The long-term expenses reported below recognize the change in vested employee benefits.
- b) Capital related differences include (1) the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and (2) the difference between recording an expenditure for the purchase of capital items in the governmental fund statements, and capitalization and recording of depreciation expense on those items as recorded in the statement of activities.
- c) Long-term debt transaction differences occur because long-term debt proceeds are recorded as revenue and both interest and principal payments are recorded as expenditures in the governmental fund statements. In the statement of activities, long-term debt proceeds are recorded as a liability; principal payments are recorded as a reduction of liabilities.

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	TOTAL GOVERN- MENTAL FUNDS	LONG- TERM REVENUES/ EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	TOTAL FOR STATEMENT OF ACTIVITIES
REVENUES AND OTHER SOURCES					
LOCAL SOURCES:					
Interest and Investment Earnings	\$ 92,246	\$ -	\$ -	\$ -	\$ 92,246
Rentals	883,414	-	-	-	883,414
Fundraising	284,245	1,407	-	-	285,652
Revenues from Student Activities	19,872	-	-	-	19,872
Miscellaneous	30,176	-	-	-	30,176
Contributions and Donations	239,635	1,290	-	-	240,925
Charges for Services	119,494	-	-	-	119,494
Local Education Agencies	8,894,355	-	-	-	8,894,355
INTERMEDIATE SOURCES:					
Charges for Services	-	-	-	-	-
Operating and Capital Grants and Contributions	78,155	(58,314)	-	-	19,841
STATE SOURCES:					
Operating and Capital Grants and Contributions	160,522	-	-	-	160,522
FEDERAL SOURCES:					
Operating and Capital Grants and Contributions	572,815	-	-	-	572,815
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	-
Refund of Prior Year Expenditures	120	633,994	-	-	634,114
Refund of Prior Year Receipts	-	-	-	-	-
Loan Proceeds	12,200,000	-	-	(12,200,000)	-
New Market Tax Credit Debt Forgiveness	-	-	-	5,220,810	5,220,810
Gain/Loss on Sale of Investments	-	-	(800)	-	(800)
TOTAL REVENUES	23,575,049	578,377	(800)	(6,979,190)	17,173,436
EXPENDITURES/EXPENSES					
Instruction	5,661,275	(1,830)	(16,022)	-	5,643,423
Instructional Student Support	884,046	43	-	-	884,089
Admin. & Fin'l Support Services	1,996,638	1,372	-	270	1,998,280
Oper. & Maint. of Plant Svcs.	1,618,937	-	(7,420)	-	1,611,517
Facilities Acquisition, Construction & Improvement	6,171	-	(6,171)	-	-
Pupil Transportation	87,797	-	-	-	87,797
Operation of Non-Instructional Services	70,466	-	-	-	70,466
Capital Outlay	-	-	-	-	-
Debt Service	15,619,100	-	-	(14,933,948)	685,152
Claims and Judgements	12,440	-	-	-	12,440
Transfers Out	37,621	-	-	-	37,621
Depreciation - Unallocated	-	-	664,974	-	664,974
TOTAL EXPENDITURES/EXPENSES	25,994,491	(415)	635,361	(14,933,678)	11,695,759
NET CHANGE FOR THE YEAR	\$ (2,419,442)	\$ 578,792	\$ (636,161)	\$ 7,954,488	\$ 5,477,677

Note 3 - Stewardship, Compliance, and Accountability

A. Compliance with finance related legal and contractual provisions

The School has no material violations of finance related legal and contractual provisions.

B. Deficit fund balance or net assets of individual funds

No individual fund contains a deficit fund balance or net position at June 30, 2023.

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C. Excess of expenditures over appropriations in individual funds

The General Fund, which is the only fund that has a legally adopted budget, had an excess of appropriations over expenditures.

D. Budgetary Compliance

The School's only legally adopted budget is for the General Fund. All budgetary transfers were made within the last nine months of the fiscal year. The School does not have any outstanding encumbrances at June 30, 2023.

Note 4 - Detailed Notes on All Funds and Account Groups

Assets

Cash

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned to it. As of June 30, 2023, \$2,948,674 of the School's bank balance of \$4,141,265 was exposed to custodial credit risk as:

Uninsured and uncollateralized	\$	-
Collateralized with securities held by the pledging financial institution		-
Uninsured and collateral held by the pledging bank's trust department not in the School's name		2,948,674
TOTAL	\$	<u>2,948,674</u>

Reconciliation to Financial Statements

Uninsured Amount above	\$	2,948,674
Plus: Insured Amount		1,192,591
Deposits in Transit		126
Undeposited Funds		-
Less: Outstanding Checks		<u>(52,222)</u>
Carrying Amount - Cash Balances		4,089,169
Plus: Petty Cash		550
Less: Certificate of Deposit Considered Investment by School Code		<u>(250,000)</u>
TOTAL CASH PER FINANCIAL STATEMENTS	\$	<u>3,839,719</u>

Investments

Permitted investments for Pennsylvania Schools are defined in the Public-School Code of 1949, as amended by Act 10 of 2016 as:

1. United States Treasury Bills;
2. Short-term obligations of the United States Government or its agencies or instrumentalities;

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3. Deposits in savings accounts or time deposits or share accounts of institutions insured by the F.D.I.C; and,
4. Obligations, participations or other instruments of any Federal Agency, instrumentality or United States government sponsored enterprise, including those issued or fully guaranteed as the principal and interest by Federal agencies, instrumentalities or United States government sponsored enterprises, if the debt obligations are rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
5. Repurchase agreements with respect to United States Treasury bills or obligations, participations, or other instruments of or guaranteed by the United States or any Federal agency, instrumentality or United States government sponsored enterprise.
6. Negotiable certificates of deposit or other evidence of deposit, with a remaining maturity of three years or less, issued by a nationally or State-chartered bank, a Federal or State savings and loan association or a State-licensed branch of a foreign bank. For obligations with a maturity of one year or less, the debt obligations of the issuing institution or its parent must be rated in the top short-term rating category by at least two nationally recognized statistical ratings organizations. For obligations with a maturity in excess of one year, the senior debt obligations of the issuing institution or its parent must be rated at least "A" or its equivalent by at least two nationally recognized statistical ratings organizations.
7. Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity and the accepting bank is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
8. Commercial paper issued by corporations or other business entities organized in accordance with Federal or State law, with a maturity not to exceed 270 days, if the paper is rated in the top short-term category by at least two nationally recognized statistical ratings organizations.
9. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933 and, if all of the following conditions are met:
 - The investments of the company are the authorized investments listed above.
 - The investment company is managed in accordance with 17 CFR 270.2a-7 (related to money market funds).
 - The investment company is rated in the highest category by a nationally recognized rating agency.
10. Savings or demand deposits placed in accordance with the following conditions:
 - The money is initially deposited and invested through a federally insured institution having a place of business in this Commonwealth, which is selected by the public corporation or municipal authority.

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- The selected institution arranges for the redeposit of the money in savings or demand deposits in one or more financial institutions insured by the Federal Deposit Insurance Corporation, or the account of the public corporation or municipal authority.
- The full amount of principal and any accrued interest of each such deposit is insured by the Federal Deposit Insurance Corporation.
- On the same date that the money is redeposited pursuant to above, the selected institution receives an amount of deposits from customers of other financial institutions equal to or greater than the amount of money initially invested through the selected institution by the public corporation or municipal authority.

Fair Value Reporting

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs. All School investments are Level 1 inputs.

As of June 30, 2023, the School had the following investments:

<i>Investment</i>	Fair Value
Certificate of Deposit - Embassy Bank	\$ 250,000
TOTAL	\$ 250,000

Interest Rate Risk

The Charter High School's investment policy calls for investments to be sufficiently liquid to meet all operating requirements that are reasonably anticipated. Preservation of capital shall be ensured through the mitigation of interest rate risk.

Credit Risk

The Charter High School has no investment policy that would limit its investment choices to certain credit ratings. The School does ensure preservation of capital through mitigation of credit risk.

Concentration of Credit Risk

The Charter High School places no limit on the amount the Charter High School may invest in any one issuer. Of the Charter High School's investments, 100% is a certificate of deposit at Embassy Bank.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Charter High School will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. The Charter High School has no investments subject to custodial credit risk.

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Receivables

Receivables as of year-end for the school's governmental activities, including the applicable allowances for uncollectible accounts, are:

	GOVERNMENTAL ACTIVITIES
RECEIVABLES:	
Pledges Receivable	\$ 14,322
Other Receivables	46,305
Intergovernmental	1,177,782
GROSS RECEIVABLES	1,238,409
Less: Allowance for Uncollectible Pledges	(1,702)
NET RECEIVABLES	\$ 1,236,707

Capital Assets

Capital asset balances and activity for the year ending June 30, 2023, were:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being depreciated:				
Land	\$ 1,445,813	\$ -	\$ -	\$ 1,445,813
Construction in progress	-	-	-	-
TOTAL CAPITAL ASSETS NOT DEPRECIATED	1,445,813	-	-	1,445,813
Capital Assets being depreciated:				
Leasehold Improvements	\$ 90,222	\$ 13,591	\$ -	\$ 103,813
Buildings	24,789,470	-	-	24,789,470
Building Improvements	531,717	-	-	531,717
Furniture and Equipment	2,034,575	16,022	(13,195)	2,037,402
TOTAL CAPITAL ASSETS BEING DEPRECIATED	27,445,984	29,613	(13,195)	27,462,402
Less: Accumulated Depreciation for:				
Leasehold Improvements	(10,194)	(3,324)	-	(13,518)
Buildings	(3,625,115)	(557,763)	-	(4,182,878)
Building Improvements	(20,613)	(13,147)	-	(33,760)
Furniture and Equipment	(1,536,593)	(90,740)	12,395	(1,614,938)
TOTAL ACCUMULATED DEPRECIATION	(5,192,515)	(664,974)	12,395	(5,845,094)
TOTAL CAPITAL ASSETS BEING DEPRECIATED NET OF ACCUMULATED DEPRECIATION	22,253,469	(635,361)	(800)	21,617,308
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	\$ 23,699,282	\$ (635,361)	\$ (800)	\$ 23,063,121

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DEPRECIATION EXPENSE WAS CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:	
Regular Programs	\$ -
Other Programs	-
Special Education	-
Guidance Services	-
Psychological Services	-
Social Services	-
Support Services - Instructional Staff	-
Support Services - Administration	-
Board Services	-
Legal Services	-
Office of the Executive Director Services	-
Community Relations Services	-
Office of the Principal Services	-
Pupil Health Services	-
Support Services - Business	-
Operation of Building Services	-
Student Transportation Services	-
Support Services - Central	-
System-Wide Technology Services	-
Human Resources	-
Temporary Services	-
Student Activities	-
Depreciation - Unallocated	664,974
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	\$ 664,974

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The School has the following items that qualify for reporting in this category:

Deferred Outflows related to Pensions (See detailed Pension Note)	\$ 748,094
Deferred Outflow related to OPEB (See detailed OPEB Note)	43,933
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 792,027

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position for fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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Deferred inflows of resources reported in the governmental funds are as follows:

Deferred Inflows related to Pensions (See detailed Pension Note)	\$ 1,177,000
Deferred Inflows related to OPEB (See detailed OPEB Note)	128,000
Summer Academy and Summer School Payments	1,303
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 1,306,303

Short-Term Debt

Interfund Receivables and Payables

The following interfund receivable and payables were in existence on June 30, 2023:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 78,649	\$ -
Capital Project Fund	-	78,209
Agency Fund	-	440
TOTAL	\$ 78,649	\$ 78,649

Interfund Transfers

The Charter High School made the following Interfund transfers during the fiscal year ended June 30, 2023:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ 123,503	\$ 37,621
Capital Project Fund	-	123,503
Food Service Fund	37,621	-
Activity Fund	-	-
TOTAL	\$ 161,124	\$ 161,124

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Long-Term Liabilities

Long-term liability balances and activity for the year ended June 30, 2023, were:

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
GOVERNMENTAL ACTIVITIES:					
General Obligation Debt:					
Construction Loans	\$ 20,038,025	\$ -	\$ 20,038,025	\$ -	\$ -
Building Loan	-	12,200,000	104,814	12,095,186	213,428
Vehicle Loan	28,670	-	11,921	16,749	12,483
Other Liabilities:					
Vested Employee Benefits:					
Sick Days	63,495	-	3,904	59,591	3,887
Unfunded OPEB	336,000	-	115,000	221,000	-
Unfunded Pension	5,830,000	-	450,000	5,380,000	-
Total Other Liabilities	<u>26,296,190</u>	<u>12,200,000</u>	<u>20,723,664</u>	<u>17,772,526</u>	<u>229,798</u>
TOTAL GOVERNMENTAL ACTIVITY					
LONG-TERM LIABILITIES	\$ 26,296,190	\$ 12,200,000	\$ 20,723,664	\$ 17,772,526	\$ 229,798

All debt service payments are made from the capital projects fund and the general fund.

Total interest paid was \$685,152.

Line-of-Credit

In June 2009, the Charter High School entered into an agreement with PNC bank for a line-of-credit in the amount of \$300,000. Interest on the line of credit is payable at one percent above the bank's prime rate. At June 30, 2023, \$300,000 was unused.

Loan Payable

On October 30, 2019, the Charter High School entered into a loan agreement with Peoples Security Bank and Trust Co. The principal amount borrowed was \$57,928.55 to be repaid over 5 years at an interest rate of 4.5%. The purpose of the loan was to purchase a bus. The annual debt service requirements are outlined in the attached combined long-term debt schedule.

Note Payable

During the 2023 fiscal year, the School refinanced all funding that they had obtained as part of the New Market Tax Credit (NMTC) Program into a note with Peoples Security Bank & Trust Co. The principal amount borrowed was \$12,200,000. The note has a 15-year term with a balloon payment due at the maturity date of December 23, 2037. The monthly payment of \$59,157.99 was calculated by Peoples Security Bank & Trust over a 30-year period using an interest rate of 4.07%. The annual debt service requirements are outlined in the attached combined long-term debt schedule.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Combined Long-Term Debt

The combined general long-term debt obligations for subsequent years are:

PRINCIPAL REQUIREMENTS			
FISCAL YEAR	BUILDING LOAN	BUS LOAN	TOTAL PRINCIPAL PAYMENTS
2023-2024	\$ 213,428	\$ 12,483	225,911
2024-2025	223,770	4,266	228,036
2025-2026	233,180	-	233,180
2026-2027	242,987	-	242,987
2027-2028	251,947	-	251,947
2028-2033	1,433,531	-	1,433,531
2033-2038	9,496,343	-	9,496,343
TOTAL	12,095,186	16,749	12,111,935
LESS PAYABLE WITHIN ONE YEAR	213,428	12,483	225,911
LONG-TERM PRINCIPAL DUE AFTER ONE YEAR	\$ 11,881,758	\$ 4,266	\$ 11,886,024

PAYMENT REQUIREMENTS			
FISCAL YEAR	BUILDING LOAN	BUS LOAN	TOTAL PAYMENTS
2023-2024	\$ 709,896	\$ 12,982	\$ 722,878
2024-2025	709,896	4,266	714,162
2025-2026	709,896	-	709,896
2026-2027	709,896	-	709,896
2027-2028	709,896	-	709,896
2028-2033	3,549,479	-	3,549,479
2033-2038	13,842,970	-	13,842,970
TOTAL	\$ 20,941,929	\$ 17,248	\$ 20,959,177

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Lease Commitments

The School has evaluated all leases and determined that there are no leases that are material to the financial statements taken as a whole that require reporting under GASB Statement No. 87. As such, lease expense for any non-material leases have been expenses on a straight-line basis over the lease term.

Compensated Absences

Sick-Pay

Under the School's existing contract, full-time employees are paid for unused sick days at a rate of half the current substitute rate. The employee must be in good standing at the time of leaving. The School maintains records of each employee's accumulated sick days under the existing employment agreement. In accordance with GASB Statement No. 16, \$1,295 is the portion reflected as a general fund liability that will use current available financial resources and \$3,887 is shown as a current liability in the governmental activities' column of the government-wide statement of net position. The remaining future obligation of \$55,704 is shown on the government-wide statement of net position as a long-term liability in the governmental activities' column.

Vacation Leave

Under the School's current contract, teachers and ten-month directors do not receive vacation days. Full-time twelve-month employees receive vacation days each year, but they must be used within the year. They do not receive compensation for unused vacation days.

Note 5 – Defined Benefit Pension Plans

General Information about the Pension Plan

Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in 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

Benefits provided

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

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

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 three 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.

Contributions

Member Contributions:

The contribution rates based on qualified member compensation for virtually all members are presented below:

Member Contributions Rates				
Membership Class	Continuous Employment Since	Defined Benefit (DB) Contribution Rate	DC Contribution Rate	Total Contribution Rate
T-C	Prior to July 22, 1983	5.25%	N/A	5.25%
				6.25%
T-C	On or after July 22, 1983	6.25%	N/A	6.25%
T-D	Prior to July 22, 1983	6.50%	N/A	6.50%
T-D	On or after July 22, 1983	7.50%	N/A	7.50%
T-E	On or after July 1, 2011	7.50% base rate with shared risk provision	N/A	Prior to 7/1/21: 7.50% After 7/1/21: 8.00%
T-F	On or after July 1, 2011	10.30% base rate with shared risk provision	N/A	Prior to 7/1/21: 10.30% After 7/1/21: 10.8%
T-G	On or after July 1, 2019	5.50% base rate with shared risk provision	2.75%	Prior to 7/1/21: 8.25% After 7/1/21: 9.00%
T-H	On or after July 1, 2019	4.50% base rate with shared risk provision	3.00%	Prior to 7/1/21: 7.50% After 7/1/21: 8.25%
DC	On or after July 1, 2019	N/A	7.50%	7.50%

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Shared Risk Program Summary				
Membership Class	Defined Benefit (DB) Base Rate	Shared Risk Increment	Minimum	Maximum
T-E	7.50%	+/- 0.50%	5.50%	9.50%
T-F	10.30%	+/- 0.50%	8.30%	12.30%
T-G	5.50%	+/- 0.75%	2.50%	8.50%
T-H	4.50%	+/- 0.75%	1.50%	7.50%

Employer Contributions:

The school districts' contractually required contribution rates for the fiscal year ended June 30, 2023 was 34.31% 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 \$549,094 for the year ended June 30, 2023.

*The defined contribution rate of 0.20% is an estimated rate. It is recommended employers use the actual defined contributions made to the PSERS defined contribution plan. This may impact contributions made to the pension plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the School reported a liability of \$5,380,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2021 to June 30, 2022. 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 0.0121 percent, which was an increase of 0.0021% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the School recognized pension expense of \$549,094. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 2,000	\$ 47,000
Changes in assumptions	161,000	-
Net difference between projected and actual investment earnings	-	91,000
Changes in proportions	36,000	1,039,000
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	549,094	-
TOTAL	\$ 748,094	\$ 1,177,000

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

\$549,094 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2023	\$ (344,000)
2024	(379,000)
2025	(382,000)
2026	127,000
Thereafter	-
TOTAL	\$ (978,000)

Changes in Actuarial Assumptions

The Total Pension Liability at June 30, 2022 was determined by rolling forward the System's Total Pension Liability at June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Valuation Date – June 30, 2021
- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 7.00%, includes inflation at 2.75%
- Salary growth – Effective average of 4.50%, comprised of inflation of 2.50% and 2.00% for real wage growth and for merit or seniority increases.
- 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 discount rate used to measure the Total Pension Liability was 7.00% as of June 30, 2021 and as of June 30, 2022.
- Demographic and economic assumptions approved by the Board for use effective with the June 30, 2021 actuarial valuation:
 - Salary growth rate – decreased from 5.00% to 4.50%
 - Real wage growth and merit or seniority increases (components for salary growth) – decreased from 2.75% and 2.25% to 2.50% and 2.00%, respectively.
 - Mortality rates – Previously based on the RP-2014 Mortality Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale. Effective with the June 30, 2021 actuarial valuation, mortality rates are 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, 2022 valuation were based on the results of an actuarial experience study that was performed for the five-year the period ending June 30, 2020.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Notes to Basic Financial Statements
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The long-term expected rate of return on pension plan investment 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 Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global public equity	28.0%	5.3%
Private equity	12.0%	8.0%
Fixed Income	33.0%	2.3%
Commodities	9.0%	2.3%
Infrastructure/MLPs	9.0%	5.4%
Real Estate	11.0%	4.6%
Absolute Return	6.0%	3.5%
Cash	3.0%	(0.5%)
Leverage	(11.0%)	(0.5%)
TOTAL	100.0%	

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, 2022.

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 as projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
District's proportionate share of the net pension liability	\$ 6,958,000	\$ 5,380,000	\$ 4,049,000

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

Pension plan fiduciary net position

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

Note 6 – Defined Contribution Plan

As established by board resolution and state approval, for all employees hired after August 15, 2014, the School will contribute to a 403(b) defined contribution employee pension plan. The total employee and employer contributions for this current year were \$236,309 and \$162,515, respectively.

Note 7 - Other Post-Employment Benefits

General Information about the Health Insurance Premium Assistance Program

Health Insurance Premium Assistance Program

The System provides Premium Assistance, which is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) 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 Option Program. As of June 30, 2022, there were no assumed future benefit increases to participating eligible retirees.

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

For Class DC members to become eligible for premium assistance, they must satisfy the following criteria:

- Attain Medicare eligibility with 24 ½ or more eligibility points, or
- Have 15 or more eligibility points and terminated after age 67, and
- Have received all or part of their distributions

Pension Plan Description

PSERS is a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in 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.

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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' Health Options Program.

Employer Contributions:

The school districts' contractually required contributions rate for the fiscal year ended June 30, 2023 was 0.75% 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 \$11,933 for the year ended June 30, 2023.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the School reported a liability of \$221,000 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by rolling forward the System's total OPEB liability as of June 30, 2021 to June 30, 2022. The School's proportion of the net OPEB 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 0.0120%, which was an increase of 0.0022% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the School recognized OPEB expense of \$11,933. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience	\$ 2,000	\$ 1,000
Changes in assumptions	25,000	52,000
Net difference between projected and actual investment earnings	1,000	-
Changes in proportions	4,000	75,000
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	11,933	-
TOTAL	\$ 43,933	\$ 128,000

\$11,933 reported as deferred outflows of resources related to OPEBs resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Fiscal Year Ended June 30, 2023

Year Ended June 30:	Amount
2023	\$ (25,000)
2024	(21,000)
2025	(17,000)
2026	(16,000)
2027	(18,000)
Thereafter	1,000
TOTAL	\$ (96,000)

Actuarial Assumptions

The total OPEB liability at June 30, 2022 was determined by rolling forward the System's total OPEB liability at June 30, 2021 to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – Entry Age Normal – level % of pay.
- Investment return – 4.09% - 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 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.
- Participation rate:
 - Eligible retirees will elect to participate Pre age 65 at 50%
 - Eligible retirees will elect to participate Pre age 65 at 70%

The actuarial assumption used in the June 30, 2021 valuation were based on the results of an actuarial experience study that was performed for the five year the period ending June 30, 2020.

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2020 determined the employer contribution rate for fiscal year 2022.
- 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.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
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- 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 plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

The OPEB 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	100.0%	0.5%
TOTAL	100.0%	

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, 2022.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.09%. 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 OPEB 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 4.09% which represents the S&P 20-year Municipal Bond Rate at June 30, 2022, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the System Net OPEB Liability to Change 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, 2022, 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, 93,293 retirees were receiving the maximum amount allowed of \$1,200 per year. As of June 30, 2022, 582 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 net OPEB liability for June 30, 2022, calculated using current Healthcare cost trends as well as what the System net OPEB liability would be if the health cost trends were 1-percentage point lower or 1-percentage point higher than the current rate:

	Dollar Amounts in Thousands		
	Current Trend		
	1% Decrease	Rate	1% Increase
System Net OPEB liability	\$ 221,000	\$ 221,000	\$ 221,000

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Notes to Basic Financial Statements
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Sensitivity of the School's proportionate share of the net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, calculated using the discount rate of 4.09%, as well as what the net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	1.18%	2.18%	3.18%
School's proportionate share of the net OPEB Liability	\$ 250,000	\$ 221,000	\$ 197,000

OPEB Plan Fiduciary Net Position

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

Note 8 – Risk Management

The School is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for such risks. There has been no significant reduction in insurance coverage from the previous year in any of the School's policies. The School's workers compensation policy is a ratio retrospectively rated policy. The final premium is based on actual payroll for the policy year and is determined by the insurance company. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the previous three years.

Note 9 – Local Educational Agencies Revenue

Charter schools are funded by the local public-school districts in which each student resides. The rate per student is determined annually and is based on the budgeted total expenditure per average daily membership of the prior school year for each school district. The annual rate is paid monthly by each sending school district and is prorated if a student enters or leaves during the year. Total tuition revenue from other local education agencies was \$8,894,355.

Note 10 – Government Grants and Reimbursement Programs

The School participates in numerous state and federal grant and reimbursement programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs and reimbursement programs for social security taxes, retirement expense, facility lease costs and health services are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants and reimbursement programs, refunds of any money received may be required and the collectability of any related receivable at June 30, 2023, may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note 11 - Contingencies

From time to time the Organization is a party to legal proceedings including claims involving employment and other matters. The Organization carries insurance coverage against all such claims. Any such claims

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

are vigorously defended by the Organization and its indemnities. Management believes that such legal proceedings to which it may become party to would not have a material adverse effect upon its financial position or results of operations. According to the School's legal counsel, as of June 30, 2023 there was no pending or threatened litigation.

Note 12 – Restricted Net Assets

Invested in Capital Assets, Net of Related Debt

The component of this restriction in the governmental activities' column is total capital assets (net of depreciation) of \$23,063,121 less related debt of \$12,111,935.

Other Restrictions

Donors have restricted \$2,109 for various purposes as detailed in Note 13.

Note 13 – Governmental Fund Balances

Detailed information about aggregated fund balances:

Nonspendable Fund Balance

	General Fund	Capital Project Fund
Prepaid Expenses	\$ 94,837	\$ 6,001
TOTAL	\$ 94,837	\$ 6,001

Restricted Fund Balances

The restricted fund balance represents contributions that are donor restricted for specific purposes.

	General Fund	Capital Project Fund	Total
R.J.LaBelle Program	\$ 2,109	\$ -	\$ 2,109
TOTAL	\$ 2,109	\$ -	\$ 2,109

Committed Fund Balances

The Committed fund balance includes amounts that can only be used for specific purposes determined by a formal action of the board. The board did not commit any portion of the fund balance as of June 30, 2023.

Assigned Fund Balances

The assigned fund balance reflects the School's intent to use the money for a specific purpose but is not considered restricted or committed.

Assigned to General Fund Use	\$ 641,481
Assigned to Development Fund Use	-
Total Assigned Fund Balance	\$ 641,481

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2023

The School's highest level of decision making is the Board of Directors.

A resolution of the Board of Directors is required to establish modify or rescind a fund balance commitment or assignment.

Note 14 – Subsequent Events

Subsequent events have been evaluated through December 5, 2023, which is the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Schedule of the School's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years

	FISCAL YEAR ENDED JUNE 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
School's Proportionate of the Net Pension Liability	0.0121%	0.0142%	0.0155%	0.0152%	0.0158%	0.0172%	0.0181%	0.0191%	0.0224%	0.0195%
School's Proportionate Share of the Net Pension Liability	\$ 5,380,000	\$ 5,830,000	\$ 7,632,000	\$ 7,111,000	\$ 7,585,000	\$ 8,495,000	\$ 8,970,000	\$ 8,273,000	\$ 8,866,000	\$ 7,983,000
School's Covered Employee Payroll	\$ 1,705,087	\$ 1,745,483	\$ 1,999,780	\$ 2,171,623	\$ 2,092,690	\$ 2,114,950	\$ 2,289,511	\$ 2,288,574	\$ 2,368,620	\$ 2,810,064
School's Proportionate Share of the Net Pension Liability as a percentage of its Covered Employee Payroll	315.53%	384.00%	381.64%	327.45%	362.45%	401.66%	391.79%	361.49%	374.31%	284.09%
Plan Fiduciary Net Pension as a percentage of the Total Pension Liability	61.34%	63.67%	54.32%	55.66%	54.00%	51.84%	50.14%	54.36%	57.24%	54.49%

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Schedule of School Contributions to the Pension Plan
Last 10 Fiscal Years

	FISCAL YEAR ENDED JUNE 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contributions	\$ 594,094	\$ 598,998	\$ 673,913	\$ 726,346	\$ 681,677	\$ 669,784	\$ 668,537	\$ 580,067	\$ 483,364	\$ 456,704
Contributions in Relation to Contractually Required Contributions	(594,094)	(598,998)	(673,913)	(726,346)	(681,677)	(669,784)	(668,537)	(580,067)	(483,364)	(456,704)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's Covered Payroll	1,705,087	1,745,483	1,999,780	2,171,623	2,092,690	2,114,950	2,289,511	2,288,574	2,368,620	2,810,064
Pension Contributions as a Percentage Of Covered-Employee Payroll	32.20%	34.32%	33.70%	33.45%	32.57%	31.67%	29.20%	25.35%	20.41%	16.25%

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Schedule of the School's Proportionate Share of the Net OPEB Liability
Last 10 Fiscal Years**

	FISCAL YEAR ENDED JUNE 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
School's Proportion of the Net OPEB Liability	0.0120%	0.0142%	0.0155%	0.0152%	0.0158%	0.0172%	-	-	-	-
School's Proportionate Share of the Net OPEB Liability	\$ 221,000	\$ 336,000	\$ 335,000	\$ 323,000	\$ 329,000	\$ 350,000	-	-	-	-
School's Covered Employee Payroll	\$ 1,705,087	\$ 1,745,483	\$ 1,999,780	\$ 2,171,623	\$ 2,092,690	\$ 2,114,950	-	-	-	-
School's Proportionate Share of the Net OPEB Liability as a percentage of its Covered Employee Payroll	12.96%	19.25%	16.75%	14.87%	15.72%	16.55%	-	-	-	-
Plan Fiduciary Net Pension as a percentage of the Total OPEB Liability	6.86%	5.30%	5.69%	5.56%	5.56%	5.47%	-	-	-	-

** Due to the recent reporting requirement implementation, this schedule is shown prospectively using information available at the implementation date.

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Schedule of School Contributions to the OPEB Plan
Last 10 Fiscal Years**

	FISCAL YEAR ENDED JUNE 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contributions	\$ 11,933	\$ 14,036	\$ 16,403	\$ 18,420	\$ 17,356	17,515	-	-	-	-
Contributions in Relation to Contractually Required Contributions	<u>(11,933)</u>	<u>(14,036)</u>	<u>(16,403)</u>	<u>(18,420)</u>	<u>(17,356)</u>	<u>(17,515)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-
School's Covered Payroll	1,705,087	1,745,483	1,999,780	2,171,623	2,092,690	2,114,950	-	-	-	-
OPEB Contributions as a Percentage Of Covered-Employee Payroll	0.70%	0.80%	0.82%	0.84%	0.83%	0.83%	-	-	-	-

** Due to the recent reporting requirement implementation, this schedule is shown prospectively using information available at the implementation date.

SUPPLEMENTARY INFORMATION

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended June 30, 2023

REVENUES

LOCAL SOURCES:

Interest/Dividends	\$	60,137	
Rentals		9,034	
Fundraising		141,335	
Revenues from Student Activities		19,872	
Revenue Received from Intermediate Sources - Federal		78,155	
Revenue Received from Intermediate Sources - State		-	
Tuition Revenue Received from Other LEAs		8,894,355	
Tuition Received Directly From Students		9,860	
Transportation Received Directly From Students		109,634	
Contributions		73,646	
Miscellaneous		<u>30,132</u>	
TOTAL LOCAL SOURCE REVENUE			\$ 9,426,160

STATE SOURCES:

Health Services		10,916	
Rental Reimbursement		58,314	
School Mental Health & Safety		70,000	
Ready To Learn		<u>21,292</u>	
TOTAL STATE SOURCE REVENUE			160,522

FEDERAL SOURCES:

Title I		126,086	
Title II		16,962	
Title IV		10,000	
Medical Assistance Reimbursement		66	
ESSER Funds		<u>419,701</u>	
TOTAL FEDERAL SOURCE REVENUE			<u>572,815</u>
TOTAL REVENUES			\$ 10,159,497

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
For the Year Ended June 30, 2023

EXPENDITURES

Regular Programs	\$	5,312,953
Special Education		315,142
Other Instructional Programs		33,183
Guidance Services		289,346
Speech Services		2,042
Social Work Services		59,333
Attendance Services		82,818
Psychological Services		76,546
Social Work Services		56,444
Support Services - Instructional Staff		150,956
Board Services		2,375
Legal Services		74,636
Office of the Executive Director Services		451,977
Office of the Principal Services		585,998
Pupil Health Services		166,561
Support Services - Business		320,695
Operation of Building Services		1,618,937
Student Transportation		87,797
Support Services - Central		141,478
Student Activities		70,466
Community Services		-
Building Acquisition and Construction Services		6,171
Debt Service		12,982
Claims, Judgements & Settlements		12,440
		12,440
TOTAL EXPENDITURES		\$ 9,931,276
EXCESS OF REVENUES OVER EXPENDITURES		\$ 228,221

OTHER FINANCING SOURCES (USES)

Foundation Fund Transfers in		123,503
Refund of Prior Year Expenditures		120
Food Service Fund Transfers out		(37,621)
		(37,621)
TOTAL OTHER FINANCING SOURCES (USES)		\$ 86,002
NET CHANGE IN FUND BALANCES		\$ 314,223
FUND BALANCE - JULY 1, 2022		3,802,925
		3,802,925
FUND BALANCE - JUNE 30, 2023		\$ 4,117,148
		4,117,148

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Statement of Revenues, Expenditures and Changes in Fund Balance
Capital Project Fund
For the Year Ended June 30, 2023

LOCAL SOURCES:

Interest/Dividends	\$ 32,109	
Admissions/Show Receipts	-	
Contributions	165,989	
Fundraising	142,910	
Rental Income	874,380	
Miscellaneous	45	
TOTAL LOCAL SOURCE REVENUE		\$ 1,215,433

STATE SOURCES

State Grants		-
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FEDERAL SOURCES

		-
TOTAL REVENUES		\$ 1,215,433

EXPENDITURES

Debt Service	15,606,118	
Operation/Maintenance of Plant	-	
Support Services	419,477	
Facilities Acquisition, Construction and Improvement	-	
TOTAL EXPENDITURES		\$ 16,025,595

EXCESS OF EXPENDITURES OVER REVENUES **\$ (14,810,162)**

OTHER FINANCING SOURCES (USES)

Proceeds from Extended Term Financing	12,200,000	
General Fund Transfers out	(123,503)	
TOTAL OTHER FINANCING (USES)		\$ 12,076,497

NET CHANGE IN FUND BALANCES **\$ (2,733,665)**

FUND BALANCE - JULY 1, 2022 **3,405,612**

FUND BALANCE - JUNE 30, 2023 **\$ 671,947**

LEHIGH VALLEY CHARTER HIGH SCHOOL FOR THE ARTS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance -
All Divisions of the General Fund
For the Year Ended June 30, 2023

REVENUES & OTHER FINANCING SOURCES	GENERAL PROGRAM	DEVELOPMENT PROGRAM	ELIMINATE INTRAFUND ACCOUNTS	TOTAL GENERAL FUND
REVENUES				
Local Sources	\$ 9,332,149	\$ 94,011	\$ -	\$ 9,426,160
State Sources	160,522	-	-	160,522
Federal Sources	572,815	-	-	572,815
OTHER FINANCING SOURCES				
Refund of Prior Year Expenditures	-	120	-	120
Gain/Loss on Sale of Fixed Assets	-	-	-	-
Intrafund Transfers In	120,853	2,650	5,276	118,227
TOTAL REVENUES & OTHER FIN. SOURCES	10,186,339	96,781	5,276	10,277,844
EXPENDITURES AND OTHER FINANCING USES				
EXPENDITURES				
Instruction	\$ 5,658,983	\$ 2,295	\$ -	\$ 5,661,278
Instructional Student Support	884,046	-	-	884,046
Admin. & Fin'l Support Services	1,574,971	2,188	-	1,577,159
Oper. & Maint. of Plant Svcs.	1,618,937	-	-	1,618,937
Facilities Acquisition, Construction and Improvement	6,171	-	-	6,171
Pupil Transportation	87,797	-	-	87,797
Operation of Non-Instructional Services	23,110	47,356	-	70,466
OTHER FINANCING USES				
Debt Service	12,982	-	-	12,982
Refund of Prior Year Receipts	-	-	-	-
Transfers Out	32,345	5,276	5,276	32,345
Claims Judgements & Settlements	12,440	-	-	12,440
Gain/Loss on Sale of Investments	-	-	-	-
TOTAL EXPENDITURES & OTHER FINANCING USES	9,911,782	57,115	5,276	9,963,621
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES & OTHER FINANCING USES				
	274,557	39,666	-	314,223
FUND BALANCES - BEGINNING	3,530,369	272,556	-	3,802,925
FUND BALANCES - ENDING	\$ 3,804,926	\$ 312,222	\$ -	\$ 4,117,148