

**GREEN WOODS CHARTER SCHOOL  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

**GREEN WOODS CHARTER SCHOOL  
FOR THE YEAR ENDED JUNE 30, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Green Woods Charter School

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Green Woods Charter School (a nonprofit organization) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Green Woods Charter School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Green Woods Charter School as of June 30, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3 - 6 and 30 - 32, respectively, 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 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.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2017, on our consideration of Green Woods Charter School's internal control over financial reporting and 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 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 Green Woods Charter School's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Philadelphia, Pennsylvania  
January 9, 2017

**GREEN WOODS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

The Board of Trustees of Green Woods Charter School (the "School") offers readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2016. We encourage readers to consider the information presented herein in conjunction with the School's financial statements.

**Financial Highlights**

- Total governmental revenues for the year ended June 30, 2016, were \$6,715,081, representing an increase of \$275,413 from June 30, 2015.
- At June 30, 2016, the School reported an ending governmental funds balance of \$1,644,412, representing an increase of \$23,058 from June 30, 2015.
- The School's unrestricted cash balance at June 30, 2016, was \$1,097,688, representing an increase of \$234,448 from June 30, 2015.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School's financial statements. The School's financial statements as presented comprise four components: (1) management's discussion and analysis (this section), (2) the basic financial statements, (3) the required supplementary information, and (4) compliance information.

***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 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. expenditures accrued in one year but paid in subsequent years, and depreciation).

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. The School's function is to provide an alternative educational opportunity.

***Fund Financial Statements***

A fund is a group of related accounts that is 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 ensure and demonstrate compliance with finance-related legal requirements. The School has two fund types: the governmental funds and the fiduciary agency fund.

**GREEN WOODS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Overview of the Financial Statements (Continued)**

***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.

***Supplementary Information***

The governmental funds budgetary comparison schedule, the schedule of the School's proportionate share of the net pension liability and schedule of School contributions are required supplementary information presented for purposes of additional analysis and are prepared using a basis consistent with accounting principles generally accepted in the United States of America ("GAAP") for state reporting requirements.

***Government-Wide Financial Analysis***

Management has adopted Governmental Accounting Standards Board ("GASB") Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which requires a comparative analysis of current- and prior-year balances.

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 3,157,015	\$ 2,637,810
Noncurrent assets	<u>16,119,748</u>	<u>16,431,669</u>
Total assets	<u>19,276,763</u>	<u>19,069,479</u>
Deferred outflows of resources	<u>719,194</u>	<u>857,296</u>
Current liabilities	1,583,838	1,142,441
Long-term liabilities	<u>24,709,898</u>	<u>24,414,548</u>
Total liabilities	<u>26,293,736</u>	<u>25,556,989</u>
Deferred inflows of resources	<u>215,704</u>	<u>453,000</u>
Net position:		
Net investment in capital assets	(2,263,427)	(1,937,182)
Restricted	1,442,461	1,382,412
Unrestricted	<u>(5,692,517)</u>	<u>(5,528,444)</u>
Total net position	<u>\$ (6,513,483)</u>	<u>\$ (6,083,214)</u>

As noted earlier, net position may serve over time as a useful indicator of a school's financial position. In the case of the School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$6,513,483 as of June 30, 2016.

See independent auditor's report.

**GREEN WOODS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**Overview of the Financial Statements (Continued)**

***Government-Wide Financial Analysis (Continued)***

The School's revenues are predominately received from the School District of Philadelphia based on student enrollment. For the year ended June 30, 2016, the School's expenses of \$7,145,350 exceeded its revenues of \$6,715,081 by \$430,269.

	<u>2016</u>	<u>2015</u>
Revenues:		
Local educational agencies	\$ 6,118,070	\$ 5,788,370
Other local sources	123,938	111,524
State sources	41,446	45,444
Federal sources	<u>431,627</u>	<u>494,330</u>
Total revenues	<u>6,715,081</u>	<u>6,439,668</u>
Expenditures:		
Other instructional programs	3,269,411	2,940,891
Pupil personnel services	124,066	113,779
Instructional staff services	22,457	138,376
Administrative services	1,239,179	861,814
Pupil health	93,878	94,669
Business services	88,869	91,121
Operation and maintenance of plant services	460,218	460,914
Other support services	138,544	146,570
Student services	18,553	6,364
Interest expense	1,048,788	1,057,091
Depreciation expense	<u>641,387</u>	<u>615,354</u>
Total expenditures	<u>7,145,350</u>	<u>6,526,943</u>
Change in net position	<u>(430,269)</u>	<u>(87,275)</u>
Net position - beginning, as previously reported	(6,083,214)	(467,986)
Adjustment to beginning net position	<u>-</u>	<u>(5,527,953)</u>
Net position - beginning, as revised	<u>(6,083,214)</u>	<u>(5,995,939)</u>
<b>NET POSITION - ENDING</b>	<b><u>\$ (6,513,483)</u></b>	<b><u>\$ (6,083,214)</u></b>

***Governmental Funds***

The focus of the School's governmental funds are 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, the fund balances may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the year.

The general fund is the chief operating fund of the School. At the end of the current year, the unassigned fund balance of the general fund was \$201,951. The School's governmental funds reported a combined fund balance of \$1,644,412 at June 30, 2016.

See independent auditor's report.

**GREEN WOODS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

**General Fund Budgetary Highlights**

Over the course of the year, the School revised the annual operating budget several times. These budget amendments consisted of changes made within budgetary line items for changes in the school-based needs for programs, supplies and equipment. There were no formal budget amendments made that were required to be submitted to the State of Pennsylvania.

**Capital Assets and Debt Administration**

***Capital Assets***

As of June 30, 2016, the School's net investment in capital assets for its governmental activities totaled \$(2,263,427) (net of accumulated depreciation and related debt). This investment in capital assets includes building and improvements, furniture and equipment and computers for the School.

***Long-Term Debt***

At June 30, 2016, the School had bonds payable of \$18,035,000, a loan payable of \$301,627, and capital lease obligations of \$46,548.

**Economic Factors and Next Year's Budgets and Rates**

The School does not foresee any substantial variations with next year's economic factors, budgets or rates.

**Future Events That Will Financially Impact the School**

The School does not foresee any future events at this time that will financially impact the School.

**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 or requests for additional information should be addressed to: Chief Executive Officer, Green Woods Charter School, 468 Domino Lane, Philadelphia, PA 19128.

**Component Unit**

Greenwoods Foundation for Environmental Education (the "Organization") is a component unit of the School and is reported in a separate column in the government-wide financial statements to emphasize that the Organization is legally separate from the School.

**GREEN WOODS CHARTER SCHOOL**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	Governmental Activities	Component Unit
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,097,688	\$ 79,306
Restricted cash and cash equivalents	1,442,461	-
Federal subsidies receivable	68,188	-
State subsidies receivable	40,177	-
Local receivables	436,394	-
Due from component unit	66,348	-
Deposits	5,759	-
Capital assets:		
Building and improvements	16,851,907	-
Furniture and equipment	581,256	-
Computers	642,196	-
Less: accumulated depreciation	<u>(1,955,611)</u>	<u>-</u>
Total assets	<u>19,276,763</u>	<u>79,306</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to pension	<u>719,194</u>	<u>-</u>
 <b>LIABILITIES</b>		
Accounts payable and accrued expenses	753,093	-
Due to other governments	121,199	-
Salaries and benefits payable	322,269	-
Due to related party	-	66,348
Long-term obligations:		
Due within one year:		
Capital lease obligations	46,548	-
Loan payable	55,729	-
Bonds payable	285,000	-
Due beyond one year:		
Loan payable	245,898	-
Bonds payable	17,750,000	-
Pension liability	<u>6,714,000</u>	<u>-</u>
Total liabilities	<u>26,293,736</u>	<u>66,348</u>
Commitments and contingencies (Notes 6, 7, 8, 9, 10, 11 and 13)		
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to pension	<u>215,704</u>	<u>-</u>
 <b>NET POSITION</b>		
Net investment in capital assets	(2,263,427)	-
Restricted	1,442,461	-
Unrestricted	<u>(5,692,517)</u>	<u>12,958</u>
Total net position	<u>\$ (6,513,483)</u>	<u>\$ 12,958</u>

See accompanying notes to financial statements.

**GREEN WOODS CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

Functions	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	
			Governmental Activities	Component Unit
Primary government:				
Governmental activities:				
Other instructional programs	\$ 3,269,411	\$ 1,331,352	\$ (1,938,059)	\$ -
Pupil personnel services	124,066	-	(124,066)	-
Instructional staff services	22,457	-	(22,457)	-
Administrative services	1,239,179	-	(1,239,179)	-
Pupil health	93,878	11,474	(82,404)	-
Business services	88,869	-	(88,869)	-
Operation and maintenance of plant services	460,218	-	(460,218)	-
Other support services	138,544	-	(138,544)	-
Student services	18,553	-	(18,553)	-
Interest expense	1,048,788	-	(1,048,788)	-
Depreciation expense (Note 5)	<u>641,387</u>	<u>-</u>	<u>(641,387)</u>	<u>-</u>
Total governmental activities	<u>\$ 7,145,350</u>	<u>\$ 1,342,826</u>	<u>(5,802,524)</u>	<u>-</u>
Component unit:				
Greenwoods Foundation for Environmental Education	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(28,066)</u>
General revenues:				
Local educational agencies			5,248,316	-
All other revenue			<u>123,939</u>	<u>24,130</u>
Total general revenues			<u>5,372,255</u>	<u>24,130</u>
Change in net position			(430,269)	(3,936)
Net position - beginning			<u>(6,083,214)</u>	<u>16,894</u>
<b>NET POSITION - ENDING</b>			<u>\$ (6,513,483)</u>	<u>\$ 12,958</u>

See accompanying notes to financial statements.

**GREEN WOODS CHARTER SCHOOL  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
<b><u>ASSETS</u></b>				
Cash and cash equivalents	\$ 1,097,688	\$ -	\$ -	\$ 1,097,688
Restricted cash and cash equivalents	-	1,442,461	-	1,442,461
Federal subsidies receivable	68,188	-	-	68,188
State subsidies receivable	40,177	-	-	40,177
Local receivables	436,394	-	-	436,394
Deposits	5,759	-	-	5,759
Due from component unit	66,348	-	-	66,348
<b>TOTAL ASSETS</b>	<b>\$ 1,714,554</b>	<b>\$ 1,442,461</b>	<b>\$ -</b>	<b>\$ 3,157,015</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities				
Accounts payable and accrued expenses	\$ 753,093	\$ -	\$ -	\$ 753,093
Due to other governments	121,199	-	-	121,199
Salaries and benefits payable	638,311	-	-	638,311
Total liabilities	1,512,603	-	-	1,512,603
Fund balances				
Restricted	-	1,442,461	-	1,442,461
Unassigned	201,951	-	-	201,951
Total fund balances	201,951	1,442,461	-	1,644,412
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,714,554</b>	<b>\$ 1,442,461</b>	<b>\$ -</b>	<b>\$ 3,157,015</b>

See accompanying notes to financial statements.

**GREEN WOODS CHARTER SCHOOL  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

**Total fund balances for the governmental funds** \$ 1,644,412

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

Long-term liabilities that pertain to the governmental funds, including bonds payable, capital lease obligations and net pension obligations, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position. Those liabilities consist of:

Bonds payable, note payable and capital lease obligations	(18,383,175)	
Net pension liability, net of required contractual liability	<u>(6,397,958)</u>	
		(24,781,133)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. Balances at year end are:

Deferred outflows of resources related to pension	719,194	
Deferred inflows of resources related to pension	<u>(215,704)</u>	
		503,490

Capital assets used in the governmental funds are not financial resources and, therefore, are not reported as assets in the governmental funds. Those assets consist of:

Building and improvements	16,851,907	
Furniture and equipment	581,256	
Computers	642,196	
Less: accumulated depreciation	<u>(1,955,611)</u>	
		<u>16,119,748</u>

**TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ (6,513,483)**

**GREEN WOODS CHARTER SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN THE FUND**  
**BALANCES OF THE GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Local educational agencies	\$ 6,118,070	\$ -	\$ -	\$ 6,118,070
Other local sources	123,938	-	-	123,938
State sources	41,446	-	-	41,446
Federal sources	<u>431,627</u>	<u>-</u>	<u>-</u>	<u>431,627</u>
Total revenues	<u>6,715,081</u>	<u>-</u>	<u>-</u>	<u>6,715,081</u>
Expenditures:				
Instruction	3,174,283	-	-	3,174,283
Support services	2,135,260	-	-	2,135,260
Non-instructional services	18,553	-	-	18,553
Debt service	116,485	1,276,912	-	1,393,397
Capital outlays	<u>329,466</u>	<u>-</u>	<u>-</u>	<u>329,466</u>
Total expenditures	<u>5,774,047</u>	<u>1,276,912</u>	<u>-</u>	<u>7,050,959</u>
Excess (deficiency) of revenues over expenditures	<u>941,034</u>	<u>(1,276,912)</u>	<u>-</u>	<u>(335,878)</u>
Other financing sources (uses):				
Proceeds from debt issuance	358,936	-	-	358,936
Interfund transfers in (out)	<u>(1,336,960)</u>	<u>1,336,960</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>(978,024)</u>	<u>1,336,960</u>	<u>-</u>	<u>358,936</u>
Net change in fund balances	(36,990)	60,048	-	23,058
Fund balances - beginning	<u>238,942</u>	<u>1,382,412</u>	<u>-</u>	<u>1,621,354</u>
<b>FUND BALANCES - ENDING</b>	<u><u>\$ 201,952</u></u>	<u><u>\$ 1,442,460</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,644,412</u></u>

See accompanying notes to financial statements.

**GREEN WOODS CHARTER SCHOOL  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN THE FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

**Net change in fund balances - total governmental funds** \$ 23,058

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

The governmental funds report bond and capital lease proceeds as financing sources, while repayments of bonds and capital lease principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities, and repayment of principal reduces the liability. The net effect of these differences in the treatment of bonds and capital lease obligations is as follows:

Debt issuance proceeds	(358,936)	
Debt repayments	<u>344,609</u>	
		(14,327)

The governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense, as follows:

Capital outlays	329,466	
Depreciation expense	<u>(641,387)</u>	
		(311,921)

The governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost incurred for future pension benefits is reported as pension expense, as follows:

School pension contributions	(651,000)	
Cost of benefits earned net of employee contributions	<u>523,921</u>	
		<u>(127,079)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ (430,269)**

**GREEN WOODS CHARTER SCHOOL  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2016**

	<u>Total Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ <u>35,590</u>
<b>LIABILITIES</b>	
Due to student groups	<u>35,590</u>
<b>NET POSITION</b>	
Unrestricted	\$ <u>-</u>

See accompanying notes to financial statements.

**GREEN WOODS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Background

Green Woods Charter School (the "School") is organized as a nonprofit corporation in Pennsylvania to operate a charter school in accordance with Pennsylvania Act 22 of 1997 (the "Act"), and is operating under a charter school contract through June 30, 2017, which can be renewed for an additional term. The School is located in Philadelphia, Pennsylvania. During the 2015-2016 school year, the School served children in grades K through 8.

The School 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. The reporting entity of the School is based upon criteria set forth by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School and its discretely presented component unit. The School is not a component unit of another reporting entity. The decision to include a potential component unit in the School's reporting entity is based on several criteria, including legal standing, fiscal dependency and financial accountability. As described below, the School has identified a component unit.

Component Unit

Greenwoods Foundation for Environmental Education (the "Organization") is organized as a nonprofit corporation in Pennsylvania under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Organization was organized to raise funds for the School. Although the School does not control the timing or amounts of receipts from the Organization, the majority of resources, and income thereon, that the Organization holds are restricted to the activities of the School. Because these restricted resources held by the Organization can only be used by or for the benefit of the School, the Organization is considered a component unit of the School and is discretely presented in the School's financial statements.

Basis of Presentation

The financial statements of the School and the Organization have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

**GREEN WOODS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Presentation (continued)

The School adopted GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement No. 76 identifies the hierarchy of generally accepted accounting principles in the context of the current governmental financial reporting environment. Statement No. 76 does not have any impact on the School's financial statements.

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 function are offset by program revenues. These financial statements include the financial activities of the primary government; fiduciary funds are excluded.

The fund financial statements (governmental funds balance sheet and statement of the governmental funds revenues, expenditures and changes in the fund balances) report on the School's governmental funds.

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.

*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 operating revenues and expenditures of the School.

Debt Service Fund - Used to account for and report financial resources for, and the payment of, principal and interest.

**GREEN WOODS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

*Fund financial statements (continued)*

Capital Projects Fund - Accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations or other governments.

The School reports the following fiduciary fund:

Student Activities Fund - The agency fund is used to account for assets held by the School for student groups and is managed by the students. The agency fund is purely custodial in nature and does not have a measurement focus.

Net Position

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, classifies net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net investment in capital assets - This component of net position 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 proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.
- Restricted - This component of net position consists of constraints placed on the use of net assets through external constraints imposed by creditors such as through debt covenants, grantors, contributions, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of net assets that do not meet the definition of "restricted" or "net investment in capital assets."

**GREEN WOODS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund Balance Classification Policies and Procedures

The School follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the classification of the School's fund balances into five components: nonspendable, restricted, committed, assigned, and unassigned. These classifications are defined as follows:

- Nonspendable - This category is for amounts that can not be spent because they are either (1) not in spendable form or (2) legally or contractually required to remain intact.
- Restricted - This category is the part of the fund balance that is restricted to be spent for a specific purpose. The constraints on these amounts must be externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or by enabling legislation.
- Committed - This category is the portion of the fund balance that can only be used for specific purposes as a result of formal action by the School's highest level of authority.
- Assigned - This category reflects funds that the School intends to use for a specific purpose but are not considered restricted or committed.
- Unassigned - This category represents the part of the spendable fund balance that has not been categorized as nonspendable, restricted, committed or assigned.

Budgets and Budgetary Accounting

The School adopts an annual budget on a basis consistent with GAAP for the governmental funds. The School is required to present the adopted and final budgeted revenues and expenditures for the governmental funds that were filed and accepted by the Labor, Education and Community Services Comptroller's Office. The governmental funds budget appears on page 30.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The School's cash consists of cash on hand and demand deposits. The School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**GREEN WOODS CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Prepaid Expenses

Prepaid expenses include payments to vendors for services applicable to future accounting periods such as rental payments and insurance premiums.

Receivables

Receivables primarily consist of amounts due from federal, state and local authorities. Receivables are stated at the amount management expects to collect. As of June 30, 2016, based on historical experience, no allowance has been established.

Capital Assets

Capital assets, which include building and improvements, computers, furniture 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. The School maintains a threshold level of \$2,500 or more for capitalizing assets. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's life are expensed. Capital assets of the School are depreciated using the straight-line method over the useful lives of the assets, which range from three to 39 years.

Deferred Outflows/Inflows of Resources

Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of net position and related disclosures. In compliance with Statement No. 63, the statement of net position includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Advertising Costs

All costs associated with advertising and promotions are expensed in the year incurred.

Income Tax Status

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

**GREEN WOODS CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Pensions

The School adopted Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Under Statements No. 68 and No. 71, 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 the PSERS's fiduciary net position have been determined on the same basis as they are reported by the PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms and investments are reported at fair value.

Uncertain Tax Positions

The School accounts for uncertainty in income taxes in which tax positions initially need to be recognized in the financial statements when it is more likely than not that the positions will be sustained upon examination by taxing authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of June 30, 2016, the School had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements. Additionally, the School had no interest or penalties related to income taxes.

The School files an income tax return in the U.S. federal jurisdiction. With few exceptions, the School is no longer subject to U.S. federal examinations by taxing authorities for years before June 30, 2013.

Pending Changes in Accounting Principles

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The provisions of Statement No. 80 are effective for the School's June 30, 2017 financial statements. The effect of implementation has not yet been determined.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions of Statement No. 82 are effective for the School's June 30, 2017 financial statements. The effect of implementation has not yet been determined.

**GREEN WOODS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Subsequent Events

The School has evaluated subsequent events through January 9, 2017, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

**NOTE 2. CASH, RESTRICTED CASH AND CASH EQUIVALENTS**

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to the School. The School monitors custodial credit risk by periodically reviewing the Federal Deposit Insurance Corporation's ("FDIC") limits and published credit ratings of its depository banks. Accounts are insured by the FDIC up to \$250,000 for all accounts kept at one financial institution. Under Pennsylvania Act 72, financial institutions pledge collateral on a pooled basis to secure public deposits in excess of FDIC insurance limits. The School's accounts are covered under this act.

As of June 30, 2016, the custodial risk is as follows:

	<u>Governmental Activities</u>	<u>Component Unit</u>
Uninsured and uncollateralized	\$ -	\$ -
Collateralized	-	-
Uninsured and collateral held by the pledging bank's trust department not in the School's name	<u>2,121,169</u>	<u>80,850</u>
Total	<u>\$ 2,121,169</u>	<u>\$ 80,850</u>

Reconciliation to the financial statements:

	<u>Governmental Activities</u>	<u>Component Unit</u>
Cash exposed to custodial risk	\$ 2,121,169	\$ 80,850
Plus: insured amount	500,000	-
Less: outstanding checks	<u>(81,020)</u>	<u>(1,544)</u>
	<u>\$ 2,540,149</u>	<u>\$ 79,306</u>

**NOTE 3. RECEIVABLES**

Receivables at June 30, 2016, primarily consist of amounts from federal, state and local authorities. All receivables are considered collectible due to the stable funding of the federal, state and local programs.

**GREEN WOODS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3. RECEIVABLES (CONTINUED)**

A summary of receivables is as follows:

	Governmental Activities
Federal	\$ 68,188
State	40,177
Local	436,394
	\$ 544,759

**NOTE 4. LOCAL EDUCATIONAL AGENCY ASSISTANCE (REVENUE)**

The School receives funding from the School District of Philadelphia on a monthly basis based on enrollment. The rate of funding per student is determined on an annual basis.

For each non-special education student enrolled, the charter school receives no less than the budgeted total expenditure per average daily membership of the prior school year as defined by the Act. For the year ended June 30, 2016, the rate for most of the students was \$7,738 per year per student, plus additional funding for special education students and transportation. The annual rate is paid monthly and is prorated if a student enters or leaves during the year. Total revenue from student enrollment was \$6,118,070 for the year ended June 30, 2016.

**NOTE 5. CAPITAL ASSETS, NET**

Capital asset activity of the governmental activities for the year ended June 30, 2016, was as follows:

	Balance - July 1, 2015	Additions	Disposals	Balance - June 30, 2016
Building and improvements	\$ 16,573,795	\$ 278,112	\$ -	\$ 16,851,907
Furniture and equipment	541,692	39,564	-	581,256
Computers	630,406	11,790	-	642,196
Less: accumulated depreciation	(1,314,224)	(641,387)	-	(1,955,611)
Capital assets, net	16,431,669	(311,921)	-	16,119,748

Depreciation expense for the year ended June 30, 2016, was \$641,387.

**NOTE 6. LONG-TERM DEBT**

On October 1, 2012, the School borrowed \$18,300,000 in 2012 Series A bonds to purchase and improve a building to be used by the School as its facility. The bonds are payable in installments of varying principal and interest. The bonds are secured by the assets of the School. The bonds bear interest ranging from 5.50% to 5.75% through June 15, 2042. The balance payable on the bond was \$18,035,000 at June 30, 2016. During the year ended June 30, 2016, \$245,000 of the bonds were redeemed. The School is subject to certain financial covenants, as defined in the bond agreement.

**GREEN WOODS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6. LONG-TERM DEBT (CONTINUED)**

Future principal and interest requirements of the Series A Bonds based on the schedule of mandatory redemption are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 285,000	\$ 1,018,438	\$ 1,303,438
2018	320,000	1,002,763	1,322,763
2019	335,000	985,162	1,320,162
2020	355,000	966,737	1,321,737
2021	375,000	947,212	1,322,212
2022-2026	2,205,000	4,403,589	6,608,589
2027-2031	2,880,000	3,726,812	6,606,812
2032-2036	3,780,000	2,831,048	6,611,048
2037-2041	4,995,000	1,614,313	6,609,313
2042	<u>2,505,000</u>	<u>144,038</u>	<u>2,649,038</u>
	<u>\$ 18,035,000</u>	<u>\$ 17,640,112</u>	<u>\$ 35,675,112</u>

Following are changes in the Series A Bonds for the year ended June 30, 2016:

<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>	<u>Amount Due Within One Year</u>
Bonds payable	<u>\$ 18,280,000</u>	<u>\$ -</u>	<u>\$ (245,000)</u>	<u>\$ 18,035,000</u>
				<u>\$ 285,000</u>

The Series A Bonds contain mandatory sinking fund deposits, which fund the redemption of the bonds for each of the next five years and thereafter as follows:

<u>Year ending June 30:</u>	
2017	\$ 285,000
2018	320,000
2019	335,000
2020	355,000
2021	375,000
2022-2026	2,205,000
2027-2031	2,880,000
2032-2036	3,780,000
2037-2041	4,995,000
2042	<u>2,505,000</u>
	<u>\$ 18,035,000</u>

The School also maintains several cash and cash equivalent accounts whereby the funds are restricted for the purpose of paying required principal and interest payments on the bonds. Total restricted cash as of June 30, 2016 was \$1,442,461.

**GREEN WOODS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 6. LONG-TERM DEBT (CONTINUED)**

On December 30, 2015, the School secured a revolving loan fund with the ability to draw up to \$400,000 with the Philadelphia Authority for Industrial Development ("PAID"). The funds are to be used for the clean up of School property under the Pennsylvania Commonwealth's Section 372.1 of the Economic Development Financing Law and the U.S. Environmental Protection Agency Brownfields Cleanup Revolving Loan Funds. \$358,936 was withdrawn during the year. The loan is payable in annual installments and bears an interest rate of 1% for the life of the loan. The balance payable on the loan was \$301,627 at June 30, 2016.

Future principal and interest requirements of the loan are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 55,729	\$ 3,428	\$ 59,157
2018	56,287	2,871	59,158
2019	56,849	2,308	59,157
2020	57,418	1,740	59,158
2021	57,992	1,166	59,158
2022	<u>17,352</u>	<u>586</u>	<u>17,938</u>
	<u>\$ 301,627</u>	<u>\$ 12,099</u>	<u>\$ 313,726</u>

Following are changes in loan balance for the year ended June 30, 2016:

	<u>Balance July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>	<u>Amount Due Within One Year</u>
Loan payable	\$ <u>-</u>	\$ <u>358,936</u>	\$ <u>57,309</u>	\$ <u>301,627</u>	\$ <u>55,729</u>

**NOTE 7. OBLIGATIONS UNDER LEASES**

Capital leases

Computer equipment costing \$148,291, with a net book value of \$41,383, is held under a capital lease. Future minimum lease payments required under capital leases as of June 30, 2016, are as follows:

<u>Year ending June 30:</u>	
2017	\$ <u>49,024</u>
Total minimum lease payments	49,024
Less: amount representing interest	<u>(2,476)</u>
Present value of minimum lease payments	46,548
Less: current portion of capital lease obligations	<u>(46,548)</u>
Long-term portion of capital lease obligations	<u>\$ -</u>

**GREEN WOODS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7. OBLIGATIONS UNDER LEASES (CONTINUED)**

Capital leases (continued)

Changes in capital lease obligations were as follows for the year ended June 30, 2016:

Balance, July 1, 2015	\$ 88,851
Repayments of principal	<u>(42,303)</u>
Balance, June 30, 2016	<u>\$ 46,548</u>

**NOTE 8. RETIREMENT PLAN**

Plan description

The School contributes to a governmental cost-sharing, multiple-employer defined benefit pension plan administered by the PSERS, which provides retirement and disability benefits, legislative-mandated ad-hoc cost-of-living adjustments, and health care insurance premium assistance to qualifying annuitants. The members eligible to participate in the PSERS include all full-time 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 reporting entities in the Commonwealth of Pennsylvania. The Public School Employees' Retirement Code (Act No. 96 of October 2, 1975, as amended) (24 PA.C.S. 8101-8535) (the "Code") assigns the authority to establish and amend benefit provisions to the PSERS. The PSERS issues an annual financial report that can be obtained at [www.psers.state.pa.us](http://www.psers.state.pa.us).

Benefits provided

The PSERS provides retirement, disability and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least one 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 three 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. Retirement 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. 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

**GREEN WOODS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8. RETIREMENT PLAN (CONTINUED)**

Benefits provided (continued)

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

The contribution policy is established in the Code and requires contributions by active members, employers and the Commonwealth.

Member contributions are as follows:

- Active members who joined the PSERS prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the PSERS prior to, on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership Class T-D) of the member's qualifying compensation.
- Members who joined the PSERS after June 30, 2001 and before July 1, 2011, contribute at 7.50% (Membership Class T-D). For all new hires and for members who elected Membership Class T-D, the higher contribution rates began with service rendered on or after January 1, 2002.
- Members who joined the PSERS after June 30, 2011, automatically contribute at the Class T-E rate of 7.5% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.3% (base rate) of the member's qualifying compensation. Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 that, in future fiscal years, could cause the Class T-E contribution rate to fluctuate between 7.5% and 9.5% and Class T-F contribution rate to fluctuate between 10.3% and 12.3%.

With the "shared risk" program, members benefit when investments of the fund are doing well and share some of the risk when investments underperform. Class T-E or T-F contribution rates stay within the specified range, but may increase or decrease by .5% within the specified range once every three years, starting July 2015. The contribution

**GREEN WOODS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8. RETIREMENT PLAN (CONTINUED)**

Contributions (continued)

rates for these two membership classes will never go below the base rent or above the highest percentage rate.

The School's contractually required contribution rate for fiscal year ended June 30, 2016, was 21.4% 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. The School's contributions to the PSERS for the years ended June 30, 2016, 2015, and 2014, amounted to \$523,922, \$426,566, and \$353,244, respectively.

**NOTE 9. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

At June 30, 2016, the School reported a liability of \$6,714,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by rolling forward the PSERS's total pension liability as of June 30, 2014 to June 30, 2015. The School's proportion of the net pension 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, 2015, the School's proportion was 0.0155%, which was a decrease of 0.005% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$651,000. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (28,000)
Changes in assumptions	-	(14,000)
Net difference between projected and actual investment earnings	-	-
Changes in proportions	351,000	(170,000)
Difference between employer contributions and proportionate share of total contributions	-	-
Contributions subsequent to the measurement date	<u>368,194</u>	<u>(3,704)</u>
	<u>\$ 719,194</u>	<u>\$ (215,704)</u>

**GREEN WOODS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 9. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)**

\$368,194 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	
2017	\$ 31,000
2018	31,000
2019	31,000
2020	<u>46,000</u>
	<u>\$ 139,000</u>

Actuarial assumptions

The total pension liability as of June 30, 2015 was determined by rolling forward the PSERS's total pension liability as of the June 30, 2014 actuarial valuation to June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.50%, includes inflation at 3.00%
- Salary increases - Effective average of 5.50%, which reflects an allowance for inflation of 3.00%, real wage growth of 1%, and merit or seniority increases of 1.50%
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back 3 years for both males and females. Rates for disabled annuitants were based on RP-2000 Combined Disabled Tables (male and female) with age set back 7 years for males and 3 years for females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the experience study that was performed for the five-year period ended June 30, 2010. The recommended assumption changes based on this experience study were adopted by the PSERS's Board of Trustees at its March 11, 2011 board meeting, and were effective beginning with the June 30, 2011 actuarial valuation.

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

**GREEN WOODS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 9. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)**

Actuarial assumptions (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public markets global equity	22.5 %	4.8 %
Private markets (equity)	15 %	6.6 %
Private real estate	12 %	4.5 %
Global fixed income	7.5 %	2.4 %
U.S. long treasuries	3 %	1.4 %
Treasury inflation-protected securities	12 %	1.1 %
High yield bonds	6 %	3.3 %
Cash	3 %	0.7 %
Absolute return	10 %	4.9 %
Risk parity	10 %	3.7 %
Master limited partnerships/infrastructure	5 %	5.2 %
Commodities	8 %	3.1 %
Financing (LIBOR)	<u>(14)%</u>	1.1 %
	<u>100 %</u>	

The above was the PSERS's Board of Trustees adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2015.

Discount rate

The discount rate used to measure the total pension liability was 7.50%. 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 PSERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**GREEN WOODS CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 9. PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONTINUED)**

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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
The School's proportionate share of the net pension liability	\$ <u>8,275,000</u>	\$ <u>6,714,000</u>	\$ <u>5,401,000</u>

Pension plan fiduciary net position

Detailed information about the PSERS's fiduciary net position is available in the PSERS's Comprehensive Annual Financial Report, which can be found on the PSERS's website at [www.psers.state.pa.us](http://www.psers.state.pa.us).

**NOTE 10. GRANT CONTINGENCIES**

Grants received are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the School expects such amounts, if any, to be immaterial.

**NOTE 11. LITIGATION**

The School is, from time to time, involved in claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, at this time, the ultimate resolution of these matters will not have an adverse effect on the financial position of the School.

**NOTE 12. RELATED PARTY TRANSACTIONS**

The School made advances to the Organization during 2016. The advances, which are non-interest bearing and do not have stated repayment terms, amount to \$66,348 at June 30, 2016.

**NOTE 13. EMPLOYEE BENEFIT PLAN**

The School maintains a savings incentive plan 403(b) for its employees. All employees are eligible. Participants may elect voluntary salary deferrals under the plan up to the maximum permitted by law. The School makes a contribution for certain employees enrolled into the plan at a rate of 5% of their eligible compensation. Contribution expense for the plan amounted to \$19,772 for the year ended June 30, 2016.

**REQUIRED SUPPLEMENTARY INFORMATION**

**GREEN WOODS CHARTER SCHOOL  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN THE FUND BALANCES  
BUDGET AND ACTUAL  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		Actual	Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Local educational agencies	\$ 6,120,996	\$ 6,120,996	\$ 6,118,070	\$ (2,926)
Other local sources	111,739	111,739	123,938	12,199
State sources	10,205	10,205	41,446	31,241
Federal sources	<u>426,000</u>	<u>426,000</u>	<u>431,627</u>	<u>5,627</u>
Total revenues	<u>6,668,940</u>	<u>6,668,940</u>	<u>6,715,081</u>	<u>46,141</u>
Expenditures:				
Instruction	2,921,200	2,921,200	3,174,283	253,083
Support services	2,470,160	2,470,160	2,135,260	(334,900)
Non-instructional services	-	-	18,553	18,553
Debt service	1,031,813	1,031,813	1,393,397	361,584
Capital outlays	<u>-</u>	<u>-</u>	<u>329,466</u>	<u>329,466</u>
Total expenditures	<u>6,423,173</u>	<u>6,423,173</u>	<u>7,050,959</u>	<u>627,786</u>
Excess (deficiency) of revenues over expenditures	245,767	245,767	(335,878)	(581,645)
Other financing sources:				
Proceeds from debt issuance	<u>-</u>	<u>-</u>	<u>358,936</u>	<u>358,936</u>
Net change in fund balances	245,767	245,767	23,058	(222,709)
Fund balances - beginning	<u>1,621,354</u>	<u>1,621,354</u>	<u>1,621,354</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u><b>\$ 1,867,121</b></u>	<u><b>\$ 1,867,121</b></u>	<u><b>\$ 1,644,412</b></u>	<u><b>\$ (222,709)</b></u>

See independent auditor's report.

**GREEN WOODS CHARTER SCHOOL  
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
TEACHERS' PENSION PLAN  
Last 10 Fiscal Years\***

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
School's proportion of the net pension liability	0.0155 %	0.0160 %	0.0146 %
School's proportionate share of the net pension liability	\$ 6,714,000	\$ 6,333,000	\$ 5,977,000
School's covered-employee payroll	\$ 1,980,008	\$ 2,419,104	\$ 2,085,290
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	339.09 %	261.79 %	286.63 %
Plan fiduciary net position as a percentage of the total pension liability	54.36 %	57.24 %	54.49 %

**\*Until a full 10-year trend is compiled, the School has presented information for those years for which information is available.**

**GREEN WOODS CHARTER SCHOOL  
SCHEDULE OF SCHOOL CONTRIBUTIONS  
TEACHERS' PENSION PLAN  
Last 10 Fiscal Years\***

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
School's contractually required contribution	\$ 523,922	\$ 426,566	\$ 353,244
School's contributions in relation to the contractually required contribution	<u>(207,878)</u>	<u>(426,566)</u>	<u>(353,244)</u>
Contribution deficiency	<u>\$ 316,044</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 1,980,008	\$ 2,419,104	\$ 2,085,290
Contributions as a percentage of covered-employee payroll	26.46 %	17.63 %	16.94 %

**\*Until a full 10-year trend is compiled, the School has presented information for those years for which information is available.**

## **COMPLIANCE INFORMATION**



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

To the Board of Trustees  
Green Woods Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of Green Woods Charter School (a nonprofit organization) as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise Green Woods Charter School's basic financial statements, and have issued our report thereon dated January 9, 2017.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Philadelphia, Pennsylvania  
January 9, 2017

**GREEN WOODS CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND RESPONSE  
JUNE 30, 2016**

**FINDINGS - FINANCIAL STATEMENT AUDIT**

There were no financial statement findings.