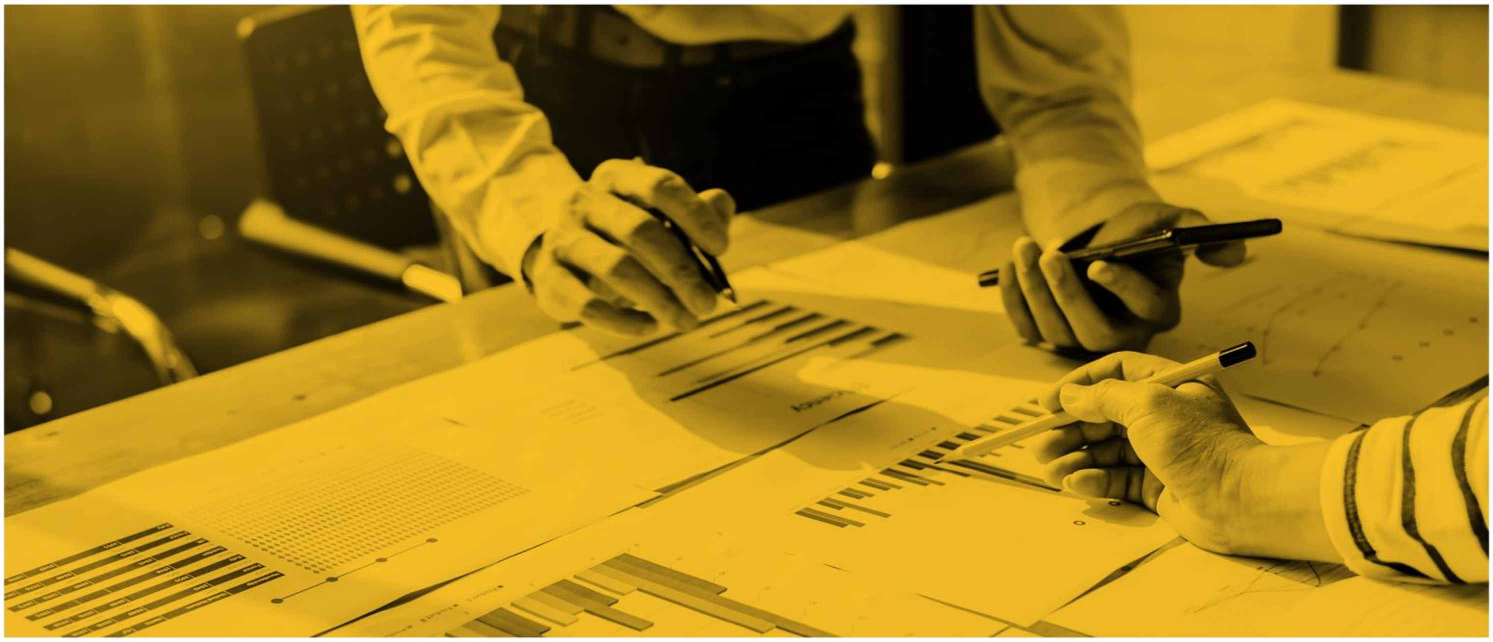

Annual Financial Report

STEP Academy Charter School No. 4200

St. Paul, Minnesota

For the year ended June 30, 2022

Lighting the path forward

Edina Office
5201 Eden Avenue, Ste 250
Edina, MN 55436
P 952.835.9090

Mankato Office
100 Warren Street, Ste 600
Mankato, MN 56001
P 507.625.2727

Scottsdale Office
14500 N Northsight Blvd, Ste 233
Scottsdale, AZ 85260
P 480.864.5579

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STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Annual Financial Report
Table of Contents
For The Year Ended June 30, 2022

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INTRODUCTORY SECTION

STEP ACADEMY CHARTER SCHOOL
CHARTER SCHOOL NO. 4200
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

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STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Elected Board of Directors and Administration
For the Year Ended June 30, 2022

BOARD OF DIRECTORS

Name	Title
Mursal Abdulrazzaq	Board Chair
Amina Mohamud	Vice Chair
Abdiladif Sanbul	Member
Rahima Ahmed	Member
Mohamed Shuriye	Member

ADMINISTRATION

Name	Title
Mustafa Ibrahim	Executive Director

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FINANCIAL SECTION

STEP ACADEMY CHARTER SCHOOL
CHARTER SCHOOL NO. 4200
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
STEP Academy
  Charter School No. 4200
St. Paul, Minnesota

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund and remaining aggregate fund information of STEP Academy, Charter School No. 4200 (the Charter School), St. Paul, Minnesota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and remaining aggregate fund information of the Charter School as of June 30, 2022, and the respective changes in financial position thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the STEP Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principle

As described in Note 7 to the financial statements, the Charter School adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 87, Leases, for the year ended June 30, 2022. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions starting on page 60 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying individual fund schedules, table and schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules, table and the schedule of expenditures of federal awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2023, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

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Minneapolis, Minnesota
February 3, 2023

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Management’s Discussion and Analysis

As management of the STEP Academy, Charter School No. 4200 (the Charter School), St. Paul, Minnesota, we offer readers of the Charter School’s financial statements this narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2022.

Financial Highlights

- The assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources of the Charter School's at the close of the most recent fiscal year by $143,118, which is an increase of $84,737 from the prior year.

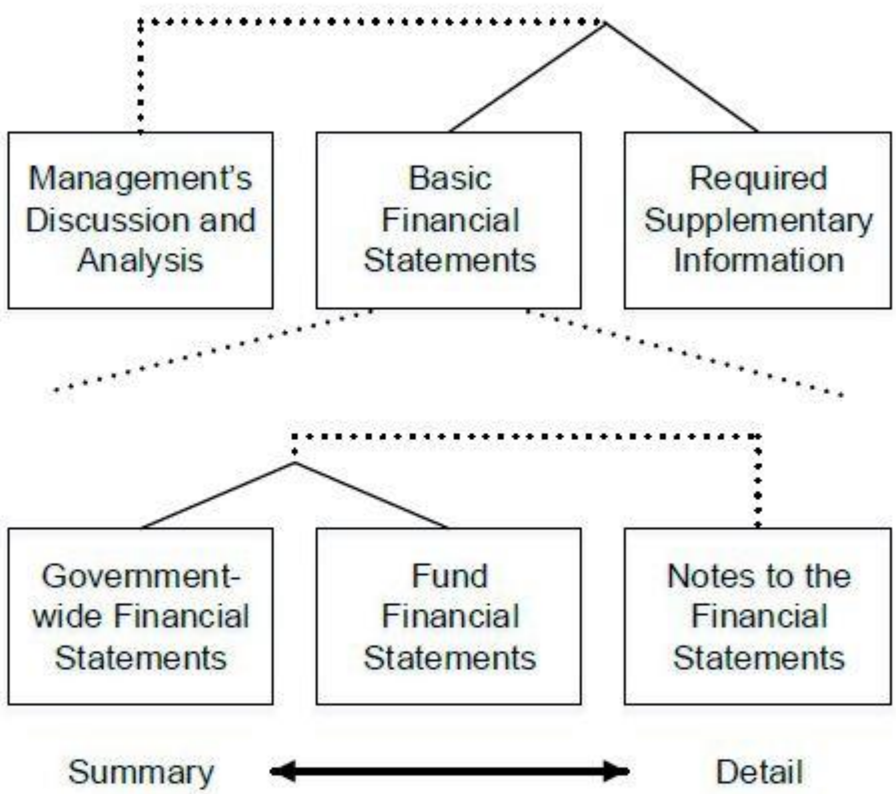
- As of the close of the current fiscal year, Charter School’s governmental funds reported combined ending fund balances of $2,832,459, an increase of $215,086 in comparison with the prior year mainly due to increased revenue from state sources.

- At the end of the current fiscal year, unassigned fund balance for the General fund was $2,630,465 or 28.2 percent of total General fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the STEP Academy's basic financial statements. The Charter School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of STEP Academy
Charter School No. 4200
Annual Financial Report



The following chart summarizes the major features of the Charter School's financial statements, including the portion of the Charter School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the Government-wide and Fund Financial Statements

		Fund Financial Statements
	Government-wide Statements	**Governmental Funds**
Scope	Entire Charter School (except fiduciary funds)	The activities of the Charter School that are not fiduciary, such as special education and building maintenance
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/out flow information	All revenues and expenditures 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 the related liability is due and payable

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

The *statement of net position* presents information on all of the Charter School's assets and deferred outflows of resources and liabilities and deferred inflows of resources with the difference 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 Charter School is improving or deteriorating.

The *statement of activities* presents information showing how the Charter 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*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected revenue and earned but unused vacation leave).

The government-wide financial statements display functions of the Charter School that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the Charter School include administration, school support services, regular instruction, special education instruction, instructional support services, pupil support services, site, building and equipment, and fiscal and other fixed cost programs.

The government-wide financial statements can be found starting on page 28 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter School, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Charter School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Charter School maintains two governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund (major fund) and Food Service special revenue fund (nonmajor fund).

The Charter School adopts an annual appropriated budget for its General fund and Food Service Special Revenue fund. A budgetary comparison statement has been provided for both funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 32 of this report.

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. The notes to the financial statements can be found stating on page 37 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Charter School's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 60 of this report.

Other Information. Individual fund schedules and table can be found starting on page 68 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the Charter School, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $143,118 (net position) at the close of fiscal year 2022.

STEP Academy's Summary of Net Position

	Governmental Activities		
	2022	2021	Increase (Decrease)
Assets			
Current And Other Assets	$ 3,585,699	$ 3,199,154	$ 386,545
Capital Assets	2,968,115	369,508	2,598,607
Total Assets	6,553,814	3,568,662	2,985,152
Deferred Outflows of Resources			
Deferred Pension Resources	2,432,816	2,858,294	(425,478)
Liabilities			
Noncurrent Liabilities Outstanding	4,795,587	3,899,681	895,906
Other Liabilities	753,240	581,781	171,459
Total Liabilities	5,548,827	4,481,462	1,067,365
Deferred Inflows of Resources			
Deferred Pension Resources	3,294,685	1,887,113	1,407,572
Net Position			
Net investment in Capital Assets	629,964	369,508	260,456
Restricted	86,640	53,294	33,346
Unrestricted	(573,486)	(364,421)	(209,065)
Total Net Position	$ 143,118	$ 58,381	$ 84,737

A portion of the Charter School's net position ($629,964) reflects its net investment in capital assets (e.g., equipment and leased assets). The Charter School uses these capital assets to provide services to its students; consequently, these assets are *not* available for future spending. A small portion of the Charter School's net position ($86,640) is restricted for food service. The remaining balance of *unrestricted net position* is a deficit of $573,486 mainly due to the long-term pension liability in accordance with GASB Statement No. 68.

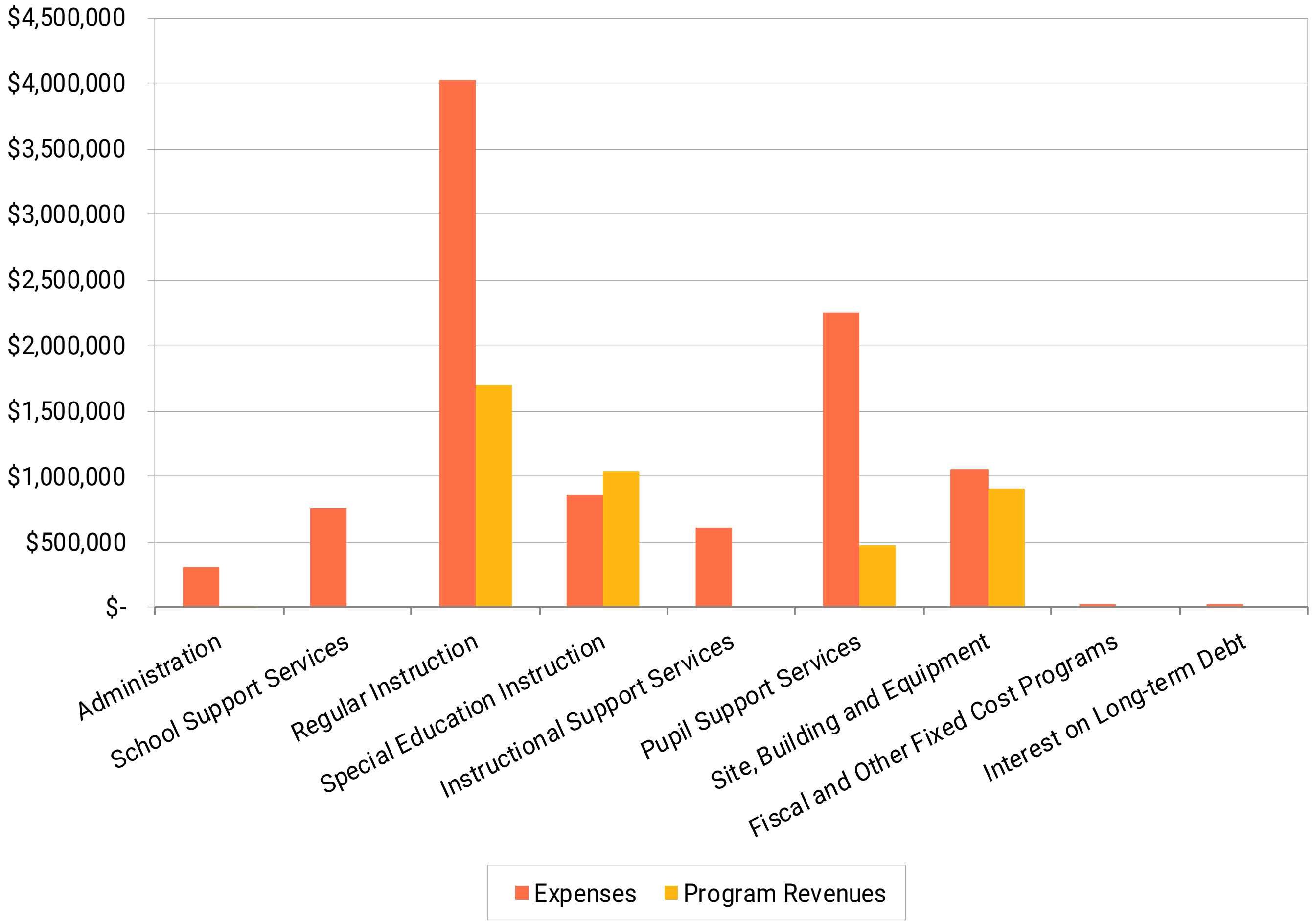
Governmental Activities. Governmental activities increased the Charter School's net position by $84,737. Key elements of this increase are shown in the table below.

STEP Academy's Changes in Net Position

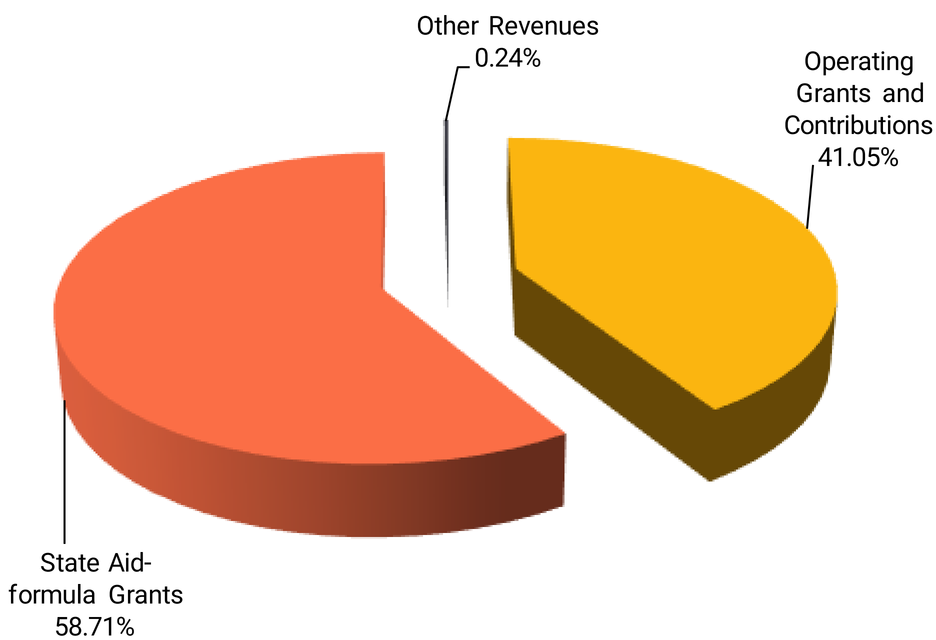
	Governmental Activities		
	2022	2021	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	$ 14,464	$ 3,355	$ 11,109
Operating grants and contributions	4,101,739	2,429,594	1,672,145
General revenues			
Local revenues	8,718	3,174	5,544
State aid-formula grants	5,866,454	5,831,233	35,221
Unrestricted investment earnings	823	2,053	(1,230)
Total Revenues	9,992,198	8,269,409	1,722,789
Expenses			
Administration	307,086	283,789	23,297
School support services	757,173	537,636	219,537
Regular instruction	4,022,047	3,416,977	605,070
Special education instruction	857,597	809,716	47,881
Instructional support services	601,462	560,218	41,244
Pupil support services	2,248,433	1,284,896	963,537
Sites and buildings	1,062,575	1,306,335	(243,760)
Fiscal and other fixed cost programs	22,611	21,120	1,491
Interest on long-term debt	28,477	-	28,477
Total Expenses	9,907,461	8,220,687	1,686,774
Change in Net Position	84,737	48,722	36,015
Net Position, July 1	58,381	9,659	48,722
Net Position, June 30	$ 143,118	$ 58,381	$ 84,737

Revenues increased by 20.8 percent from the prior year and expenses increased 20.5 percent. The increase in revenues can mainly be attributed to more students and federal grant funding related to COVID-19. The largest factor contributing to the increase in expenses was regular instruction and pupil support services, which increased $605,070 and $963,537, respectively from the prior fiscal year. The increase mainly relates to increased grant funding.

Expenses and Program Revenue - Governmental Activities Graph



Revenue by Source - Governmental Activities Graph



Financial Analysis of the Government's Funds

As noted earlier, the Charter School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the Charter School's governmental fund balance reported combined ending fund balances of $2,832,459, an increase of $215,086 in comparison with the prior year. Approximately 93 percent of this total amount ($2,630,465) constitutes *unassigned fund balance*, which is available for spending at the Charter School's discretion. The remainder of fund balance ($201,994) is not available for new spending because it is either 1) restricted ($86,640) or 2) nonspendable ($115,354).

General Fund Budgetary Highlights

It is the policy of the Board of Directors of the Charter School to set up the annual budget prior to June 30 for the subsequent year and utilize it as a guideline for revenues and expenditures over the course of the year. The Board periodically reviewed the budget versus actual revenues and expenditures and took note of deviations and their causes. The Board did not amend the budget during the current fiscal year.

Revenues sources were over budget for fiscal year 2021 by $1,547,359.

- The variance is mainly due to revenue from federal sources ($1,388,298) as a federal revenue received in relation to the COVID-19 pandemic.

Expenditure programs were over budget for fiscal year 2021 by $1,546,228.

- The variance is mainly related to COVID-19 pandemic related grant revenue spent during the year not reflected in the original or final budget. The largest variance ($992,958) in regular instruction was a result of greater than anticipated expenditures for payroll and supplies.

Capital Assets

The following is a schedule of capital assets as of June 30, 2022 and 2021.

	Governmental Activities		
	2022	2021	Increase (Decrease)
Leasehold improvements	$ 178,703	$ 198,928	$ (20,225)
Equipment and Furniture	140,425	170,580	(30,155)
Leased Building (Intangible Right to Use Asset)	2,648,987	-	2,648,987
Total	$ 2,968,115	$ 369,508	$ 2,598,607

Major capital asset additions during the year include the addition of the right to use lease asset of the school building. Additional information on the Charter School's capital assets can be found in Note 3B on page 45 of this report.

Long-term Debt

The following is a schedule of long-term liabilities as of June 30, 2022 and 2021.

	Governmental Activities		
	2022	2021	Increase (Decrease)
Lease Payable	$ 2,338,151	$ -	$ 2,338,151

The increase is mainly attributable to the recognition of lease payable in accordance with GASB 87.

Economic Factors and Next Year's Budgets and Rates

The Charter School is dependent on the state of Minnesota for most of its revenue. This revenue source is mostly impacted by two variables; legislation and school enrollment. Recent experience demonstrates that legislative revenue increases have not been sufficient to meet increased costs due to inflation. It is imperative that the Charter School's financial management continues to develop budgets with a surplus to be added to the unassigned fund balance in order to meet their fund balance policy requirements. A healthy fund balance is important to the financial stability of the Charter School.

Requests for Information

This financial report is designed to provide a general overview of the Charter School's finances for all those with an interest in the Charter School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mustafa Ibrahim, Executive Director, STEP Academy, Charter School No. 4200, 835 5th St. E, St. Paul, Minnesota 55106.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

STEP ACADEMY CHARTER SCHOOL
CHARTER SCHOOL NO. 4200
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Statement of Net Position
June 30, 2022

		Governmental Activities
Assets		
Cash and temporary investments	$	2,267,175
Due from the Minnesota Department of Education		789,816
Due from the Federal government		412,654
Prepaid items		116,054
Capital assets		
Depreciable assets, net of accumulated depreciation/amortization		2,968,115
Total Assets		6,553,814
Deferred Outflows of Resources		
Deferred pension resources		2,432,816
Liabilities		
Accounts payable		211,901
Accrued salaries and benefits payable		541,339
Noncurrent liabilities		
Due within one year		
Long-term liabilties		548,901
Due in more than one year		
Long-term liabilties		1,789,250
Net pension liability		2,457,436
Total Liabilities		5,548,827
Deferred Inflows of Resources		
Deferred pension resources		3,294,685
Net Position		
Net investment in capital assets		629,964
Restricted for food service		86,640
Unrestricted		(573,486)
Total Net Position	$	143,118

The notes to the financial statements are an integral part of this statement.

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Administration	$ 307,086	$ -	$ 2,981	$ -	$ (304,105)
School support services	757,173	-	-	-	(757,173)
Regular instruction	4,022,047	14,464	1,681,016	-	(2,326,567)
Special education instruction	857,597	-	1,046,932	-	189,335
Instructional support services	601,462	-	-	-	(601,462)
Pupil support services	2,248,433	-	470,983	-	(1,777,450)
Sites and buildings	1,062,575	-	899,827	-	(162,748)
Fiscal and other fixed cost programs	22,611	-	-	-	(22,611)
Interest on long-term debt	28,477	-	-	-	(28,477)
Total Governmental Activities	$ 9,907,461	$ 14,464	$ 4,101,739	$ -	(5,791,258)
General Revenues					
State aid-formula grants					5,866,454
Other general revenues					8,718
Unrestricted investment earnings					823
Total General Revenues					5,875,995
Change in Net Position					84,737
Net Position, July 1					58,381
Net Position, June 30					$ 143,118

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

STEP ACADEMY CHARTER SCHOOL
CHARTER SCHOOL NO. 4200
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Balance Sheet
Governmental Funds
June 30, 2022

	General	Non-Major Food Service	Total Governmental Funds
Assets			
Cash and temporary investments	$ 2,192,643	$ 74,532	$ 2,267,175
Due from the Minnesota Department of Education	788,841	975	789,816
Due from the Federal government	364,481	48,173	412,654
Prepaid items	115,354	700	116,054
Total Assets	$ 3,461,319	$ 124,380	$ 3,585,699
Liabilities			
Accounts payable	$ 174,161	$ 37,740	$ 211,901
Accrued salaries payable	541,339	-	541,339
Total Liabilities	715,500	37,740	753,240
Fund Balances			
Nonspendable prepaid items	115,354	-	115,354
Restricted for food service	-	86,640	86,640
Unassigned	2,630,465	-	2,630,465
Total Fund Balances	2,745,819	86,640	2,832,459
Total Liabilities and Fund Balances	$ 3,461,319	$ 124,380	$ 3,585,699

The notes to the financial statements are an integral part of this statement.

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2022

Amounts Reported for Governmental Activities in the Statement of Net Position are Different because

Total Fund Balances - Governmental Funds	$	2,832,459
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of capital assets		3,864,549
Less accumulated depreciation/amortization		(896,434)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Lease payable		(2,338,151)
Net pension liability		(2,457,436)
Governmental funds do not report long-term amounts related to pensions.		
Deferred outflows of pension resources		2,432,816
Deferred inflows of pension resources		(3,294,685)
Total Net Position - Governmental Activities	$	143,118

The notes to the financial statements are an integral part of this statement.

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

	General	Non-Major Food Service	Total Governmental Funds
Revenues			
Other local revenue	$ 25,751	$ -	$ 25,751
Revenue from state sources	7,679,899	8,155	7,688,054
Revenue from federal sources	1,811,761	462,828	2,274,589
Interest income on investments	823	-	823
Total Revenues	9,518,234	470,983	9,989,217
Expenditures			
Current			
Administration	281,048	-	281,048
School support services	740,166	-	740,166
Regular instruction	3,729,149	-	3,729,149
Special education instruction	796,908	-	796,908
Instructional support services	564,021	-	564,021
Pupil support services	1,809,626	437,637	2,247,263
Sites and buildings	370,709	-	370,709
Fiscal and other fixed cost programs	22,611	-	22,611
Capital outlay			
School support services	15,838	-	15,838
Regular instruction	1,099	-	1,099
Instructional support services	169	-	169
Sites and buildings	3,590	-	3,590
Debt service			
Principal	973,083	-	973,083
Interest and other	28,477	-	28,477
Total Expenditures	9,336,494	437,637	9,774,131
Net Change in Fund Balances	181,740	33,346	215,086
Fund Balances, July 1	2,564,079	53,294	2,617,373
Fund Balances, June 30	$ 2,745,819	$ 86,640	$ 2,832,459

The notes to the financial statements are an integral part of this statement.

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2022

Amounts Reported for Governmental Activities in the Statement of Activities are Different because

Total Net Change in Fund Balances - Governmental Funds	$	215,086
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Depreciation/amortization expense		(712,627)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.		
Retirement of lease payable		973,083
Long-term pension activity is not reported in governmental funds.		
Pension expense		(393,786)
Pension revenue		2,981
Change in Net Position - Governmental Activities	$	84,737

The notes to the financial statements are an integral part of this statement.

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2022

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Other local revenue	$ 24,177	$ 24,177	$ 25,751	$ 1,574
Revenue from state sources	7,522,412	7,522,412	7,679,899	157,487
Revenue from federal sources	423,463	423,463	1,811,761	1,388,298
Interest income on investments	823	823	823	-
Total Revenues	7,970,875	7,970,875	9,518,234	1,547,359
Expenditures				
Current				
Administration	277,913	277,913	281,048	(3,135)
School support services	670,359	670,359	740,166	(69,807)
Regular instruction	2,736,191	2,736,191	3,729,149	(992,958)
Special education instruction	830,255	830,255	796,908	33,347
Instructional support services	535,005	535,005	564,021	(29,016)
Pupil support services	1,379,446	1,379,446	1,809,626	(430,180)
Sites and buildings	228,604	228,604	370,709	(142,105)
Fiscal and other fixed cost programs	22,279	22,279	22,611	(332)
Capital outlay				
School support services	-	-	15,838	(15,838)
Regular instruction	63,900	63,900	1,099	62,801
Instructional support services	-	-	169	(169)
Sites and buildings	5,305	5,305	3,590	1,715
Debt service				
Principal	1,041,009	1,041,009	973,083	67,926
Interest and other	-	-	28,477	(28,477)
Total Expenditures	7,790,266	7,790,266	9,336,494	(1,546,228)
Excess (Deficiency) of Revenues Over (Under) Expenditures	180,609	180,609	181,740	1,131
Other Financing Sources (Uses)				
Transfers out	(40,790)	(40,790)	-	40,790
Net Change in Fund Balances	139,819	139,819	181,740	41,921
Fund Balances, July 1	2,564,079	2,564,079	2,564,079	-
Fund Balances, June 30	$ 2,703,898	$ 2,703,898	$ 2,745,819	$ 41,921

The notes to the financial statements are an integral part of this statement.

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

STEP Academy, Charter School No. 4200, (the Charter School), St. Paul, Minnesota is a non-profit corporation under section 501(c)(3) of the Internal Revenue Code of 1954, for the purpose of providing educational services to individuals within the area. The School is sponsored by Innovative Quality Schools. The sponsor has limited oversight responsibility but is not financially accountable for the Charter School. Therefore, the Charter School is not considered a component unit of the sponsor. The primary objective of the Charter School is to educate students in a well-rounded STEM curriculum with a multi-disciplinary instructional approach. The permanent governing body consists of a Board of Directors composed of up to five members elected by voters of the general membership of the Charter School.

The Charter School has considered all potential units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Charter School are such that exclusion would cause the Charter School's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organizations governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Charter School has no component units that meet the aforementioned criteria. The school does not have any student activity accounts.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

The statement of activities demonstrates the degree to which the Charter School expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other internally dedicated resources are reported as general revenues rather than as program revenues. Other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Other revenue is considered available if collected within one year.

Note 1: Summary of Significant Accounting Policies (Continued)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include grants, entitlement and donations. On an accrual basis, revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Charter School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

This preparation of the basic financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Description of Funds

The Charter School's funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. A description of the funds included in the report is as follows:

Major Governmental Fund

The *General fund* is the Charter School's primary operating fund. It accounts for all financial resources of the Charter School, except those required to be accounted for in another fund.

Nonmajor Governmental Fund

The *Food Service special revenue fund* is used to account for food service revenues and expenditures. The primary revenue source is intergovernmental revenue from state and federal sources that are restricted for food service operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The Charter School's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The Charter School may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

4. General obligations of the Minnesota Housing Finance Agency rated "A" or better

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

6. Banker's acceptances of United States banks eligible for purchase by the Federal Reserve System.

7. Commercial paper issued by United States banks, corporations or their Canadian subsidiaries, of highest quality, and maturing in 270 days or less.

8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Charter School has not adopted a formal investment policy.

Due from the Minnesota Department of Education and Federal Government

Due from Minnesota Department of Education and Federal Government include amounts for expenditures that have been incurred before year end and will be reimbursed with State and Federal funding. No substantial losses are anticipated from present balances, therefore no allowance for uncollectible has been recorded.

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable include amounts billed for services provided before year-end. No substantial losses are anticipated from present receivable balances, therefore no allowance for uncollectible has been recorded.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the Charter School as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Computer Equipment	5
Office Equipment	10 - 20
Furniture	20
Leased Assets - Building	10

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Charter School has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statement of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Note 1: Summary of Significant Accounting Policies (Continued)

Pensions

Teachers Retirement Association (TRA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. The General fund is typically used to liquidate the governmental net pension liability. Additional information can be found in Note 4.

Public Employees Retirement Association (PERA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the General Employee Plan (GERP) and TRA is as follows:

	GERP	TRA	Total Pension Expense
Pension Expense	$ 76,834	$ 636,869	$ 713,703

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Charter School has one type of item, which arises only under a full accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, deferred pension resources is reported only in the government-wide statement of net position of the government-wide statements and results from actuarial calculations.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the Charter School is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Directors, which is the Charter School's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board of Directors modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board of Directors itself or by an official to which the governing body delegates the authority.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The Charter School considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the Charter School would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The Charter School has formally adopted a fund balance policy for the General fund. The Charter School's policy is to maintain a minimum unassigned fund balance of 20 percent of operating expenditures.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation/amortization reduced by any outstanding debt attributable to acquire those assets.

b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted resources are available for use, it is the Charter School's policy to use restricted resources first, then unrestricted resources as they are needed.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and Food Service fund. A budget is prepared for the General fund and the Food Service fund on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the fund. The budget for the General and Food Service funds were not updated for the year ended June 30, 2022.

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

1. Prior to July 1, the budget is prepared by the Executive Director and Contracted Accountant to be adopted by the Board of Directors.

2. A budget for the General fund and Food Service fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

3. Budgeted amounts are as amended.

4. Budget appropriations lapse at year end.

5. The legal level of control is at the fund level.

6. The Charter School does not use encumbrance accounting.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2022, expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	$ 7,790,266	$ 9,336,494	$ 1,546,228
Food Service	382,273	437,637	55,364

The excess of expenditures over appropriation was funded by revenues in excess of budget.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the Charter School's deposits and investments may not be returned or the Charter School will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Executive Committee, the Charter School maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all Charter School deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the Charter School.

At year-end, the Charter School's carrying amount of deposits was $2,267,175 and the bank balance was $2,441,645. The bank balance was covered by federal depository insurance.

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets Being Depreciated				
Leasehold Improvements	$ 244,555	$ -	$ -	$ 244,555
Equipment and Furniture	308,760	-	-	308,760
Leased Building (Intangible Right to Use Asset)	3,311,234			3,311,234
Total Capital Assets Being Depreciated	3,864,549	-	-	3,864,549
Less Accumulated Depreciation/Amortization for				
Leasehold Improvements	(45,627)	(20,225)	-	(65,852)
Equipment and Furniture	(138,180)	(30,155)	-	(168,335)
Leased Building (Intangible Right to Use Asset)	-	(662,247)	-	(662,247)
Total Accumulated Depreciation/Amortization	(183,807)	(712,627)	-	(896,434)
Total Capital Assets Being Depreciated, Net	3,680,742	(712,627)	-	2,968,115
Governmental Activities Capital Assets, Net	$ 3,680,742	$ (712,627)	$ -	$ 2,968,115

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

Governmental Activities	
School Support Services	$ 3,044
Regular Instruction	19,490
Special Education Instruction	1,236
Instructional Support Services	412
Pupil Support Services	169
Site, Building and Equipment	688,276
Total Depreciation and Amortization Expense - Governmental Activities	$ 712,627

Note 3: Detailed Notes on All Funds (Continued)

C. Lease Liability

On January 19, 2016, the Charter School entered into a lease agreement with The Church of Sacred Heart for the school building. The lease agreement is for ten years and has a commencement date of July 1, 2016, and termination date of June 30, 2026. The lease agreement has one option for an additional five years. The Charter School had total lease expense for the year ended June 30, 2022 of $1,001,560. The lease agreement is summarized below:

Description	Total Lease Liability	Interest Rate	Issue Date	Payment Terms	Balance at Year End
Sacred Heart Church Building	$ 3,311,234	1.10 %	01/19/16	10 years	$ 2,338,151

The following is a summary of the future lease payments:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2023	$ 548,901	$ 22,958	$ 301,043
2024	571,778	16,805	588,583
2025	596,293	10,392	606,685
2026	621,179	3,707	624,886
Total	$ 2,338,151	$ 53,862	$ 2,121,197

D. Long-term Liabilities

Long-term liability activity for the year ended June 30, 2022 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Lease Payable	$ 3,311,234	$ -	$ (973,083)	$ 2,338,151	$ 548,901

Note 4: Defined Benefit Pension Plans - Statewide

A. Teacher Retirement Association (TRA)

1. Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota statutes, chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials.

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

2. Benefits Provided

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

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

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

With these provisions:

1. Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
2. Three percent per year early retirement reduction factors for all years under normal retirement age.
3. Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Tier II: For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

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

3. Contribution Rate

Per Minnesota statutes, chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

	Ending June 30, 2020		Ending June 30, 2021		Ending June 30, 2022	
Plan	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.92%	11.00%	12.13%	11.00%	12.34%
Coordinated	7.50%	7.92%	7.50%	8.13%	7.50%	8.34%

The Charter School’s contributions to TRA for the years ending June 30, 2022, 2021 and 2020 were $255,703, $224,979 and $203,174, respectively. The Charter School’s contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

The following is a reconciliation of employer contributions in TRA's Annual Comprehensive Financial Report "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations.

Employer Contributions Reported in TRA's Annual Comprehensive Financial Report Statement of Changes in Fiduciary Net Position	$ 448,829,000
Add Employer Contributions Not Related to Future Contribution Efforts	379,000
Deduct TRA's Contributions Not Included in Allocation	(538,000)
Total Employer Contributions	448,670,000
Total Non-employer Contributions	37,840,000
Total Contributions Reported in Schedule of Employer and Non-Employer Pension Allocations	$ 486,510,000

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

4. Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2021
Measurement date	June 30, 2021
Experience study	June 5, 2019 (dempgraphic assumptions November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.00%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.5% to 9.25% thereafter
Cost of living adjustment	1% for January 2020 through January 2023 then increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-retirement	RP - 2014 white collar employee table, male rates set back six years and female rates set back seven years. Generational projection uses the MP - 2015 scale.
Post-retirement	RP - 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP - 2015 scale.
Post-disability	RP - 2014 disabled retiree mortality table, without adjustments.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.50 %	5.10 %
International Equity	17.50	5.30
Private Markets	25.00	5.90
Fixed Income	20.00	0.75
Unallocated Cash	2.00	-
Total	100.00 %	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6.00 years. The “Difference Between Expected and Actual Experience”, “Changes of Assumptions” and “Changes in Proportion” use the amortization period of 6.00 years in the schedule presented. The amortization period for “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” is 5.00 years as required by GASB 68.

Changes in actuarial assumptions since the 2020 valuation:

- Assumed termination rates were changed to reflect actual experience more closely.
- The pre-retirement mortality assumption was changed to RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

5. Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The discount rate used to measure the TPL at the Prior Measurement Date was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2021 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

6. Net Pension Liability

On June 30, 2022, the STEP Academy reported a liability of $2,021,850 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportion of the net pension liability was based on the Charter School's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The Charter School's proportionate share was 0.0462 which was an increase of 0.0021 percent from the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the Charter School as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the Charter School were as follows:

Charter School's Proportionate Share of Net Pension Liability	$	2,021,850
State's Proportionate Share of Net Pension Liability Associated with the Charter School		170,532

For the year ended June 30, 2022, the Charter School recognized pension expense of $634,960. It also recognized $1,909 as an increase to pension expense for the support provided by direct aid.

On June 30, 2022, the Charter School had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 55,425	$ 47,032
Changes in Actuarial Assumptions	968,804	1,163,999
Net Difference Between Projected and Actual Earnings on Plan Investments	-	1,687,425
Changes in Proportion	762,841	-
Contributions to TRA Subsequent to the Measurement Date	255,703	-
Total	$ 2,042,773	$ 2,898,456

Deferred outflows of resources totaling $255,703 related to pensions resulting from Charter School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

2023	$	(213,126)
2024		(488,395)
2025		(38,415)
2026		(238,408)
2027		(251,966)
Thereafter		118,924

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

7. Pension Liability Sensitivity

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

1 Percent Decrease (6.00%)	Current (7.00%)	1 Percent Increase (8.00%)
$ 4,084,236	$ 2,021,850	$ 330,530

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

8. Pension Plan Fiduciary Net Position

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

B. Public Employees' Retirement Association (PERA)

1. Plan Description

The Charter School participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota statutes*, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

<u>General Employees Retirement Plan</u>

All full-time and certain part-time employees of the Charter School, other than teachers, are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Benefits Provided

PERA provides, retirement disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

General Employee Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

3. Contributions

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the District was required to contribute 7.50 percent for Coordinated Plan members. The Charter School's contributions to the General Employees Fund for the years ending June 30, 2022, 2021 and 2020 were $64,216, $54,872, and $57,047, respectively. The Charter School's contributions were equal to the contractually required contributions for each year as set by state statute.

4. Pension Costs

General Employee Fund Pension Costs

At June 30, 2022 the Charter School reported a liability of $435,586 for its proportionate share of the General Employee Fund's net pension liability. The Charter School's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Charter School totaled $13,287. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportion of the net pension liability was based on the Charter School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The Charter School's proportion was 0.0102 percent which was an decrease of 0.0005 from the prior period proportion measured as of June 30, 2020.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

For the year ended June 30, 2022, the Charter School recognized pension expense of $75,762 for its proportionate share of General Employees Plan's pension expense. In addition, the Charter School recognized an additional $1,072 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At June 30, 2022, the Charter School reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 2,440	$ 13,405
Changes in Actuarial Assumptions	265,959	9,684
Net Difference Between Projected and Actual Earnings on Plan Investments	-	373,140
Changes in Proportion	57,428	-
Contributions to PERA Subsequent to the Measurement Date	64,216	-
Total	$ 390,043	$ 396,229

The $64,126 reported as deferred outflows of resources related to pensions resulting from Charter 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 and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	$ 19,539
2024	15,618
2025	(2,669)
2026	(102,890)

5. Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The table is adjusted slightly to fit PERA's experience.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.

- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

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

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

6. *Discount Rate*

The discount rate used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

7. Pension Liability Sensitivity

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

1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
$ 888,372	$ 435,586	$ 64,047

8. Pension Plan Fiduciary Net Position

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

Note 5: Commitments and Contingencies

Federal and State Programs

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the Charter School expects such amounts, if any, to be immaterial.

Note 6: Subsequent Event

The Charter School approved the issuance of a line of credit through Choice Financial Group. The line of credit is authorized for $1,250,000 and has a commencement date of November 15, 2022 for one year. The interest rate on the line of credit is noted at 7.00 percent.

Note 7: Change in Accounting Principle

For fiscal year 2022, the Charter School implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Charter School's 2022 financial statements. The Charter School's recognition of the beginning balances related to the lease liability and the intangible right to use lease asset were equal balances and had no effect on the beginning net position of the Governmental Activities.

Note 8: Other Information

A. Risk Management

The Charter 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 for which the Charter School carries commercial insurance. Settled claims have not exceeded this commercial coverage for the past three years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNR). The Charter School's management is not aware of any incurred but not reported claims.

B. Economic Dependency

The Charter School has a significant amount of revenue (77.0%) coming from the State of Minnesota.

C. Income Taxes

The Charter School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Charter School also qualifies as a tax-exempt organization under applicable statutes of the State of Minnesota.

Management believes that it is not reasonably possible for any tax position benefits to increase or decrease significantly over the next 12 months. As of June 30, 2016, there were no income tax related accrued interest or penalties recognized in either the statement of financial position or the statement of activities.

The Charter School files informational returns in the U.S. federal jurisdiction, and in the Minnesota state jurisdiction. U.S. federal returns and Minnesota returns for the prior three fiscal years are closed. No returns are currently under examination in any tax jurisdiction.

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REQUIRED SUPPLEMENTARY INFORMATION

STEP ACADEMY CHARTER SCHOOL
CHARTER SCHOOL NO. 4200
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2022

Schedule of Employer's Share of TRA Net Pension Liability

Year Ending	Charter School's Proportion of the Net Pension Liability	Charter School's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the Charter School (b)	Total (a+b)	Charter School's Covered Payroll (c)	Charter School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/21	0.0462 %	$ 2,021,850	$ 170,532	$ 2,192,382	$ 2,767,269	73.1 %	86.6 %
06/30/20	0.0441	3,258,167	273,068	3,531,235	2,565,328	127.0	75.5
06/30/19	0.0332	2,116,175	187,078	2,303,253	1,930,052	109.6	78.2
06/30/18	0.0295	1,851,461	173,697	2,025,158	1,706,053	108.5	78.1
06/30/17	0.0190	3,792,745	365,987	4,158,732	1,021,627	371.2	51.6
06/30/16	0.0171	4,078,758	409,044	4,487,802	890,440	458.1	44.9
06/30/15	0.0158	977,386	119,629	1,097,015	801,827	121.9	76.8
06/30/14	0.0153	705,013	49,668	754,681	653,453	107.9	81.1

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's TRA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Charter School's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/22	$ 255,703	$ 255,703	$ -	$ 3,065,983	8.34 %
06/30/21	224,979	224,979	-	2,767,269	8.13
06/30/20	203,174	203,174	-	2,565,328	7.92
06/30/19	148,807	148,807	-	1,930,052	7.71
06/30/18	127,954	127,954	-	1,706,053	7.50
06/30/17	76,622	76,622	-	1,021,627	7.50
06/30/16	66,783	66,783	-	890,440	7.50
06/30/15	60,137	60,137	-	801,827	7.50
06/30/14	49,009	49,009		700,129	7.25

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2021 - The investment return assumption was changed from 7.50 percent to 7.00 percent

2020 - Assumed termination rates were changed to more closely reflect actual experience. The pre-retirement mortality assumption was changed to RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 - No changes noted.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

2014 - The cost of living adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2034.

Notes to the Required Supplementary Information - TRA (Continued)

Changes in Plan Provisions

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

2018 - The 2018 Omnibus Pension Bill contained a number of changes:

- The COLA was reduced from 2.0 percent each January 1 to 1.0 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1 percent each year until reaching the ultimate rate of 1.5 percent in January 1, 2028.

- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

- The COLA trigger provision, which would have increased the COLA to 2.5 percent if the funded ratio was at least 90 percent for two consecutive years, was eliminated.

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0 percent to 3.0 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5 percent to 7.5 percent, effective July 1, 2018.

- The employer contribution rate is increased each July 1 over the next 6 years (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 - No changes noted.

2016 - No changes noted.

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

2014 - The increase in the post-retirement benefit adjustment (COLA) will be made once the plan is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2022

Schedule of Employer's Share of PERA Net Pension Liability

Year Ending	Charter School's Proportion of the Net Pension Liability	Charter School's Proportionate Share of the Net Pension Liability (a)	State's Proportianate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	Charter School's Covered Payroll (c)	Charter School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2021	0.0102 %	$ 435,586	$ 13,287	$ 448,873	731,624	59.5 %	87.0 %
6/30/2020	0.0107	641,514	19,728	661,242	760,627	84.3	79.0
6/30/2019	0.0093	514,176	15,999	530,175	655,720	80.9	80.2
6/30/2018	0.0084	465,998	15,329	481,327	562,960	85.5	79.5
6/30/2017	0.0051	325,581	4,108	329,689	329,693	100.0	75.9
6/30/2016	0.0038	308,541	3,978	312,519	234,587	133.2	68.9
6/30/2015	0.0043	222,848	-	222,848	248,293	89.8	78.2
6/30/2014	0.0053	248,967	-	248,967	280,055	88.9	78.7

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Charter School's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/22	$ 64,214	$ 64,214	$ -	$ 856,214	7.50 %
06/30/21	54,872	54,872	-	731,624	7.50
06/30/20	57,047	57,047	-	760,627	7.50
06/30/19	49,179	49,179	-	655,720	7.50
06/30/18	42,222	42,222	-	562,960	7.50
06/30/17	24,727	24,727	-	329,693	7.50
06/30/16	17,594	17,594	-	234,587	7.50
06/30/15	18,622	18,622	-	248,293	7.50
06/30/14	20,304	20,304	-	280,055	7.25

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2021- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

2021 - There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 - The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The state's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016 - No changes noted.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

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INDIVIDUAL FUND SCHEDULES AND TABLE

STEP ACADEMY CHARTER SCHOOL
CHARTER SCHOOL NO. 4200
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on the Following Page)
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Other local revenue	$ 24,177	$ 24,177	$ 25,751	$ 1,574	$ 6,673
Revenue from state sources	7,522,412	7,522,412	7,679,899	157,487	7,358,246
Revenue from federal sources	423,463	423,463	1,811,761	1,388,298	670,240
Interest income on investments	823	823	823	-	2,053
Total Revenues	7,970,875	7,970,875	9,518,234	1,547,359	8,037,212
Expenditures					
Current					
Administration					
Salaries	180,000	180,000	191,228	(11,228)	175,027
Employee benefits	64,837	64,837	60,744	4,093	57,412
Purchased services	6,050	6,050	135	5,915	1,445
Supplies and materials	-	-	1,915	(1,915)	278
Other	27,026	27,026	27,026	-	26,791
Total administration	277,913	277,913	281,048	(3,135)	260,953
School support services					
Salaries	236,579	236,579	223,032	13,547	197,351
Employee benefits	134,942	134,942	93,563	41,379	105,781
Purchased services	220,763	220,763	215,779	4,984	174,715
Supplies and materials	63,720	63,720	207,742	(144,022)	47,979
Other	14,355	14,355	50	14,305	195
Total school support services	670,359	670,359	740,166	(69,807)	526,021
Regular instruction					
Salaries	1,987,194	1,987,194	2,774,307	(787,113)	2,294,732
Employee benefits	534,861	534,861	674,723	(139,862)	598,192
Purchased services	34,897	34,897	27,293	7,604	14,576
Supplies and materials	177,424	177,424	205,390	(27,966)	125,159
Other	1,815	1,815	47,436	(45,621)	-
Total regular instruction	2,736,191	2,736,191	3,729,149	(992,958)	3,032,659
Special education instruction					
Salaries	612,224	612,224	579,144	33,080	555,535
Employee benefits	148,378	148,378	147,248	1,130	137,608
Purchased services	69,388	69,388	68,023	1,365	59,706
Supplies and materials	-	-	2,493	(2,493)	3,298
Other	265	265	-	265	-
Total special education instruction	830,255	830,255	796,908	33,347	756,147

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Instructional support services					
Salaries	$ 422,079	$ 422,079	$ 446,038	$ (23,959)	$ 330,259
Employee benefits	111,574	111,574	111,574	-	86,128
Purchased services	982	982	1,081	(99)	8,687
Supplies and materials	370	370	5,328	(4,958)	38,032
Total instructional support services	535,005	535,005	564,021	(29,016)	463,106
Pupil support services					
Salaries	67,800	67,800	62,876	4,924	18,700
Fringe benefits	21,775	21,775	13,300	8,475	5,342
Purchased services	1,287,633	1,287,633	1,697,877	(410,244)	1,042,305
Supplies and materials	2,238	2,238	35,573	(33,335)	-
Total pupil support services	1,379,446	1,379,446	1,809,626	(430,180)	1,066,347
Site, building and equipment					
Purchased services	203,537	203,537	311,833	(108,296)	1,266,631
Supplies and materials	24,967	24,967	58,776	(33,809)	14,672
Other	100	100	100	-	100
Total site, building and equipment	228,604	228,604	370,709	(142,105)	1,281,403
Fiscal and other fixed cost programs					
Purchased services	22,279	22,279	22,611	(332)	21,120
Total current	6,680,052	6,680,052	8,314,238	(1,634,186)	7,407,756
Capital outlay					
Administration	-	-	-	-	-
School support services	-	-	15,838	(15,838)	-
Regular instruction	63,900	63,900	1,099	62,801	42,799
Instructional support services	-	-	169	(169)	59,367
Sites and buildings	5,305	5,305	3,590	1,715	86,123
Total capital outlay	69,205	69,205	20,696	48,509	188,289
Debt service					
Principal	1,041,009	1,041,009	973,083	67,926	-
Interest and other	-	-	28,477	(28,477)	-
Total debt service	1,041,009	1,041,009	1,001,560	39,449	-
Total Expenditures	7,790,266	7,790,266	9,336,494	(1,546,228)	7,596,045
Excess (Deficiency) of Revenues Over Expenditures	180,609	180,609	181,740	1,131	441,167
Other Financing Sources (Uses)					
Transfers out	(40,790)	(40,790)	-	40,790	-
Net Change in Fund Balances	139,819	139,819	181,740	41,921	441,167
Fund Balances, July 1	2,564,079	2,564,079	2,564,079	-	2,122,912
Fund Balances, June 30	$ 2,703,898	$ 2,703,898	$ 2,745,819	$ 41,921	$ 2,564,079

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STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Food Service Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2022
(With Comparative Actual Amounts for the Year Ended June 30, 2021)

	2022				2021
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Revenue from state sources	$ 10,064	$ 10,064	$ 8,155	$ (1,909)	$ 58,991
Revenue from federal sources	351,930	351,930	462,828	110,898	146,472
Total Revenues	361,994	361,994	470,983	108,989	205,463
Expenditures					
Current					
Food service	382,273	382,273	437,637	(55,364)	211,231
Excess (Deficiency) of Revenues Over Expenditures	(20,279)	(20,279)	33,346	53,625	(5,768)
Other Financing Sources (Uses)					
Transfers in	39,416	39,416	-	(39,416)	-
Net Change in Fund Balances	19,137	19,137	33,346	14,209	(5,768)
Fund Balances, July 1	-	-	53,294	53,294	59,062
Fund Balances, June 30	$ 19,137	$ 19,137	$ 86,640	$ 67,503	$ 53,294

Fiscal Compliance Report - 6/30/2022
District: STEP ACADEMY CHARTER SCH (4200-7)

01 GENERAL FUND

	Audit	UFARS	Audit - UFARS
Total Revenue	$9,518,234	$9,518,229	$5
Total Expenditures	$9,336,494	$9,336,488	$6
Non Spendable:			
4.60 Non Spendable Fund Balance	$115,354	$115,354	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$0	$0	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$0	$0	$0
4.72 Medical Assistance	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$0	$0	$0
Unassigned:			
4.22 Unassigned Fund Balance	$2,630,465	$2,630,464	$1

02 FOOD SERVICES

	Audit	UFARS	Audit - UFARS
Total Revenue	$470,983	$470,982	$1
Total Expenditures	$437,637	$437,636	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$700	$700	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$85,940	$85,940	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0

06 BUILDING CONSTRUCTION

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

18 CUSTODIAL

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0

20 INTERNAL SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

25 OPEB REVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			

4.31 Community Education	$0	$0	$0
4.32 E.C.F.E	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$0	$0	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

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OTHER REQUIRED REPORTS

STEP ACADEMY CHARTER SCHOOL
CHARTER SCHOOL NO. 4200
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
STEP Academy
Charter School No. 4200
St. Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the remaining fund information of STEP Academy, Charter School No. 4200 (the Charter School), St. Paul, Minnesota as of and for the year ended June 30, 2022, and the related notes to the financial statements, and have issued our report thereon dated February 3, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the Charter School failed to comply with the provisions of the uniform financial accounting and reporting standards, and charter schools sections of the Minnesota Legal Compliance Audit Guide for Charter Schools, promulgated by the State Auditor pursuant of Minn. Stat. 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Charter School's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

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Abdo
Minneapolis, Minnesota
February 3, 2023

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*

Board of Directors
STEP Academy
Charter School No. 4200
St. Paul, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the remaining fund information of STEP Academy, Charter School No. 4200 (the Charter School), St. Paul, Minnesota, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter Schools basic financial statements and have issued our report thereon dated February 3, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Charter School'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 Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Minneapolis, Minnesota
February 3, 2023

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FEDERAL FINANCIAL AWARD PRORGAMS

STEP ACADEMY CHARTER SCHOOL
CHARTER SCHOOL NO. 4200
ST. PAUL, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY *UNIFORM GUIDANCE***

Board of Directors
STEP Academy
Charter School No. 4200
St. Paul, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited STEP Academy, Charter School No. 4200 (the Charter School), St. Paul, Minnesota compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Charter School's major federal programs for the year ended June 30, 2022. The Charter School's major Federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Charter School and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Charter School 's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Charter School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Charter School 's compliance based on our audit. 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, *Government Auditing Standards,* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Charter School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Charter School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Abdo

Abdo
Minneapolis, Minnesota
February 3, 2023

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Administering Department	Grant Name	Federal Domestic Assistance Number	Federal Program Clusters	Subtotals	Federal Expenditures
U.S. Department of Education					
MN Department of Education	Title I Grants to Local Educational Agencies	84.010			$ 256,468
MN Department of Education	English Language Acquisition State Grants	84.365			44,084
MN Department of Education	Supporting Effective Instruction State Grants	84.367			16,343
MN Department of Education	COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief and Economic Security Act (ESSER II)	84.425U		$ 511,242	
MN Department of Education	COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief and Economic Security Act (ARP ESSER)	84.425D		777,665	
	Total COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief and Economic Security Act				1,288,907
MN Department of Education	Special Education (IDEA, Part B)	84.027	129,952		
	Total Special Education (IDEA) Cluster				129,952
Total U.S. Department of Education					1,735,754
U.S. Department of Health					
MN Department of Health	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323			40,000
U.S. Department of Treasury					
MN Department of Revenue	COVID-19 - Coronavirus State and Local Fiscal Recovery	21.027			36,007
U.S. Department of Agriculture					
MN Department of Education	School Breakfast Program	10.553	120,015		
MN Department of Education	National School Lunch Program	10.555	337,700		
	Total Child Nutrition Cluster				457,715
MN Department of Education	State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant	21.019			5,113
Total U.S. Department of Agriculture					462,828
Total					$ 2,274,589

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of STEP Academy, Charter School No. 4200 (the Charter School) under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the Charter School, it is not intended to and does not present the financial position, changes in net position or cash flows of the Charter School.

Note 2: Summary of Significant Accounting Policies for Expenditures

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds, which is described in Note 1C to the Charter School's financial statements. This activity is reported in the General fund and nonmajor governmental funds.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended June 30, 2022, the Charter School did not elect to use the 10 percent de minimis indirect cost rate.

STEP Academy
Charter School No. 4200
St. Paul, Minnesota
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued		Unmodified
Internal control over financial reporting		
Material weaknesses identified?		No
Significant deficiencies identified not considered to be material weaknesses?		None reported
Noncompliance material to financial statements noted?		No

Federal Awards

Internal control over major programs		
Material weaknesses identified?		No
Significant deficiencies identified not considered to be material weaknesses?		None reported
Type of auditor's report issued on compliance for major programs		Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 516(a) of Uniform Guidance?		No

Identification of Major Programs/Projects

Department of Education		
Education Stabilization Fund Under the Coronavirus Relief and Economic Security Act		84.425U
Education Stabilization Fund Under the Coronavirus Relief and Economic Security Act		84.425D
Dollar threshold used to distinguish between Type A and Type B Programs	$	750,000
Auditee qualified as low-risk auditee?		No

Section II - Financial Statement Findings

There were no findings related to the audit of the financial statements reported in the 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* .

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with Uniform Guidance.