

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**JUNE 30, 2015**

**Newark Educators'  
Community Charter School**

**PREPARED BY  
Newark Educators' Community Charter School**

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

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# Newark Educators' Community Charter School.

November 13, 2015

Commissioner David C. Hespe  
New Jersey Department of Education  
100 Riverview Executive Plaza  
CN - 500  
Trenton, New Jersey 08625-0500

Dear Commissioner Hespe:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Newark Educators' Community Charter School (Charter School) for the fiscal year ended June 30, 2015. This CAFR includes the Charter School's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34.

The Charter School has elected to adopt this new financial reporting model which we believe will provide all users of this document with much more useful financial and statistical information than ever before. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Trustees (Board).

To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Charter School. This report will provide the taxpayers of the Academy for Urban Leadership with comprehensive financial data in a format enabling them to gain an understanding of the Charter School's financial affairs.

The Comprehensive Annual Financial Report is presented in four sections as follows:

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditors' Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;

- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget (OMB) Circular A-133, “*Audits of States, Local Governments and Non-Profit Organizations*”, and the New Jersey State Office of Management and Budget (OMB) Circular 04-04, “*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*”. Information related to this single audit, including the independent auditor’s report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

## **Charter School Organization**

The Board of Trustees is comprised of eleven members: seven are voting members and are elected to oversee that the charter school operates in compliance with statute and administrative code. Voting members of the Board serve as the official governing body of the school charged with policy making, fiscal oversight, and accountability for student academic achievement results of the charter school. Voting members adopt the annual budget and directly approve all expenditures which serve as the basis for control for the authorization of all expenditures of charter school tax money which in turn support the Charter School’s business to promote academic achievement. Non-voting members include the Principal and Director for Learning & Teaching, School Business Administrator/Board Secretary, and Board Attorney.

The Principal of the charter school and is responsible to the board for the implementation and administration of all educational and support operations. The School Business Administrator/Board Secretary is the chief financial officer of the charter school and is responsible to the Board for maintaining all financial records, issuing warrants in payment of liabilities incurred by the charter school, acting as custodian of all charter school funds, and investing idle funds as permitted by New Jersey Law.

1. **REPORTING ENTITY AND ITS SERVICES:** The Charter School is an independent reporting entity within the criteria adopted by the Government Auditing Standards Board (GASB) as established by GASB Statement No. 14. All funds and account groups of the Charter School are included in this report. The Charter School’s Board of Trustees, constitutes the Charter School’s reporting entity.

The Charter School provides a full range of educational services appropriate to grade levels K through 5. These include both regular and special education programs. As of June 30, 2015, the Charter School’s final head count was 310 students.

2. **MAJOR INITIATIVES:** The following are the major initiatives successfully implemented at the Charter School for 2014-2015 school year:
  - PARCC preparation and instructional alignment to the Common Core State Standards (CCSS)
    - Our curriculum addresses the individual needs of students and ensures that all students meet their grade level skill sets as indicated in the common core for college and career readiness.

- Teachers use Grant Wiggins' techniques of backward design in order to ensure data-driven instruction. This methodology is studied and practiced through our professional development in addition to Collaborative Team Teaching and Differentiated Instruction. These professional development foci are the means to equipping teachers with the skills and strategies they need to best reach children with different learning styles, strengths, and needs. PD has been prioritized and aligned with the common core state standards.
  - Students in each grade are immersed in three in-depth integrated studies units each year. These units focus on the people that have influenced history, the places that have historical significance, and the events that have shaped history. Beginning in kindergarten, students learn to mix skills and content knowledge in order to formulate opinions about history and develop as individuals with the potential to positively influence history. Well-designed curriculum is characterized by the reflection of certain systems, skills, big ideas, and concepts that students begin to explore in kindergarten and learn how those systems build on one another; leading us to how administration supports the overall program of practice.
  - Administration and coaches conduct curriculum audits to ensure that instruction within the classroom is consistent throughout each grade level. As the key concepts are highlighted in the scope and sequence, these concepts are aligned to the common core standards to determine gaps or overlaps. Once the alignment is completed, additional resources are used to expand the curriculum and to help determine how students are responding to lessons through assessments. (hence reporting cycle).
  - Our school reporting cycle helps to connect the interplay of lesson planning, student work/data samples, gradebook, progress reports, report cards and interim assessments and forces us to look at the alignment of content, assessments and instruction as the core of our teaching practice. "The standards are NOT the curriculum, but they are the foundation for the curriculum."
  - There are an ongoing discussion with staff at grade team meetings about learning goals, performance objectives and essential questions which helps administration check for alignment to the standards, and to make changes in sequence or duration of units to assist teachers in reteaching standards that students may struggle with in hope of meeting benchmarks.
  - The Instructional plan (scope and sequence) is reviewed yearly based on teacher feedback and reflections about aspect of the curriculum, where student's readiness was not at peak performance or additional differentiated instruction was needed. These updates are completed by teams of teacher during the summer and within the school year as necessary.
- Increase student enrollment through participation in Newark Public School's Universal Enrollment. Implemented the following recruitment activities:
- During the months of January and February 2015 we participated in 4 school fairs in different locations throughout Newark.
  - From February thru April 2015 every Tuesday from 9am - 10am, families were encouraged to attend, take a tour of the building, and they also received brochures that outlined the Charter School's curriculum, its programs, and partnerships.



- Promotional literature is always available to visitors and regularly distributed throughout the surrounding communities.
  - The Charter School's website is updated regularly with pictures and videos that highlight all school events and activities.
  - In January 2015, we invited all families to our own school fair to walk the building and visit classrooms.
- The Charter School's families were surveyed twice a year (Fall and Spring). Survey responses help identify new for us to support our students and their families. Family outreach events and workshops are conducted throughout the course of the school year to encourage a sense of community and involvement amongst all stakeholders. These events include:
- Open House Night
  - Report Card Conferences 2x a year
  - Winter Jam- Students and families celebrating Winter Blues with a school dance
  - Celebrate Reading in classroom- family and friends read to students Read-a-thon Saturday Event Community Enrollment and Family Volunteer Day
  - Spring cleaning Family Event
  - Celebration of Talents - Talent Show
  - Monthly Meeting called "Coffee with The Principal" Subjects ranging from
  - Special Education Inclusion Program / Health & Nutrition / Supporting HW
  - Star Breakfast (Monthly Event)
  - New Family Orientation 4 times a year
  - Winter and Spring Food Drives
  - Celebrate Reading with giving away books
  - Family and Friends Skate Night 3x a year
  - Picture Day for families
  - Family Carnival Day
  - Ballroom Dancing 5th Grade
  - Moving On Ceremonies for 4th & 5th Grade
  - Transitional Enrollment for 4th & 5th Grade Family Orientation
  - NJ Performing Arts Celebration with 1st and 2nd Grade students and families
  - Books come alive

3. **INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control designed to ensure that the assets of the Charter School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state financial assistance, the Charter School is responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal control is also subject to periodic evaluation by the Charter School's management.

As part of the Charter School's single audit described earlier, tests are made to determine the adequacy of internal controls, including that portion related to federal and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

4. **BUDGETARY CONTROLS:** In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund and the special revenue fund. The final budget amount, as amended for the fiscal year, is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated at June 30, 2015.

5. **ACCOUNTING SYSTEM AND REPORTS:** The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by Governmental Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds each of which maintains a self-balancing set of accounts. These funds are explained in the "Notes to the Basic Financial Statements."
6. **DEBT ADMINISTRATION:** At June 30, 2015, the Charter School has no outstanding debt. The Charter School entered into a capital equipment lease during the year for wireless communications infrastructure improvements throughout the facility. The lease is for five year period and requires annual payments of \$77,674 per year ending on September 6, 2018.
7. **CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Basic Financial Statement" Note 2. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

8. **RISK MANAGEMENT:** The Board carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, hazard and theft insurance and fidelity bonds.

9. **OTHER INFORMATION:**

**Independent Audit**

State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of Galleros Koh LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendment of 1996 and the related New Jersey OMB Letter Circular Letter 04-04.

The auditor's report on the basic financial statements, combining and individual fund statements, and schedules are included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

10. **ACKNOWLEDGMENTS:** I would like to express my appreciation to the Board of Trustees of Newark Educators' Community Charter School for their concern in providing fiscal accountability to the Charter School and thereby contributing their full support to the development and maintenance of our financial operation.

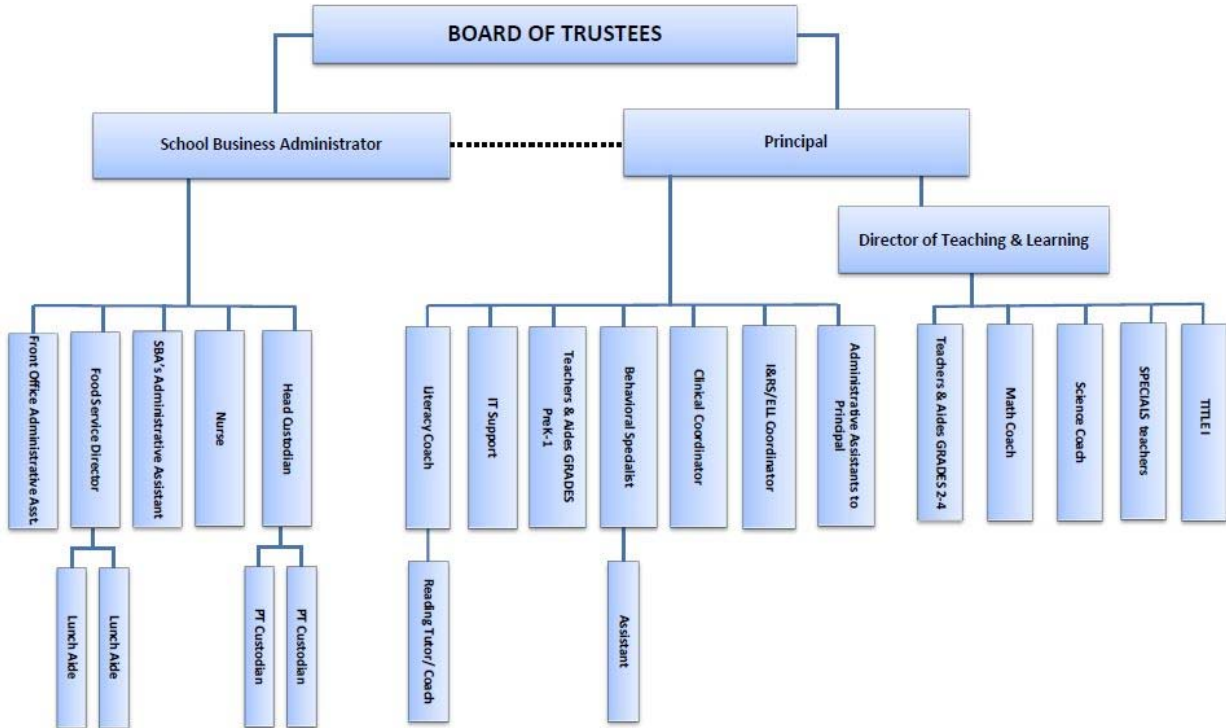
Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Hector B.', with a long horizontal flourish extending to the right.

Hector Berrios  
Business Administrator

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**ORGANIZATIONAL CHART**



**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**ROSTER OF OFFICIALS**

**JUNE 30, 2015**

**Board of Trustees**

<b>MEMBERS OF THE BOARD OF TRUSTEES</b>	<b>TERM</b>
Lisette Curry, President (Effective June 1, 2015)	December 31, 2017
Lynne Eibender, President (Through May 31, 2015)	May 31, 2015
Susan Sullivan, Vice President	September 30, 2016
Mary Serpico, Trustee	August 31, 2016
Sancha Gray, Trustee	September 30, 2016
Roxanne Johnson, Trustee	June 30, 2017
Nausia Bell, Trustee	November 30, 2017
Lamont Repollet, Trustee	December 31, 2017

**OTHER OFFICIALS**

Dina Velez, Principal

Davia Franklyn, Director of Teaching & Learning

Hector Berrios, Board Secretary/Business Administrator

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**CONSULTANTS AND ADVISORS**

**Independent Auditors**

Galleros Koh LLP  
71 W. Main Street, Suite 302  
Freehold, NJ 07728

**Attorneys**

Porzio, Bromberg & Newman, P.C.  
100 Southgate Parkway  
PO Box 1997  
Morristown, NJ 07962-1997

**Official Depositories**

Investors Bank  
130 Washington Avenue  
Carteret, NJ 07008

# **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

The Honorable President and  
Members of the Board of Trustees  
Newark Educators' Community Charter School  
County of Essex  
Newark, New Jersey

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Newark Educators' Community Charter School (the Charter School), in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2015, 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.

### 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.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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



## **INDEPENDENT AUDITORS' REPORT - CONTINUED**

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Newark Educators' Community Charter School, in the County of Essex, State of New Jersey as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

We draw attention to Notes 2 and 7 in the notes to the financial statements which disclose the effects of the Charter School's adoption of the provisions of GASB Statement Nos. 68, *Accounting and Financial Reporting for Pensions* and 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13 through 18, Budgetary Comparison Information on pages 57 through 59, and Schedules Related to Accounting and Reporting for Pensions (GASB 68) on pages 61 through 63 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 and Other Information*

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying introductory section and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

## INDEPENDENT AUDITORS' REPORT - CONTINUED

The accompanying combining and individual fund financial statements are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedules of expenditures of federal awards and state financial assistance (Schedules) are also presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and New Jersey OMB's Letter Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not also a required part of the basic financial statements.

The combining and individual fund financial statements and Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, and the Schedules are fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 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 to describe the scope of our testing of 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 Charter School's internal control over financial reporting and compliance.



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Leonora Galleros, CPA  
Licensed Public School Accountant  
No. 20CS002239400

November 13, 2015  
Freehold, New Jersey

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART I**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

The discussion and analysis of Newark Educators' Community Charter School's (the Charter School) financial performance provides an overall review of the Charter School's financial activities for the fiscal period ended June 30, 2015. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

The Management's Discussion and Analysis (MD&A) provides an analysis of the Charter School's overall financial position and results of operations.

**Introduction**

This section of the Charter School's annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting Model adopted by the Governmental Accounting Standards Board (GASB).

**Financial Highlights**

Key Financial highlights for the fiscal year 2014-2015 are as follows:

- In total, net position decreased from \$418,876 to (\$1,514,315). This significant decrease is the result of the cumulative effect of change in accounting principle that caused a restatement of prior year net position (beginning of the fiscal year) by (\$2,385,728) offset by a positive change in net position for the year ended June 30, 2015 of \$452,537. GASB Statement Nos. 68 and 71 require the Charter School to recognize and report the cost of employees' pensions and proportionate share of the net pension liabilities by June 30, 2015.
- General revenues accounted for \$4,939,263 or 78% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions accounted for \$1,416,209 or 22% of total revenues of \$6,355,472.
- The Charter School had \$5,717,448 in expenses; only \$1,184,079 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4,939,263 were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$5,340,364 in revenues and \$4,965,845 in expenditures. The General Fund's fund balance increased by \$374,519 over 2014.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**Basic Financial Statements**

This annual report consists of a series of basic financial statements, required supplementary information, other supplementary information and notes to those statements and information.

The report is organized so the reader can understand the Newark Educators' Community Charter School as a financial whole, or as an entire operating entity. The first two basic financial Statements, the Statement of Net Position and the statement of activities, are governmental- wide financial statements and provide overall information about the activities of the entire Charter School, presenting both an aggregate view of the Charter School's finances and a long-term view of those finances.

**Fund Financial Statements**

The remaining basic financial statements are fund financial statements that focus on the individual parts of the government, reporting the Charter School's operation in more detail than the government-wide statements. The fund financial statements also look at the Charter School's most significant funds with all other non-major funds presented in total in a single column. For the Newark Educators' Community Charter School, the General Fund is the most significant fund.

The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.

Proprietary fund statements offer short and long-term financial information about the activities; the government operates like a business, such as food service.

Fiduciary fund statements provide information about financial relationship in which the Charter School acts solely as a trustee or agent for the benefits of other, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of Required Supplementary Information that further explains and supports the information in the financial statements.

**Statement of Net Position and Statements of Activities**

While this report contains the funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2015?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. These bases of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

These two statements report the Charter School's net position and changes in the net position. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. This change is the result of many factors some financial, some not. Financial factors represent increases in federal and state funding that resulted from the increase in enrollment noted for the fiscal year ended June 30, 2015. These factors are presented in our discussions on the Charter School as a whole. Non-financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

**Governmental Activities** – Most of the Charter School's programs and services are reported here including instructional, extracurricular activities, curriculum, staff development, special education and other support services, operation and maintenance of plant, pupil transportation, health services and general administration.

**Business-Type Activity** – Services are provided on a charge for goods or services or reimbursement basis to recover the expenses of the goods or services provided. The Food Service enterprise fund is reported as a business activity.

**Reporting the School Charter School's Most Significant Funds**

**Fund Financial Statements**

Fund financial reports provide detailed information about the Charter School's major funds, not the Charter School as a whole. Funds are accounting devices that the Charter School uses to keep track of a multitude of financial transactions. The Charter School's only major governmental fund is the General Fund.

**Governmental Funds**

Most of the Charter School's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statement provides a detailed short-term view of the Charter School's general government operations and the basic services it provides.

Governmental fund information helps determine whether there are sufficient financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the Statement of Net Position and the Statement of Activities and the governmental funds are reconciled in the financial statements.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**Enterprise Fund**

The enterprise fund uses the same basis of accounting as business-type activities; therefore, these statements are essentially the same.

**The Charter School as a Whole**

The perspective of the Statement of Net Position is of the Charter School as a whole. The table below provides a summary of the Charter School's net position at June 30, 2015.

The total net position of the Charter School have increased by \$452,537 during the current fiscal year. The increase is due to increase in state revenues and cost savings.

The table that follows reflects the change in net position for fiscal year 2015.

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Current Assets	\$ 858,457	\$ 42,244	\$ 900,701
Capital Assets, net	<u>241,368</u>	<u>1,296</u>	<u>242,664</u>
Total Assets	<u>1,099,825</u>	<u>43,540</u>	<u>1,143,365</u>
<b>Deferred Outflow of Resources</b>			
	<u>146,250</u>	<u>-</u>	<u>146,250</u>
<b>Liabilities</b>			
Current Liabilities	102,472	(12,767)	89,705
Noncurrent liabilities	<u>2,254,314</u>	<u>-</u>	<u>2,254,314</u>
Total Liabilities	<u>2,356,786</u>	<u>(12,767)</u>	<u>2,344,019</u>
<b>Deferred Inflow of Resources</b>			
	<u>459,911</u>	<u>-</u>	<u>459,911</u>
<b>Net Position</b>			
Invested in Capital Assets (net of related debt)	8,340	1,296	9,636
Unrestricted	<u>(1,578,962)</u>	<u>55,011</u>	<u>(1,523,951)</u>
Total Net Position	<u>\$ (1,570,622)</u>	<u>\$ 56,307</u>	<u>\$ (1,514,315)</u>

In 2015, total revenues increased by \$1.06 million about 20% compared to total revenues in 2014. This was mainly due to increase in enrollment in 2015. Total expenses increased by \$0.89 million, about 18%.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

	Governmental		Business Type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charge for Services	\$ -	\$ -	\$ 46,643	\$ 6,227	\$ 46,643	\$ 6,227
Grants and Contributions	<u>1,154,770</u>	<u>356,720</u>	<u>219,074</u>	<u>180,507</u>	<u>1,373,844</u>	<u>537,227</u>
Total Program Revenues	<u>1,154,770</u>	<u>356,720</u>	<u>265,717</u>	<u>186,734</u>	<u>1,420,487</u>	<u>543,454</u>
General Revenues:						
Local Aid	650,324	597,236	-	-	650,324	597,236
Federal and State Aid	4,273,518	4,140,500	-	-	4,273,518	4,140,500
Other	<u>15,421</u>	<u>19,122</u>	<u>-</u>	<u>43</u>	<u>15,421</u>	<u>19,165</u>
Total General Revenues	<u>4,939,263</u>	<u>4,756,858</u>	<u>-</u>	<u>43</u>	<u>4,939,263</u>	<u>4,756,901</u>
Total Revenues	<u>6,094,033</u>	<u>5,113,578</u>	<u>265,717</u>	<u>186,777</u>	<u>6,359,750</u>	<u>5,300,355</u>
Expenses:						
Instruction	3,247,967	2,145,766	-	-	3,247,967	2,145,766
Support Services:						
School Administrative Services	940,746	1,518,456	-	-	940,746	1,518,456
General and Business Administration Services	1,467,525	1,132,681	-	-	1,467,525	1,132,681
Enterprise Activities	<u>-</u>	<u>-</u>	<u>250,975</u>	<u>219,056</u>	<u>250,975</u>	<u>219,056</u>
Total Expenses	<u>5,656,238</u>	<u>4,796,903</u>	<u>250,975</u>	<u>219,056</u>	<u>5,907,213</u>	<u>5,015,959</u>
Changes in Net Position	<u>\$ 437,795</u>	<u>\$ 316,675</u>	<u>\$ 14,742</u>	<u>\$ (32,279)</u>	<u>\$ 452,537</u>	<u>\$ 284,396</u>

**Governmental Activities**

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2015.

**Business-Type Activity**

The business-type activities of the Charter School are the food service operation and after care. These programs had revenues of \$265,717 and operating expenses of \$250,975 for fiscal year 2015.



**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

**The Charter School's Funds**

The Charter School's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues of \$5.9 million and expenditures of \$5.5 million.

**General Fund Budgeting Highlights**

The Charter School's budget is prepared according to New Jersey law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2015, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue -based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School management teams.

For the General Fund, final budgeted revenues were \$4.9 million which included a local tax levy of \$0.066 million. Expenditures were budgeted at \$4.9 million. The Charter School anticipated a decrease in fund balance of \$33,140. In its 2014-2015, actual revenues were \$5.3 million and expenditures were \$4.9 million.

The State of New Jersey reimbursed the Charter School \$142,568 during the year ended June 30, 2015 for the employer's share of social security contributions for TPAF members while on-behalf TPAF payments for post-retirement medical benefits were \$258,443. These unbudgeted amounts are included in both revenues and expenditures.

**Capital Assets**

At the end of fiscal year 2015, the Charter School had \$242,664 invested in capital assets.

**Economic Factors and Next Year's Budget**

The State of New Jersey continues to face serious budgetary constraints. These impacts the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2014-2015. Nothing was done to compromise the quality of the programs in place in our Charter School during the regular instructional day. The budget was prepared to ensure that all students have the textbooks, materials supplies, equipment and programs they need to meet New Jersey's Core Curriculum Content Standards.

**Contacting the Charter School's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to: Newark Educators' Community Charter School, Business Office, 9-11 Hill Street, Newark, New Jersey 07102.

# **BASIC FINANCIAL STATEMENTS**

## **CHARTER SCHOOL WIDE FINANCIAL STATEMENTS**

This Statement of Net Position and the Statement of Activities display information about the Charter School as a whole. The Statement of Net Position presents the financial condition of the government and business-type activities of the Charter School at fiscal year-end. The Statement of Activities presents a comparison between direct expense and program revenues for each program or function of the Charter School's governmental and business-type activities.

NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

## STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 449,719	\$ 22,873	\$ 472,592
Accounts receivable	261,841	19,371	281,212
Other receivables	1,748	-	1,748
Security deposit	145,149	-	145,149
Total current assets	<u>858,457</u>	<u>42,244</u>	<u>900,701</u>
Capital assets:			
Machinery and equipment	3,684	2,358	6,042
Buildings and improvements	<u>397,221</u>	<u>-</u>	<u>397,221</u>
	400,905	2,358	403,263
Less: Accumulated depreciation	<u>(159,537)</u>	<u>(1,062)</u>	<u>(160,599)</u>
Net capital assets	<u>241,368</u>	<u>1,296</u>	<u>242,664</u>
Total assets	<u>1,099,825</u>	<u>43,540</u>	<u>1,143,365</u>
<b>Deferred Outflow of Resources</b>	<u>146,250</u>	<u>-</u>	<u>146,250</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	37,695	-	37,695
Intergovernmental payable:			
State	422	-	422
Interfund payables (internal)	12,767	(12,767)	-
Interfund payables - fiduciary	5,831	-	5,831
Deferred revenues	<u>45,757</u>	<u>-</u>	<u>45,757</u>
Total current liabilities	<u>102,472</u>	<u>(12,767)</u>	<u>89,705</u>
Noncurrent Liabilities:			
Due within one year	147,770	-	147,770
Due in more than one year	<u>2,106,544</u>	<u>-</u>	<u>2,106,544</u>
Total noncurrent liabilities	<u>2,254,314</u>	<u>-</u>	<u>2,254,314</u>
Total liabilities	<u>2,356,786</u>	<u>(12,767)</u>	<u>2,344,019</u>
<b>Deferred Inflow of Resources</b>	<u>459,911</u>	<u>-</u>	<u>459,911</u>
Net position			
Invested in capital assets, net of related debt	8,340	1,296	9,636
Unrestricted	<u>(1,578,962)</u>	<u>55,011</u>	<u>(1,523,951)</u>
Total net position	<u>\$ (1,570,622)</u>	<u>\$ 56,307</u>	<u>\$ (1,514,315)</u>

NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Governmental activities:</b>						
Instruction	\$ 3,247,967	\$ -	\$ 801,759	\$ (2,446,208)	\$ -	\$ (2,446,208)
Administrative cost	940,746	-	159,859	(780,887)	-	(780,887)
Support services	<u>1,467,525</u>	<u>-</u>	<u>193,152</u>	<u>(1,274,373)</u>	<u>-</u>	<u>(1,274,373)</u>
Total governmental activities	5,656,238	-	1,154,770	(4,501,468)	-	(4,501,468)
<b>Business-type activities:</b>						
Food Service	215,906	8,636	219,074	-	11,804	11,804
Afterschool program	<u>35,069</u>	<u>38,007</u>	<u>-</u>	<u>-</u>	<u>2,938</u>	<u>2,938</u>
Total primary government	<u>\$ 5,907,213</u>	<u>\$ 46,643</u>	<u>\$ 1,373,844</u>	<u>\$ (4,501,468)</u>	<u>\$ 14,742</u>	<u>\$ (4,486,726)</u>
<b>General revenues, transfers and special items:</b>						
Local sources				\$ 650,324	-	\$ 650,324
State sources				4,273,518	-	4,273,518
Contributions				1,660	-	1,660
Miscellaneous				<u>13,761</u>	<u>-</u>	<u>13,761</u>
Total general revenues, transfers and special items				<u>4,939,263</u>	<u>-</u>	<u>4,939,263</u>
Changes in net position				<u>437,795</u>	<u>14,742</u>	<u>452,537</u>
Net position - beginning, as reported				377,311	41,565	418,876
Cumulative effect of change in accounting principle				<u>(2,385,728)</u>	<u>-</u>	<u>(2,385,728)</u>
Net position - beginning as restated				<u>(2,008,417)</u>	<u>41,565</u>	<u>(1,966,852)</u>
Net position - ending (A-1)				<u>\$ (1,570,622)</u>	<u>\$ 56,307</u>	<u>\$ (1,514,315)</u>

**FUND FINANCIAL STATEMENTS**

**GOVERNMENTAL FUNDS**

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**GOVERNMENTAL FUNDS  
BALANCE SHEET**

**JUNE 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 449,719	\$ -	\$ 449,719
Accounts receivable:			
State	169,760	15,711	185,471
Federal	-	76,370	76,370
Interfund receivables	27,641	-	27,641
Other receivables	1,748	-	1,748
Other current assets	<u>145,149</u>	<u>-</u>	<u>145,149</u>
Total assets	<u>\$ 794,017</u>	<u>\$ 92,081</u>	<u>\$ 886,098</u>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 24,843	\$ 12,852	\$ 37,695
Intergovernmental payables:			
State	422	-	422
Interfund payables	12,767	33,472	46,239
Deferred revenue	<u>-</u>	<u>45,757</u>	<u>45,757</u>
Total liabilities	<u>38,032</u>	<u>92,081</u>	<u>130,113</u>
Fund balances:			
Assigned	10,398		10,398
Unassigned	<u>745,587</u>	<u>-</u>	<u>745,587</u>
Total fund balances	<u>755,985</u>	<u>-</u>	<u>755,985</u>
Total liabilities and fund balances	<u>\$ 794,017</u>	<u>\$ 92,081</u>	
Amounts reported for governmental activities in the statement of net position (A-1) are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
			\$ 400,905
			<u>(159,537)</u>
			<u>241,368</u>
Governmental funds do not report the effect of assets or liabilities related to net pension assets (liabilities) whereas these amounts are deferred and amortized in the statement of activities.			
			<u>(313,661)</u>
Long-term liabilities, including capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.			
			(2,006,286)
			(15,000)
			<u>(233,028)</u>
			<u>(2,254,314)</u>
Net position of governmental activities - A-1			<u>\$ (1,570,622)</u>



**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**GOVERNMENTAL FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**

**YEAR ENDED JUNE 30, 2015**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total</b>
<b>Revenues</b>			
Local Sources:			
Local tax levy	\$ 650,324	\$ -	\$ 650,324
Grant and contributions	1,660	189,765	191,425
Miscellaneous	<u>13,761</u>	<u>-</u>	<u>13,761</u>
Total revenues -local sources	665,745	189,765	855,510
State sources	4,273,518		4,273,518
Federal sources	-	285,117	285,117
Reimbursed TPAF - Social Security (non-budgeted)	142,658	-	142,658
TPAF pension and post retirement medical benefits on-behalf payments (non-budgeted)	<u>258,443</u>	<u>-</u>	<u>258,443</u>
Total revenues	<u>5,340,364</u>	<u>474,882</u>	<u>5,815,246</u>
<b>Expenditures</b>			
Current expense:			
Instruction	2,010,209	347,785	2,357,994
Administrative cost	1,301,692	-	1,301,692
Support services	1,252,843	122,819	1,375,662
Capital outlay:	-	4,278	4,278
Reimbursed and on-behalf payments:			
Reimbursed TPAF - Social Security (non-budgeted)	142,658	-	142,658
TPAF pension and post retirement medical benefits on-behalf payments (non-budgeted)	<u>258,443</u>	<u>-</u>	<u>258,443</u>
Total expenditures	<u>4,965,845</u>	<u>474,882</u>	<u>5,440,727</u>
Excess revenues over expenditures	374,519	-	374,519
Fund balances at beginning of the year	<u>381,466</u>	<u>-</u>	<u>381,466</u>
Fund balances at end of year	<u>\$ 755,985</u>	<u>\$ -</u>	<u>\$ 755,985</u>

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2015**

**Total net change in fund balances - governmental funds (B-2)** \$ 374,519

**Amounts reported for governmental activities in the Statement  
of Activities (A-2) are different because:**

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition.

Depreciation expense (80,181)

Repayment of capital lease obligations are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets and are not reported in the Statement of Activities.

77,676

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension costs 65,781

**Change in net position of governmental activities (A-2)** \$ 437,795

**PROPRIETARY FUNDS**

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**PROPRIETARY FUND**

**STATEMENT OF NET POSITION**

**JUNE 30, 2015**

**Assets**

Current assets:

Cash and cash equivalents	\$	22,873
Interfund receivable		12,767
Accounts receivable:		
Federal		19,159
State		212
		<u>19,371</u>

Capital assets

Machinery and equipment	2,358
Less: Accumulated depreciation	<u>(1,062)</u>
Net capital assets	<u>1,296</u>

Total Assets	\$	<u>56,307</u>
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**Liabilities**

Current liabilities

Interfund payable - General fund	\$	<u>-</u>
Total current liabilities		-

**Net position**

Unrestricted	<u>56,307</u>
Total Liabilities and Net Position	\$ <u>56,307</u>

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**PROPRIETARY FUND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**

**YEAR ENDED JUNE 30, 2015**

Operating revenues:		
Charges for services:		
Daily sales - nonreimbursable programs	\$	8,441
Afterschool fees		38,007
Miscellaneous revenue		195
Total Operating revenues		<u>46,643</u>
Operating expenses:		
Cost of sales		170,275
Salaries		61,069
Rental		2,886
Supplies and materials		16,273
Depreciation		472
Total operating expenses		<u>250,975</u>
Operating income (loss)		<u>(204,332)</u>
Nonoperating revenues:		
State sources:		
State School Lunch Program		2,575
Federal sources:		
National School Lunch		137,180
National School Breakfast		53,792
National After School Snack Program		10,457
Fresh Fruit and Vegetable		15,070
Total nonoperating revenues		<u>219,074</u>
Changes in net position		14,742
Total net position at beginning of year		<u>41,565</u>
Total net position at end of year	\$	<u><u>56,307</u></u>

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**PROPRIETARY FUND**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2015**

**Cash flows from operating activities**

Operating loss	\$ (204,332)
Adjustment to reconcile operating loss to net cash from operating activities	
Depreciation	472
Changes in assets and liabilities:	
Accounts receivable	(2,759)
Interfund receivable	-
Interfund payable	-
Net cash from operating activities	<u>(206,619)</u>

**Cash flows from noncapital financing activities**

Cash received from state and federal reimbursements	<u>219,074</u>
Net cash from noncapital financing activities	<u>219,074</u>
Net increase in cash and cash equivalents	12,455
Cash and cash equivalents at beginning of the year	<u>10,418</u>
Cash and cash equivalents at end of year	<u><u>\$ 22,873</u></u>

**FIDUCIARY FUNDS**

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)****FIDUCIARY FUNDS****STATEMENT OF FIDUCIARY NET POSITION****JUNE 30, 2015****Assets**

Cash and cash equivalents	\$	138,622
Interfund receivables		<u>5,831</u>
Total assets	\$	<u><u>144,453</u></u>

**Liabilities**

Payroll withholdings payable	\$	141,855
Accounts payable		<u>2,598</u>
Total liabilities	\$	<u><u>144,453</u></u>



**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**FIDUCIARY FUNDS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

**YEAR ENDED JUNE 30, 2015**

Revenues:		
General fund appropriation	\$	27,758
Employees' contributions		<u>10,501</u>
Total revenues		<u>38,259</u>
Expenditures:		
Payments to NJ Unemployment Compensation Fund		<u>38,259</u>
Total expenditures		<u>38,259</u>
Excess of revenues over expenditures		-
Net position at beginning of the year		<u>-</u>
Net position at end of year	\$	<u><u>-</u></u>

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Newark Educators' Community Charter School (the "Charter School") is presented to assist in understanding the Charter School's financial statements and notes are representation of the Charter School's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units and have been consistently applied in the preparation of these financial statements.

**A. Reporting Entity**

The Charter School is an instrumentality of the State of New Jersey, established to function as an educational institution. The school is governed by an independent Board of Trustees, which consists of parents, founders and other community representatives in accordance with its charter, which was appointed by the State Department of Education. An administrator is appointed by the board and is responsible for the administrative control of the Charter School.

**B. Component Units**

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB's Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School management. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the Charter School. Based on the aforementioned criteria, the Charter School has no component units.

**C. Basis of Presentation**

The financial statements of the Charter School have been prepared in conformity with GAAP as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Charter School also applies Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund unless they conflict with or contradict GASB pronouncements. The most significant of the Charter School's accounting policies are described below:

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C. Basis of Presentation - Continued**

In June 1999, the Governmental Accounting Standards Boards unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the financial statements include the following:

The financial statements include:

- i) A Management's Discussion and Analysis (MD&A) section providing an analysis of the Charter School's overall financial position and results of operations.
- ii) Financial statements prepared using full accrual accounting for all of the Charter School's activities.
- iii) A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements).

**D. Basic Financial Statements**

The Charter School's basic financial statements consist of Charter School or government-wide statements, including a statement of net position and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

**Government-wide Financial Statements**

The statement of net position and the statement of activities display information about the Charter School as a whole. These statements include the financial activities of the Charter School, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental and business-type activities of the Charter School at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Charter School's governmental and business-type activities. The governmental activities generally are financed through federal and state awards, taxes and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**D. Basic Financial Statements - Continued**

**Fund Financial Statements**

Fund financial statements of the Charter School are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Charter School.

The Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Charter School at a more detailed level.

**E. Governmental Funds**

**General Fund** - The General Fund is the primary operating fund of the Charter School and is always classified as a major fund. It is used to account for all financial resources except those that are legally or administratively required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or non-instructional equipment which are classified in the Capital Outlay sub-fund.

- 1) As required by the New Jersey Department of Education, the Charter School included budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.
- 2) Resources for budgeted capital outlay purposes are normally derived from State of New Jersey aid and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of ground, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expense by board resolution.

**Special Revenue Fund** - The Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Government, (other than major Capital Projects, Debt Service or the Enterprise Funds) and local appropriations that legally restricted to expenditures for specified purposes.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**E. Governmental Funds - Continued**

**Capital Projects Fund** - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2015 there was no Capital Projects Fund.

**Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2015 there was no debt service fund.

**F. Proprietary Funds**

The focus of Proprietary Funds' measurement is upon determination of net income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those to similar to business in the private sector. The following is a description of the Proprietary Funds of the Charter School:

**Enterprise Funds:**

The Enterprise Fund are utilized to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the Charter School is that the cost (i.e. expenses including depreciation and indirect costs) of providing goods and services to the students on a continuing basis be financed or recovered primarily through user charges; or where the Charter School has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability or other purposes.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities, whether current or noncurrent, associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and unreserved retained earnings, if applicable. Proprietary fund type operating statements present increases (revenue) and decreases (expenses) in net total assets.

**Internal Service (Self-Insurance) Fund:**

The Self-Insurance Fund is used to cover the self-insured limits of the various insurance policies for all funds. Charter School does not use self-insurance fund.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**G. Fiduciary Funds**

Fiduciary or trust and Agency Funds are used to account for assets held by the Charter School in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. This fund category includes:

**Expendable Trust Funds** - Expendable Trust Funds are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent.

**Nonexpendable Trust Funds** - Nonexpendable Trust Funds are used to account for assets held under the terms of a formal trust agreement, whereby the Charter School is under obligations to maintain the trust principal.

**Agency Funds** - Agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involved measurement of results of operations. Agency funds include payroll and student activities funds.

**H. Measurement Focus and Basis of Accounting**

**Measurement Focus** - Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spend able financial resources at the end of the period.

All proprietary funds are accounted for on a flow economic resources measurement focus. With this measurement focus, the accounting adjectives are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flow. All assets and all liabilities, whether current or noncurrent, associated with their activities are included on the balance sheet. Fund equity (i.e., net total assets) is classified as net position.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**H. Measurement Focus and Basis of Accounting - Continued**

**Basis of Accounting** - In the government-wide statement of net position and statements of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting revenues are recognized when earned and expenses are recognized when the liability, resulting from exchange and exchange like transactions, is incurred (i. e. the exchange takes place).

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available.

“Measurable” means the amount of the transaction can be determined and “available” means collectible with the current period or soon enough thereafter to be used to pay liabilities of the current period. State equalization monies are recognized as revenue during the period in which they are appropriated. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

**I. Budgets/Budgetary Control**

Annual appropriated budgets are prepared prior to July 1, for the General Fund. The budget is prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A. 2(m)1. All budget amendments must be approved by the State Department of Education. Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year-end.



**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**I. Budgets/Budgetary Control - Continued**

The accounting records of special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognized encumbrances as expenditures and also recognized the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial report. As presented in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General, Special Revenue Fund and Debt Service Funds to the GAAP basis of accounting as presented in the Statements of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds.

**J. Deposits, Investments and Risk Disclosure**

Cash and equivalents include petty cash, funds deposited in demand deposit accounts, time deposit accounts and certificates of deposit with original maturities of less than three months.

New Jersey Charter Schools are limited as to the types of the investments and types of financial institution they may invest in, New Jersey statute 18A:20-37 provides a list of permissible investment that may be purchased by New Jersey Charter Schools. These investments are to be recorded at fair value and will be subject to risk categorization.

Additionally, the Charter School has adopted a cash management plan that requires it to deposit public fund in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Governmental Units from loss funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. established the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan Institutions, bank (both state and national banks) and saving bank the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposit of Governmental Units, if a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**J. Deposits, Investments and Risk Disclosure - Continued**

Custodial credit risk is the risk that in the event of a bank failure, the Charter School's deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in the Charter School's name. The Charter School's aggregate bank balances were not exposed to custodial credit risk at June 30, 2015.

**K. Prepaid Expenses**

Prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase.

The Charter School does not have prepaid expenses as of June 30, 2015.

**L. Interfund Assets/Liabilities**

On the fund financial statements, receivables and payables resulting from short-term Interfund loans are classified as Interfund Receivable/Payable. Interfund balanced within governmental activities and within business-type activities are eliminated on the government-wide Statements of Net Position.

**M. Fixed Assets**

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the Charter School as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation based for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the governmental fund capital assets.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**M. Fixed Assets - Continued**

Donated capital assets are capitalized at estimated fair market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of the depreciable capital assets are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land improvements	20 years
Building and Building Improvement	7-60 years
Machinery and equipment	3-20 years
Vehicles	5-10 years
Computer software	5 years

**N. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

**O. Compensated Absences**

The Charter School accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences." A liability for compensated absences that are attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Charter School employees are granted sick and vacation leave in varying amounts under the Charter School's personnel policies and according to negotiated contracts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave. Vacation days not used during the year may only be carried forward with approval from the Head of School.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**O. Compensated Absences - Continued**

In the charter school-wide Statement of Net Position, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2015, the liability for vested compensated absences of the Charter School is recorded in the government-wide financial statements amounted to \$15,000 at June 30, 2015.

**P. Net Pension Liability (Asset)**

The net pension liability (asset) represents the Charter School's proportionate share of the net pension liability (asset) of the New Jersey State Pension Employees' Retirement System and the New Jersey State Teachers' Pension and Annuity Fund System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date".

**Q. Deferred Revenue**

Deferred revenue in special revenue fund represent cash that has been received but not yet earned.

**R. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payable, accrued liabilities, and long-term obligations payable from the enterprises fund are reported and the enterprises fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payments during the current year.

NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

S. Fund Balance and Equity

Generally, fund balance represents the difference between current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Under this standard, the fund balance classifications are as follows:

*Nonspendable* fund balance includes amounts that cannot be spent because they are either not in spendable form (inventories, prepaid amounts, long-term receivables) or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

*Restricted* fund balance is to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation. This fund balance classification will be used to report funds that are restricted for debt service obligations and for other items contained in General Municipal Law or Education Law.

*Committed* fund balance will be reported for amounts that can only be used for specific purposes pursuant to formal action of the entity's highest level of decision making authority. These funds may only be used for the purpose specified unless the entity removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain designations established and approved by the entity's governing board.

*Assigned* fund balance, in the General Fund, will represent amounts constrained either by the entity's highest level of decision making authority or a person with delegated authority from the governing board to assign amounts for a specific intended purpose. An assignment cannot result in a deficit in the unassigned fund balance in the General Fund. This classification will include amounts designated for balancing the subsequent year's budget and encumbrances. Assigned fund balance in all other governmental funds represents any positive remaining amount after classifying nonspendable, restricted or committed fund balance amounts.

NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** – CONTINUED

**S. Fund Balance and Equity - Continued**

*Unassigned* fund balance, in the General Fund, represents amounts not classified as nonspendable, restricted, committed or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. For all governmental funds other than the General Fund, unassigned fund balance would necessarily be negative, since the fund's liabilities, together with amounts already classified as nonspendable, restricted and committed would exceed the fund's assets.

When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Charter School's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Charter School's policy to use fund balance in the following order: committed, assigned, and unassigned.

**T. Net Position**

Net Position on the *Statement of Net Position* include the following:

**Investments in Capital Assets, net of Related Debt** - the component of net position there reports the differences between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributed to the acquisition, construction or improvement of those assets.

**Restricted for Specific Purposes** – the component of net position that reports the difference between assets and liabilities of the certain programs that consist of assets with constraints placed on their use by either external parties and /or enabling legislation.

**Restricted for Debt Service** – the component of net position that reports the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

**Unrestricted** - the difference between the assets and liabilities that is not reported in Net Position Invested in Capital Assets, net of Related Debt, Net Position Restricted for Specific Purposes or Net Position Restricted for Debt Services.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**U. Contributed Capital**

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds.

**V. Interfund Transactions**

Interfund transfers are defined as the flow of assets, such as cash or goods, without equivalent flows of assets in return. Interfund borrowings are reflected as “Due from/to Other Funds” on the accompanying financial statements. All other interfund transfers are reported as operating transfers.

**W. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates that affect the recorded amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**X. Accounting for Uncertainty in Income Taxes**

The Charter School recognizes the effect of income tax positions only of those positions are more likely than not of being sustained. Management has determined that the Charter School had no uncertain tax positions that would require financial statement recognition. The Charter School is no longer subject to audits by the applicable taxing jurisdictions for tax periods prior to 2012.

**Y. On-Behalf Payments**

Revenues and expenditures of the General Fund include payment made by the State of New Jersey for Pension and social security contributions for certified teacher members of the New Jersey Teachers Pension and Annuity Fund, and for post-retirement medical benefits of members. The amounts are not required to be included in the Charter School’s annual budget.

**Z. Subsequent Events Evaluation by Management**

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 13, 2015.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 2 APPLICATION OF NEW ACCOUNTING STANDARDS**

For the year ended June 30, 2015, the Charter School implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date". These statements seek to improve accounting and financial reporting by state and local governments for pensions by establishing standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expenses/expenditures. These statements also require the identification of the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service.

*Prior Period Adjustment*

As a result of adopting these new standards, the charter school-wide financial statements reflect a cumulative effect for the change in accounting principle of \$2,385,728 for the recognition of the net pension liability, a restatement which decreased net position at July 1, 2014 by the same amount.

**NOTE 3 CASH AND CASH EQUIVALENTS**

As of June 30, 2015, the Charter School's deposits are summarized as follows:

	General Fund	Enterprise Fund	Trust and Agency Funds	Total
Operating Account	\$ 449,719	\$ 19,927	\$ 140,292	\$ 609,938
Interest-bearing Account	7,985	-	-	7,985
Total	<u>\$ 457,704</u>	<u>\$ 19,927</u>	<u>\$ 140,292</u>	<u>\$ 617,923</u>

**NOTE 4 CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2015 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Net Additions (Deletions)</u>	<u>Ending Balance</u>
<b>Capital assets being depreciated:</b>			
Machinery and equipment	\$ 397,221	\$ -	\$ 397,221
Leasehold improvements	3,684	-	3,684
Total	400,905	-	400,905
Less Accumulated depreciation	(79,356)	(80,181)	(159,537)
Capital assets net	<u>\$ 321,549</u>	<u>\$ (80,181)</u>	<u>\$ 241,368</u>
<b><u>Business-Type Activities</u></b>			
Machinery and equipment	\$ 2,358	\$ -	\$ 2,358
Less Accumulated depreciation	(590)	(472)	(1,062)
Capital assets net	<u>\$ 1,768</u>	<u>\$ (472)</u>	<u>\$ 1,296</u>



**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 4 CAPITAL ASSETS - CONTINUED**

Depreciation expense was charged to functions/programs of the Charter School for the year ended June 30, 2015 as follows:

Instruction	\$ 35,409
Administrative	26,082
Support	18,690
	<u>\$ 80,181</u>

**NOTE 5 NONCURRENT LIABILITIES**

Leases Payable

The Charter School entered into a lease for infrastructure improvements in the amount of \$388,380. The improvements are being leased over a five year term which commenced in September 2013 and ends September 2018. Annual payments of \$77,676 are due on September 6 of each year through 2018. The Charter School's outstanding lease payable at June 30, 2015 was \$233,028.

The Charter School entered into a lease with the Friends of Newark Educators Community Charter School for the lease of school and administrative facilities at 9-11 Hill Street, Newark, New Jersey. The lease commenced on August 15, 2013 and ends on June 30, 2018. Basic rent is due monthly and is billable at the rate of \$14 per rentable square foot. The expenditure for rent for the fiscal year ended June 30, 2015 was \$540,830.

Changes in Noncurrent Liabilities

	Balance at July 1, 2014 as reported	Cumulative effect of change in accounting principle	Balance at July 1, 2014 as restated	Additions	Reductions	Balance at June 30, 2015	Due within One Year
Governmental activities:							
Capital lease payable	\$ 310,704	\$ -	\$ 310,704	\$ -	\$ (77,676)	\$ 233,028	\$ 77,676
Net pension liability	-	2,385,728	2,385,728	68,594	(448,036)	2,006,286	68,594
Compensated absences	15,000	-	15,000	-	-	15,000	1,500
Government activity noncurrent liabilities	<u>\$ 325,704</u>	<u>\$ 2,385,728</u>	<u>\$ 2,711,432</u>	<u>\$ 68,594</u>	<u>\$ (525,712)</u>	<u>\$ 2,254,314</u>	<u>\$ 147,770</u>

Compensated absences and capital leases liabilities are liquidated by expenditures charged to the general fund.

The net pension liability classified as due within one year amounting to \$68,594 represents pension contributions for fiscal year 2015 due and payable on April 1, 2016.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 5 NONCURRENT LIABILITIES - CONTINUED**

Assets acquired capital leases are as follows at June 30, 2015:

<u>Description</u>	<u>Governmental Activities</u>
Equipment	\$ 372,845
Less: accumulated depreciation	<u>(136,710)</u>
Total	<u>236,135</u>

**NOTE 6 NET POSITION (DEFICIT)**

As of June 30, 2015, net position consisted of the following components:

<u>INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT</u>	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
Capital assets, net	\$ 241,368	\$ 1,296	\$ 242,664
Less: Long-Term obligations	<u>(233,028)</u>	<u>-</u>	<u>(233,028)</u>
(All long-term debt relates to capital assets)	8,340	1,296	9,636
<b><u>UNRESTRICTED</u></b>			
Net position (deficit) not restricted above	<u>(1,578,962)</u>	<u>55,011</u>	<u>(1,523,951)</u>
<b>NET POSITION (DEFICIT)</b>	<b><u>\$ (1,570,622)</u></b>	<b><u>\$ 56,307</u></b>	<b><u>\$ (1,514,315)</u></b>

The Charter School has an unrestricted deficit of \$1,514,315 as of June 30, 2015. This deficit is caused by the restatement of the unrestricted net position at the beginning of the fiscal year due to the cumulative effective of change in accounting principle in the amount of \$2,385,728.

**NOTE 7 PENSIONS PLANS**

**A. Description of Plans**

All eligible employees of the Charter School are covered by either the Public Employee's Retirement System (PERS) or the Teacher's Pension and Annuity Fund (TPAF) which have been established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the PERS and the TPAF. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**A. Description of Plans - Continued**

**i. Public Employees' Retirement System (PERS)**

The Public Employees' Retirement Systems (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county municipality, Charter School, or public agency provided the employee is not a member of another state-administered retirement system. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full time employees of the State of New Jersey or any county, municipality, Charter School, or public agency, provided the employee is not required to be a member of another state administered retirement system or other state or local jurisdiction.

**ii. Teachers Pension and Annuity Fund (TPAF)**

The Teachers' Pension and Annuity Fund was established in January 1, 1995, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirement health care to substantially all full time certified teachers or professional staff of the public school systems in the State. The Teacher's Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the Charter School and the systems other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

**B. Vesting and Benefit Provisions**

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**B. Vesting and Benefit Provisions - Continued**

The PERS and TPAF provides for specified medical benefits for member who retire after achieving 25 years of qualified service, as defined, or under the disability provisions of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the member's accounts.

**C. Significant Legislation**

Two pieces of legislation passed during fiscal year 2001 having significant impact on the benefit provisions under PERS and TPAF. Chapter 133, P.L.2001, increases retirement benefits for service, deferred and early retirements by changing the formula from 1/60 to 1/55 of final compensation for each year of service. The legislation also increases the retirement benefit for veteran member with 35 years or more of service and reduces age qualification from 60 to 55. The legislation further provides that existing retirees and beneficiaries would also receive a comparable percentage increase in their retirement allowance. The benefit enhancements are effective with the November 1, 2001 benefit checks. Chapter 120, P.L. 2001, established an additional retirement option for plan members. Under the new option, a retiree's actuarially reduced allowance (to provide a benefit to the retiree's beneficiary upon the death of the retiree) would "pop-up" to the maximum retirement allowance if the beneficiary predeceases the retiree.

Chapter 4, P.L. 2001 provides increased benefit to certain members of PERS who retired prior to December 29, 1989 with at least 25 years of creditable service.

The maximum amount of the increase is 5 percent the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65 to 71 percent of final compensation.

Due to the enactment of 1997 legislation, Chapter 114, P.L. 1997 and Chapter 115, P.L. 1997, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated. In addition, excess valuation assets were available to fund, in full or in part, the State of New Jersey's normal contribution from 1997 to 2001, excluding the contribution for post-retirement medical benefits in the PERS and TPAF.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**D. Contribution Requirement**

The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS and TPAF provide for employee contributions of 4.5 % and 3%, respectively of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both PERS and TPAF. The actuarially determined contribution includes funding for cost-of-living adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF. The Charter School's contribution to PERS for the year ended June 30, 2015 was \$85,319.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$142,658 during the year ended June 30, 2015 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. These amounts have been included in the basic financial statements.

**E. GASB 68 Disclosures**

**i. Public Employees' Retirement System (PERS)**

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

For the year ended June 30, 2015, the Charter School recognized pension expense of (\$134,375). At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

**i. Public Employees' Retirement System (PERS) - continued**

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Changes of assumptions	\$ 60,931	\$ -
Net difference between projected and actual earnings on pension plan investments	-	115,476
Change in proportion and differences between Charter School contributions and proportionate share contributions	-	344,435
District contributions subsequent to measurement date	85,319	-
	<u>\$ 146,250</u>	<u>\$ 459,911</u>

\$85,319 reported as deferred outflows of resources related to pensions resulting from charter school, contributions subsequent to the measurement date of June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended <u>June 30</u>
2016	\$ (80,983)
2017	(80,984)
2018	(80,984)
2019	(80,984)
2020	(52,115)
Thereafter	(22,930)

*Actuarial assumptions.* The total pension liability for the June 30, 2014 measurement date as determined by an actuarial valuation as of July 1, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

**i. Public Employees' Retirement System (PERS) - continued**

Inflation	3.01 percent
Salary increases	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.4% based on age
Investment rate of return	7.9%

Mortality rates were based on the RP-2000 Combined Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

*Long-term Expected Rate of Return.* In accordance with the State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	6.00%	0.80%
Core bonds	1.00%	2.49%
Intermediate-term bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High yield bonds	5.50%	4.82%
Inflation-indexed bonds	2.50%	3.51%
Broad US equities	25.90%	8.22%
Developed foreign equities	12.70%	8.12%
Emerging market equities	6.50%	9.91%
Private equity	8.25%	13.02%
Hedge funds/absolute return	12.25%	4.92%
Real estate (property)	3.20%	5.80%
Commodities	2.50%	5.35%
Total	100.00%	

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

**i. Public Employees' Retirement System (PERS) – continued**

*Discount rate.* The discount rate used to measure the total pension liability was 5.39% June 30, 2014. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contribution from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of the District's Proportionate share of the net pension liability to changes in the discount rate.* The following presents the Charter School's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<b>1% Decrease (4.39%)</b>	<b>Current Discount Rate (5.39%)</b>	<b>1% Increase (6.39%)</b>
Charter School's proportionate share of the net pension liability	<u>\$ 2,437,682</u>	<u>\$ 1,937,692</u>	<u>\$ 1,517,827</u>

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.



**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

**ii. Teachers Pension and Annuity Fund (TPAF)**

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

At June 30, 2015, the State's proportionate share of the net pension liability attributable to the Charter School amounted to \$4,984,847. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, which was rolled forward to June 30, 2014.

For the year ended June 30, 2015, the Charter School recognized pension expense and related revenue of \$268,232 in the school-wide financial statements for its proportionate share in the special funding support provided by the State for its TPAF members.

The State's proportionate share of the net pension liability attributable to the Charter School was based on the ratio on the State's contribution as an employer and nonemployer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the years ended June 30, 2014 and 2013. At June 30, 2014 and 2013, the State's proportion of the net pension liability attributable to Charter School was 0.0131667828% and 0.0141655116%, respectively.

*Actuarial Assumptions.* The actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.50 percent
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.9%

Mortality were based on the R-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustment for mortality improvements based on Scale AA, Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

**ii. Teachers Pension and Annuity Fund (TPAF) - continued**

plus 15 years to account for future mortality improvement. Post-retirement mortality males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2003 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

Long-term Expected Rate of Return. In accordance with the State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rate of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	6.00%	0.50%
Core fixed income	0.00%	2.19%
Core bonds	1.00%	1.38%
Short-term bonds	0.00%	1.00%
Intermediate-term bonds	11.20%	2.60%
Long-term bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High yield bonds	5.50%	4.15%
Non-US fixed income	0.00%	1.41%
Inflation-indexed bonds	2.50%	1.30%
Broad US equities	25.90%	5.88%
Large cap US equities	0.00%	5.62%
Mid cap US equities	0.00%	6.39%
Small cap US equities	0.00%	7.39%
Developed foreign equities	12.70%	6.05%
Emerging market equities	6.50%	8.90%
Private equity	8.25%	9.15%
Hedge funds/absolute return	12.25%	3.85%
Real estate (Property)	3.20%	4.43%
Real estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long credit bonds	0.00%	3.74%
Total	100.00%	

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 7 PENSIONS PLANS - CONTINUED**

**E. GASB 68 Disclosures - Continued**

**ii. Teachers Pension and Annuity Fund (TPAF) - continued**

*Discount rate.* The discount rate used to measure the total pension liability was 4.68% and 4.95% as of June 30, 2014 and 2013. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

*Sensitivity of Net Pension Liability.* The following represents the State's proportionate share of the TPAF net pension liability attributable to the Charter School calculated using the discount rate as disclosed above as well as the State's proportionate share of the TPAF net pension liability attributable to the Charter School, if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<b>1% Decrease (3.68%)</b>	<b>Current Discount Rate (4.68%)</b>	<b>1% Increase (5.68%)</b>
State's proportionate share of the net pension liability attributable to the Charter School	<u>\$ 8,521,935</u>	<u>\$ 7,037,217</u>	<u>\$ 5,890,670</u>

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued TPAF financial report.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 8 POST- RETIREMENT BENEFITS**

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required PERS and TPAF, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c 103 amended the law to eliminate the funding of post-retirement medical benefits through the PERS and TPAF. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical benefits changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992, c.126, which provides employer paid health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

**NOTE 9 DEFERRED COMPENSATION**

The Charter School offered its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Service 403(b). The Plan which are administered by the Charter School and various insurance companies, permits participants to defer apportion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, death or unforeseeable emergency.

**NOTE 10 RISK MANAGEMENT**

The Charter School is exposed to various risks of loss relates to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**A. Property and Liability Insurance**

The Charter School maintains commercial insurance coverage for property, liability and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section (Unaudited) of this Comprehensive Annual Financial Report (Schedule J-20).

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 10 RISK MANAGEMENT - CONTINUED**

**B. New Jersey Unemployment Compensation**

The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the Charter School is required to reimburse the New Jersey Unemployment Trust Fund For benefits paid to its former employees and charged to its account with the State. The Charter School is billed quarterly for amounts due to the State.

**NOTE 11 INTERFUND RECEIVABLES AND PAYABLES**

Amount reported in the governmental funds as interfund receivable and payable from/to other governmental funds are eliminated in the governmental activities column. The remaining internal receivable and payable between the governmental funds and enterprise fund have been eliminated in the total Charter School-wide Statement of Net Position.

At June 30, 2015, the interfund balances consisted of the following components:

	<u>RECEIVABLE (PAYABLE)</u>			
	<u>General</u>	<u>Special</u>	<u>Enterprise</u>	<u>Fiduciary</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Fund</u>	<u>Fund</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
General fund	\$ 14,874	\$ (33,472)	\$ 12,767	\$ 5,831
GASB No 34 mandated eliminations within governmental activities	<u>(33,472)</u>	<u>33,472</u>	<u>-</u>	<u>-</u>
Net interfund balances reported as follows:				
Entity-wide (eliminated in total column)	<u>\$ 12,767</u>	<u>\$ -</u>	<u>\$ (12,767)</u>	
External (Due from Trust and Agency Funds)				<u>\$ 5,831</u>

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 12 CONTINGENCIES**

**State and Federal Aid Receipts**

State and Federal awards are generally subject to review by the responsible governmental agencies for compliance with the agencies regulations governing the aid. In the opinion of the Charter School's management and legal counsel, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2015, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2015.

**NOTE 13 RELATED PARTY TRANSACTIONS**

The Friends of Newark Educators' Community Charter School (The Friends) is an affiliate organization related to the Charter School. It is a not-for-profit organization incorporated under the laws of the State of New Jersey, to become the Fundraising arm of the Charter School with the intent of making both restricted and unrestricted contributions to the Charter School from time to time. The Friends made no unrestricted contributions during 2015.

The Friends was also organized to manage the facilities located at 9-11 Hill Street, Newark, New Jersey, occupied by the Charter School under an operating lease agreement expiring June 30, 2018. Rent expense for the year ended June 30, 2015 amounted to \$665,830.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART II**

**BUDGETARY COMPARISON SCHEDULES**

NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT C-1

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
<b>Revenues</b>					
Local Sources:					
Local tax levy	\$ 616,547	\$ 40,697	\$ 657,244	\$ 650,324	\$ (6,920)
Contributions	-	-	-	1,660	1,660
Miscellaneous	-	-	-	13,761	13,761
Total revenues - local sources	616,547	40,697	657,244	665,745	8,501
State sources	3,976,429	286,242	4,262,671	4,273,518	10,847
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	142,658	142,658
TPAF pension and post retirement medical benefits on-behalf payments (non-budgeted)	-	-	-	258,443	258,443
Total revenues	4,592,976	326,939	4,919,915	5,340,364	420,449
<b>Expenditures</b>					
Current expense:					
Instruction					
Salaries	1,513,942	(16,478)	1,497,464	1,403,025	94,439
Other salaries for instruction	236,765	32,270	269,035	267,690	1,345
Professional/technical service	82,000	49,001	131,001	107,291	23,710
Other purchased services	-	2,000	2,000	2,000	-
General supplies	131,082	74,856	205,938	190,471	15,467
Textbooks	4,834	1,484	6,318	3,376	2,942
Miscellaneous	44,393	(5,998)	38,395	36,356	2,039
Total current expense	2,013,016	137,135	2,150,151	2,010,209	139,942
Administrative cost:					
Salaries	552,860	16,381	569,241	568,263	978
Total benefit costs	679,342	(132,298)	547,044	538,679	8,365
Professional/technical service	52,100	(17,333)	34,767	34,767	-
Other purchased services	19,000	43,564	62,564	45,571	16,993
Communications and telephones	36,799	95,506	132,305	98,693	33,612
Supplies and materials	13,200	(8,700)	4,500	4,309	191
Judgments against Charter School	1,000	-	1,000	-	1,000
Interest on current loans	7,000	678	7,678	-	7,678
Miscellaneous	19,420	9,475	28,895	11,410	17,485
Total administrative cost	1,380,721	7,273	1,387,994	1,301,692	86,302
Support services:					
Salaries	239,784	31,644	271,428	250,021	21,407
Purchased professional/technical service	77,400	67,950	145,350	86,966	58,384
Other purchased services	15,000	(255)	14,745	9,495	5,250
Rent on land and buildings	717,394	-	717,394	675,654	41,740
Insurance-fidelity, liability, property	32,014	22,217	54,231	50,128	4,103
Supplies and materials	15,000	13,600	28,600	19,345	9,255
Custodial	29,000	30,537	59,537	54,792	4,745
Transportation-other than to/from school	4,000	6,000	10,000	8,450	1,550
Utilities	60,000	46,000	106,000	97,992	8,008
Total support services	1,189,592	217,693	1,407,285	1,252,843	154,442



NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT C-1

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital outlay:					
Instructional equipment	6,000	1,625	7,625	-	7,625
Total capital outlay	<u>6,000</u>	<u>1,625</u>	<u>7,625</u>	<u>-</u>	<u>7,625</u>
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	142,658	(142,658)
TPAF pension and post retirement medical benefits on-behalf payments (non-budgeted)	<u>-</u>	<u>-</u>	<u>-</u>	<u>258,443</u>	<u>(258,443)</u>
Total expenditures before other financing uses	<u>4,589,329</u>	<u>363,726</u>	<u>4,953,055</u>	<u>4,965,845</u>	<u>(12,790)</u>
Excess revenues over expenditures	3,647	(36,787)	(33,140)	374,519	407,659
Fund balances at beginning of the year	<u>-</u>	<u>36,787</u>	<u>36,787</u>	<u>381,466</u>	<u>-</u>
Fund balances at ending of the year	<u>\$ 3,647</u>	<u>\$ -</u>	<u>\$ 3,647</u>	<u>\$ 755,985</u>	<u>\$ 407,659</u>

NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

## SPECIAL REVENUE FUND

## BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
<b>Revenues</b>					
Local	\$ 229,736	\$ (3,927)	\$ 225,809	\$ 189,765	\$ 36,044
Federal	298,199	9,963	308,162	285,117	23,045
Total revenues - all sources	<u>527,935</u>	<u>6,036</u>	<u>533,971</u>	<u>474,882</u>	<u>59,089</u>
<b>Expenditures</b>					
Current Expenditures:					
Instruction:					
Salaries of teachers	117,500	(1,616)	115,884	115,884	-
Other salaries for instruction	164,590	(2,115)	162,475	162,475	-
Purchased professional and technical services	53,834	2,673	56,507	52,233	4,274
Supplies and materials	35,199	193	35,392	17,193	18,199
Miscellaneous	500	-	500	-	500
Total instruction	<u>371,623</u>	<u>(865)</u>	<u>370,758</u>	<u>347,785</u>	<u>22,973</u>
Support services					
Salaries of supervisors of instruction	10,500	-	10,500	10,500	-
Other salaries for support services	6,600	-	6,600	6,600	-
Employee benefits	51,451	9,964	61,415	38,369	23,046
Purchased professional educational services	23,476	3,474	26,950	25,494	1,456
Travel	2,765	(1,265)	1,500	1,500	-
Rent	25,000	-	25,000	25,000	-
Other purchase services	5,000	-	5,000	5,000	-
Custodial	4,000	-	4,000	4,000	-
Supplies	18,060	(3,215)	14,845	4,191	10,654
Miscellaneous expenditures	3,460	(335)	3,125	2,165	960
Total support services	<u>150,312</u>	<u>8,623</u>	<u>158,935</u>	<u>122,819</u>	<u>36,116</u>
Capital Outlay:					
Instructional equipment	6,000	(1,722)	4,278	4,278	-
Total Expenditures	<u>527,935</u>	<u>6,036</u>	<u>533,971</u>	<u>474,882</u>	<u>59,089</u>
Excess Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTES TO THE REQUIRED  
SUPPLEMENTARY INFORMATION**

**PART II**

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY GAAP RECONCILIATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2015**

**Note A - Explanation of Differences between Budgetary Inflows  
and Outflows and GAAP Revenues and Expenditures**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] \$ 5,340,364	[C-2] 474,882
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
Last State aid payment recognized for budgetary purposes only.	-	-
General Fund contribution to Early Childhood Program Aid.	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] <u>5,340,364</u>	[B-2] <u>474,882</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] 4,965,845	[C-2] 474,882
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-	-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		
Net transfer (outflows) to general fund	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] <u>\$ 4,965,845</u>	[B-2] <u>\$ 474,882</u>

Note A -The general fund budget basis of the use/outflow of resources is GAAP, therefore no reconciliation is required.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PART III**

**SCHEDULES RELATED TO ACCOUNTING  
AND REPORTING FOR PENSIONS (GASB 68)**

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**EXHIBIT L-1**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY - PERS  
Last Ten Fiscal Years (1)**

	<u>2015</u>
Charter School's proportion of the net pension liability (asset)	0.0103494047%
Charter School's proportionate share of the net pension liability (asset)	\$ 1,937,692
Charter School's covered-employee payroll	\$ 455,952
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	424.98%
Plan fiduciary net position as a percentage of the total pension liability	40.71%

Note - The amounts presented for the fiscal year was determined as of June 30 measurement date of the prior fiscal year.

(1) The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2015. No data is available prior to fiscal year 2015.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**EXHIBIT L-2**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHARTER SCHOOL'S CONTRIBUTIONS  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)  
Last Ten Fiscal Years (1)**

	<u>2015</u>
Contractually required contribution	\$ 85,319
Contributions in relation to the contractually required contribution	<u>(85,319)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Charter School's covered-employee payroll	\$ 455,952
Contributions as a percentage of covered-employee payroll	18.71%

(1) The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2015. No data is available prior to fiscal year 2015.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**EXHIBIT L-3**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHARTER SCHOOL'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY - TPAF  
Last Ten Fiscal Years (1)**

	<u>2015</u>
State's proportion of the net pension liability (asset) attributable to the Charter School	0.0131667828%
State's proportionate share of the net pension liability (asset) attributable to the Charter School	\$ 7,037,217
Charter School's covered-employee payroll	\$ 1,930,339
State's proportionate share of the net pension liability (asset) attributable to the Charter School as a percentage of its covered-employee payroll	364.56%
Plan fiduciary net position as a percentage of the total pension liability	33.64%

Note - The amounts presented for the fiscal year was determined as of June 30 measurement date of the prior fiscal year.

(1) The Charter School implemented GASB 68, *Accounting and Financial Reporting for Pension* in fiscal year 2015. No data is available prior to fiscal year 2015.



**NOTES TO THE REQUIRED  
SUPPLEMENTARY INFORMATION**

**PART III**

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III  
YEAR ENDED JUNE 30, 2015**

**Public Employees Retirement System (PERS)**

*Change in benefit terms.* There is no change in the benefit terms.

*Change in assumptions.* The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (4.63%) to the current measurement date (4.29%), resulting in a change in the discount rate from 5.55% to 5.39%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

**Teachers Pension and Annuity Fund (TPAF)**

*Change in benefit terms.* There is no change in the benefit terms.

*Change in assumptions.* The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date (4.63%) to the current measurement date (4.29%), resulting in a change in the discount rate from 4.95% to 4.68%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

## **OTHER SUPPLEMENTARY INFORMATION**

**SPECIAL REVENUE FUND**

NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

SPECIAL REVENUE FUND  
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGETARY BASIS

YEAR ENDED JUNE 30, 2015

	Title I	Title IIA	IDEA	IDEA Pre-K	Total
<b>Revenues</b>					
Local	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	223,665	2,233	57,406	1,813	285,117
Total revenues - all sources	<u>\$ 223,665</u>	<u>\$ 2,233</u>	<u>\$ 57,406</u>	<u>\$ 1,813</u>	<u>\$ 285,117</u>
<b>Expenditures</b>					
Current Expenditures:					
Instruction:					
Salaries of teachers	\$ 59,500	\$ -	\$ -	\$ -	\$ 59,500
Other salaries for instruction	135,330	-	-	-	135,330
Employee benefits	-	-	-	-	-
Purchased professional and technical services	-	2,233	40,000	-	42,233
Other purchased services	-	-	-	-	-
Supplies and materials	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total instruction	<u>194,830</u>	<u>2,233</u>	<u>40,000</u>	<u>-</u>	<u>237,063</u>
Support services					
Salaries of supervisors of instruction	-	-	-	-	-
Salaries of secretarial/clerical asst.	-	-	-	-	-
Employee benefits	18,369	-	-	-	18,369
Purchased services	10,466	-	13,215	1,813	25,494
Travel	-	-	-	-	-
Rent	-	-	-	-	-
Other purchase services	-	-	-	-	-
Supplies	-	-	4,191	-	4,191
Miscellaneous	-	-	-	-	-
Total support services	<u>28,835</u>	<u>-</u>	<u>17,406</u>	<u>1,813</u>	<u>48,054</u>
Capital Outlay:					
Facilities acquisition and construction services:					
Instructional equipment	-	-	-	-	-
Noninstructional	-	-	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 223,665</u>	<u>\$ 2,233</u>	<u>\$ 57,406</u>	<u>\$ 1,813</u>	<u>\$ 285,117</u>

NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

SPECIAL REVENUE FUND

SCHEDULE OF PRESCHOOL EDUCATION AID - BUDGETARY BASIS

YEAR ENDED JUNE 30, 2015

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of teachers	\$ 57,500	\$ (1,116)	\$ 56,384	\$ 56,384	\$ -
Other salaries for instruction	29,500	(2,355)	27,145	27,145	-
Purchased professional and technical services	10,000	2,673	12,673	10,000	2,673
Instructional supplies	<u>17,000</u>	<u>193</u>	<u>17,193</u>	<u>17,193</u>	<u>-</u>
Total instruction	<u>114,000</u>	<u>(605)</u>	<u>113,395</u>	<u>110,722</u>	<u>2,673</u>
<b>Support services</b>					
Salaries	10,500	-	10,500	10,500	-
Other salaries for support services	6,600	-	6,600	6,600	-
Employee benefits	20,000	-	20,000	20,000	-
Other purchased services	5,000	-	5,000	5,000	-
Custodial	4,000	-	4,000	4,000	-
Travel	1,265	(1,265)	-	-	-
Field trips	1,500	-	1,500	1,500	-
Rent	25,000	-	25,000	25,000	-
Miscellaneous	<u>2,500</u>	<u>(335)</u>	<u>2,165</u>	<u>2,165</u>	<u>-</u>
Total support services	<u>76,365</u>	<u>(1,600)</u>	<u>74,765</u>	<u>74,765</u>	<u>-</u>
<b>Capital Outlay</b>					
Instructional equipment	<u>6,000</u>	<u>(1,722)</u>	<u>4,278</u>	<u>4,278</u>	<u>-</u>
Total facilities acquisition and construction services	<u>6,000</u>	<u>(1,722)</u>	<u>4,278</u>	<u>4,278</u>	<u>-</u>
<b>Total Expenditures</b>	<u>\$ 196,365</u>	<u>\$ (3,927)</u>	<u>\$ 192,438</u>	<u>\$ 189,765</u>	<u>\$ 2,673</u>

**CALCULATION OF BUDGET AND CARRYOVER**

Total revised 2014-15 Preschool Education Aid Allocation	\$ 192,438
Less: 2014-15 Budgeted Preschool Education Aid	<u>(189,765)</u>
Available and Unbudgeted Preschool Education Aid Funds as of June 30, 2015	<u>2,673</u>
2014-15 Carryover - Preschool Education Aid Programs	<u>\$ 2,673</u>
Budgeted for Preschool Programs 2015-16	<u>\$ 2,673</u>

## **CAPITAL PROJECTS FUND**

The capital projects fund is used to account for the acquisition and construction of major capital facilities and equipment purchases other than those financed by propriety funds.

At June 30, 2015, there was no capital project fund.

## **ENTERPRISE FUNDS**

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the Charter School is that the costs of providing goods and services be financed through user charges. The Charter School has the Food Service and After Care in its Enterprise Fund to account for the operation of food services and after care.



NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

ENTERPRISE FUND

COMBINING SCHEDULE OF NET POSITION

JUNE 30, 2015

	FOOD SERVICE	AFTER SCHOOL	TOTAL
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 19,927	\$ 2,946	\$ 22,873
Interfund receivable	12,767	-	12,767
Accounts receivable:			
Federal	19,159	-	19,159
State	212	-	212
Miscellaneous	-	-	-
	<u>19,371</u>	<u>-</u>	<u>19,371</u>
Capital assets			
Machinery and equipment	2,358	-	2,358
Less: Accumulated depreciation	<u>(1,062)</u>	<u>-</u>	<u>(1,062)</u>
Net capital assets	<u>1,296</u>	<u>-</u>	<u>1,296</u>
Total Assets	<u>\$ 53,361</u>	<u>\$ 2,946</u>	<u>\$ 56,307</u>
<b>Liabilities</b>			
Current liabilities			
Interfund payable - General fund	\$ -	\$ -	\$ -
Total current liabilities	-	-	-
<b>Net assets</b>			
Unrestricted	<u>53,361</u>	<u>2,946</u>	<u>56,307</u>
Total Liabilities and Net Position	<u>\$ 53,361</u>	<u>\$ 2,946</u>	<u>\$ 56,307</u>

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**ENTERPRISE FUND**

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION**

**YEAR ENDED JUNE 30, 2015**

	<b>FOOD SERVICE</b>	<b>AFTER SCHOOL</b>	<b>TOTAL</b>
Operating revenues:			
Charges for services:			
Daily sales - nonreimbursable programs	\$ 8,441	\$ -	\$ 8,441
Afterschool fees	-	38,007	38,007
Miscellaneous revenue	<u>187</u>	<u>8</u>	<u>195</u>
Total Operating revenues	<u>8,628</u>	<u>38,015</u>	<u>46,643</u>
Operating expenses:			
Cost of sales	170,275	-	170,275
Salaries	26,000	35,069	61,069
Employee benefits	-	-	-
Rental	2,886	-	2,886
Supplies and materials	16,273	-	16,273
Depreciation	<u>472</u>	<u>-</u>	<u>472</u>
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>215,906</u>	<u>35,069</u>	<u>250,975</u>
Operating loss	<u>(207,278)</u>	<u>2,946</u>	<u>(204,332)</u>
Nonoperating revenues:			
State sources:			
State School Lunch	2,575	-	2,575
Federal sources:			
National School Lunch	137,180	-	137,180
National School Breakfast	53,792	-	53,792
National After School Snack Program	10,457	-	10,457
Fresh Fruit and Vegetable	<u>15,070</u>	<u>-</u>	<u>15,070</u>
Total nonoperating revenues	<u>219,074</u>	<u>-</u>	<u>219,074</u>
Loss before transfers	11,796	2,946	14,742
Transfers in - General fund	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net position	11,796	2,946	14,742
Total net position at beginning of year	<u>41,565</u>	<u>-</u>	<u>41,565</u>
Total net position at end of year	<u>\$ 53,361</u>	<u>\$ 2,946</u>	<u>\$ 56,307</u>

NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

ENTERPRISE FUND

COMBINING SCHEDULE OF CASH FLOWS

YEAR ENDED JUNE 30, 2015

	<u>FOOD SERVICE</u>	<u>AFTER SCHOOL</u>	<u>TOTAL</u>
<b>Cash flows from operating activities</b>			
Operating loss	\$ (207,278)	\$ 2,946	\$ (204,332)
Adjustment to reconcile operating loss to net cash from operating activities			
Depreciation	472	-	472
Changes in assets and liabilities:			
Accounts receivable	(2,759)	-	(2,759)
Interfund receivable	-	-	-
Interfund payable	-	-	-
Net cash from operating activities	<u>(209,565)</u>	<u>2,946</u>	<u>(206,619)</u>
<b>Cash flows from noncapital financing activities</b>			
Cash received from state and federal reimbursements	<u>219,074</u>	<u>-</u>	<u>219,074</u>
Net cash from noncapital financing activities	<u>219,074</u>	<u>-</u>	<u>219,074</u>
Net increase in cash and cash equivalents	9,509	2,946	12,455
Cash and cash equivalents at beginning of the year	<u>10,418</u>	<u>-</u>	<u>10,418</u>
Cash and cash equivalents at end of year	<u>\$ 19,927</u>	<u>\$ 2,946</u>	<u>\$ 22,873</u>

## **FIDUCIARY FUNDS**

Trust funds are used to account for gifts and bequests to the Charter School for specific purposes.

Unemployment Compensation Insurance Trust Fund is an expendable trust fund used to account for unemployment transactions of the Charter School.

At June 30, 2015 there was no non-expandable trust fund utilized by the Charter School.

Agency funds are used to account for assets held by the Charter School as an agent for individuals, private organizations, governmental and/or other funds.

Payroll Fund - This agency fund is used to account for the payroll transactions of the Charter School.

NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

FIDUCIARY FUNDS

COMBINING SCHEDULE OF FIDUCIARY NET POSITION

JUNE 30, 2015

	New Jersey Unemployment Benefits	Agency		Total
		Student Activities	Payroll Agency	
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 138,622	\$ 138,622
Interfund receivable	-	2,598	3,233	5,831
Total assets	<u>\$ -</u>	<u>\$ 2,598</u>	<u>\$ 141,855</u>	<u>\$ 144,453</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Payroll and withholdings payable	\$ -	\$ -	\$ 141,855	\$ 141,855
Accounts payable	-	2,598	-	2,598
Total liabilities	<u>-</u>	<u>2,598</u>	<u>141,855</u>	<u>144,453</u>
<b>Net Position</b>				
Restricted				
Unemployment compensation	-	-	-	-
Total liabilities and net position	<u>\$ -</u>	<u>\$ 2,598</u>	<u>\$ 141,855</u>	<u>\$ 144,453</u>

NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

FIDUCIARY FUNDS

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
(TRUST FUND)

YEAR ENDED JUNE 30, 2015

	New Jersey Unemployment Benefits
	<u>                    </u>
Revenues:	
General fund appropriation	\$ 27,758
Employees' contributions	<u>10,501</u>
Total revenues	<u>38,259</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>38,259</u>
Total expenditures	<u>38,259</u>
Excess (deficiency) of revenue over expenditures	-
Net position at beginning of the year	<u>-</u>
Net position at end of year	<u>\$ -</u>

NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

STUDENT ACTIVITY AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2015

	<u>Balance June 30, 2014</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2015</u>
<b>Assets</b>				
Interfund Receivable	\$ 1,825	\$ 8,254	\$ 7,481	\$ 2,598
<b>Liabilities</b>				
Accounts Payable	\$ 1,825	\$ 8,254	\$ 7,481	\$ 2,598

NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

PAYROLL AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2015

	<u>Balance June 30, 2014</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2015</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 112,393	\$ 1,576,594	\$ 1,550,365	\$ 138,622
Interfund receivable	<u>-</u>	<u>721,023</u>	<u>717,790</u>	<u>3,233</u>
Total Assets	<u>\$ 112,393</u>	<u>\$ 2,297,617</u>	<u>\$ 2,268,155</u>	<u>\$ 141,855</u>
<b>Liabilities</b>				
Payroll deductions and withholdings	\$ 108,701	\$ 137,782	\$ 104,628	\$ 141,855
Interfund payable	<u>3,692</u>	<u>724,255</u>	<u>727,947</u>	<u>-</u>
Total Liabilities	<u>\$ 112,393</u>	<u>\$ 862,037</u>	<u>\$ 832,575</u>	<u>\$ 141,855</u>



## **LONG-TERM DEBT**

The long-term debt is used to record the outstanding principal balances of the long term liabilities of the charter school. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding or mortgage note payable. The Charter School has no long-term debts.

NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

LONG-TERM DEBT

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

YEAR ENDED JUNE 30, 2015

	<u>Amount of Original Issue</u>	<u>Balance June 30, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2015</u>
Infrastructure Improvements	\$ 388,380	\$ 310,704	\$ -	\$ 77,676	\$ 233,028
Total Liabilities	<u>\$ 388,380</u>	<u>\$ 310,704</u>	<u>\$ -</u>	<u>\$ 77,676</u>	<u>\$ 233,028</u>

# **STATISTICAL SECTION (UNAUDITED)**

Unless otherwise noted, the information in these Schedules was derived from the Comprehensive Annual Financial Reports (CAFR) for the relevant year.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**INTRODUCTION TO THE STATISTICAL SECTION**

<b><u>Contents</u></b>	<b><u>Page</u></b>
<b>Financial Trends</b>  These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	<b>75</b>
<b>Revenue Capacity</b>  These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	<b>N/A</b>
<b>Debt Capacity</b>  These schedules present information to help the reader assess the affordability of the district' s current levels of outstanding debt and the district's ability to issue additional debt in the future.	<b>80</b>
<b>Demographic and Economic Information</b>  These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	<b>81</b>
<b>Operating Information</b>  These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.	<b>83</b>

**Note (1):** *Fiscal year ended June 30, 2010 is the first operating year of the Charter School; schedules presenting charter-wide information include information beginning in that year.*

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NET POSITION BY COMPONENT  
Last Ten Fiscal Years (1)**

*(Accrual basis of accounting)*

	<b>Fiscal Year Ending June 30,</b>					
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Governmental activities						
Invested in capital assets, net of related debt	\$ 8,340	\$ 10,845	\$ 15,844	\$ 18,282	\$ 20,720	\$ 23,157
Restricted	-	-	-	-	-	-
Unrestricted	<u>(1,578,962)</u>	<u>366,467</u>	<u>103,938</u>	<u>141,618</u>	<u>218,434</u>	<u>51,143</u>
Total governmental activities net positio	<u>\$ (1,570,622)</u>	<u>\$ 377,312</u>	<u>\$ 119,782</u>	<u>\$ 159,900</u>	<u>\$ 239,154</u>	<u>\$ 74,300</u>
Business-type activities						
Invested in capital assets, net of related debt	\$ -	\$ 1,768	\$ 2,004	\$ 2,240	\$ -	\$ -
Restricted	-	-	-	-	-	-
Unrestricted	<u>55,011</u>	<u>39,797</u>	<u>12,695</u>	<u>4,105</u>	<u>1,555</u>	<u>-</u>
Total business-type activities net positio	<u>\$ 55,011</u>	<u>\$ 41,565</u>	<u>\$ 14,699</u>	<u>\$ 6,345</u>	<u>\$ 1,555</u>	<u>\$ -</u>
School-wide						
Invested in capital assets, net of related debt	\$ 8,340	\$ 12,613	\$ 17,848	\$ 20,522	\$ 20,720	\$ 23,157
Restricted	-	-	-	-	-	-
Unrestricted	<u>(1,523,951)</u>	<u>408,032</u>	<u>118,637</u>	<u>147,963</u>	<u>219,989</u>	<u>51,143</u>
Total charter school net positio	<u>\$ (1,515,611)</u>	<u>\$ 420,645</u>	<u>\$ 136,485</u>	<u>\$ 168,485</u>	<u>\$ 240,709</u>	<u>\$ 74,300</u>

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**CHANGES IN NET POSITION**

**Last Ten Fiscal Years (1)**

*(Accrual basis of accounting)*

	<b>Fiscal Year Ending June 30,</b>					
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Expenses</b>						
Governmental activities						
Instruction	\$ 3,247,967	\$ 2,145,766	\$ 2,011,877	\$ 2,195,488	\$ 1,750,218	\$ 1,225,874
Support Services:						-
School Administrative Services	<u>2,408,271</u>	<u>2,651,137</u>	<u>3,031,143</u>	<u>2,484,791</u>	<u>1,855,590</u>	<u>1,692,226</u>
Total governmental activities expenses	<u>5,656,238</u>	<u>4,796,903</u>	<u>5,043,020</u>	<u>4,680,279</u>	<u>3,605,808</u>	<u>2,918,100</u>
Business-type activities:						
Food service	215,906	219,056	235,493	216,743	191,152	131,278
After school program	<u>35,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,382</u>
Total business-type activities expense	<u>250,975</u>	<u>219,056</u>	<u>235,493</u>	<u>216,743</u>	<u>191,152</u>	<u>186,660</u>
Total district expenses	<u>5,907,213</u>	<u>5,015,959</u>	<u>5,278,513</u>	<u>4,897,022</u>	<u>3,796,960</u>	<u>3,104,760</u>
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
Operating grants and contributions	<u>1,154,770</u>	<u>356,720</u>	<u>429,363</u>	<u>331,342</u>	<u>393,932</u>	<u>336,414</u>
Total governmental activities program revenues	<u>1,154,770</u>	<u>356,720</u>	<u>429,363</u>	<u>331,342</u>	<u>393,932</u>	<u>336,414</u>
Business-type activities:						
Charges for services						
Food service	8,636	6,227	6,409	6,685	12,033	8,357
After school program	38,007	-	-	-	-	13,580
Operating grants and contributions	219,074	180,507	174,554	169,848	121,673	20,000
Capital grants and contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,723</u>
Total business-type activities program revenues	<u>265,717</u>	<u>186,734</u>	<u>180,963</u>	<u>176,533</u>	<u>133,706</u>	<u>186,660</u>
Total district program revenues	<u>1,420,487</u>	<u>543,454</u>	<u>610,326</u>	<u>507,875</u>	<u>527,638</u>	<u>523,074</u>
<b>Net (Expense)/Revenue</b>						
Governmental activities	(4,501,468)	(4,440,183)	(4,613,657)	(4,348,937)	(3,211,876)	(2,581,686)
Business-type activities	<u>14,742</u>	<u>(32,322)</u>	<u>(54,530)</u>	<u>(40,210)</u>	<u>(57,446)</u>	<u>-</u>
Total district-wide net expense	<u>(4,486,726)</u>	<u>(4,472,505)</u>	<u>(4,668,187)</u>	<u>(4,389,147)</u>	<u>(3,269,322)</u>	<u>(2,581,686)</u>
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental activities:						
Property taxes levied for general purposes, net	650,324	597,236	540,389	507,155	412,851	322,545
Grants and contributions	4,275,178	4,140,500	3,951,123	3,782,891	2,931,804	2,293,962
Miscellaneous income	13,761	19,122	144,869	24,637	91,074	184,202
Transfers	<u>-</u>	<u>(59,145)</u>	<u>(62,842)</u>	<u>(45,000)</u>	<u>(59,000)</u>	<u>(144,723)</u>
Total governmental activities	<u>4,939,263</u>	<u>4,697,713</u>	<u>4,573,539</u>	<u>4,269,683</u>	<u>3,376,729</u>	<u>2,655,986</u>
Business-type activities:						
Miscellaneous Income	-	43	42	-	1	-
Transfers	<u>-</u>	<u>59,145</u>	<u>62,842</u>	<u>45,000</u>	<u>59,000</u>	<u>-</u>
Total business-type activities	<u>-</u>	<u>59,188</u>	<u>62,884</u>	<u>45,000</u>	<u>59,001</u>	<u>-</u>
Total district-wide	<u>4,939,263</u>	<u>4,756,901</u>	<u>4,636,423</u>	<u>4,314,683</u>	<u>3,435,730</u>	<u>2,655,986</u>
<b>Changes in Net Position</b>						
Governmental activities	437,795	257,530	(40,118)	(79,254)	164,853	74,300
Business-type activities	<u>14,742</u>	<u>26,866</u>	<u>8,354</u>	<u>4,790</u>	<u>1,555</u>	<u>-</u>
Total district	<u>\$ 452,537</u>	<u>\$ 284,396</u>	<u>\$ (31,764)</u>	<u>\$ (74,464)</u>	<u>\$ 166,408</u>	<u>\$ 74,300</u>

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**FUND BALANCES - GOVERNMENTAL FUNDS**

**Last Ten Fiscal Years (1)**

*(Modified accrual basis of accounting)*

	<b>2015</b>		<b>2014</b>		<b>Fiscal Year Ending June 30,</b>		<b>2011</b>		<b>2010</b>	
					<b>2013</b>		<b>2012</b>			
General Fund										
Assigned	\$	10,398	\$	36,787	\$	15,863	\$	41,600	\$	112,354
Unassigned		<u>745,587</u>		<u>344,679</u>		<u>115,594</u>		<u>109,580</u>		<u>106,080</u>
Total general fund	\$	<u>755,985</u>	\$	<u>381,466</u>	\$	<u>131,457</u>	\$	<u>151,180</u>	\$	<u>218,434</u>
										\$
										<u>51,143</u>

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

Last Ten Fiscal Years (1)

(Unaudited)

Function	2015	2014	2013	2012	2011	2010
<b>Revenues</b>						
Local Sources:						
Local tax levy	\$ 650,324	\$ 597,236	\$ 540,389	\$ 507,155	\$ 412,851	\$ 322,545
Miscellaneous	205,186	51,533	249,771	77,313	91,493	205,752
State sources	4,674,619	4,140,500	3,951,123	3,782,891	3,130,516	2,293,962
Federal sources	285,117	324,309	324,461	276,065	183,242	314,864
Total Revenues	<u>5,815,246</u>	<u>5,113,578</u>	<u>5,065,744</u>	<u>4,643,424</u>	<u>3,818,102</u>	<u>3,137,123</u>
	5,815,246					
Current expense	-					
Instruction	2,357,994	2,120,019	2,003,741	1,956,881	1,492,033	1,225,362
Administrative cost	1,301,692	1,391,457	1,597,850	1,365,741	935,908	661,260
Support services	1,375,662	1,289,264	1,421,034	1,345,656	1,163,451	1,060,259
Capital outlay	4,278	376,529	-	-	-	24,376
TPAF - FICA Reimbursement	142,658	-	-	-	-	-
TPAF - On-behalf payments	258,443	-	-	-	-	-
Total Expenditures	<u>5,440,727</u>	<u>5,177,269</u>	<u>5,022,625</u>	<u>4,668,278</u>	<u>3,591,392</u>	<u>2,971,257</u>
	5,440,727	5,177,269	5,022,625	4,668,278	3,591,392	2,971,257
Excess (Deficiency) of Revenues Over Expenditures	374,519	(63,691)	43,119	(24,854)	226,710	165,866
Other financing sources(uses):						
Operating transfers in/(out)	-	(59,145)	(62,842)	(45,000)	(59,000)	(144,723)
Cancellation of prior year's payable	-	-	-	2,600	-	-
Cancellation of prior year's receivable	-	-	-	-	(419)	-
Capital leases (nonbudgeted)	-	372,845	-	-	(419)	-
Total other financing sources/(uses)	<u>-</u>	<u>313,700</u>	<u>(62,842)</u>	<u>(42,400)</u>	<u>(59,838)</u>	<u>(144,723)</u>
	-	313,700	(62,842)	(42,400)	(59,838)	(144,723)
Net change in fund balances	<u>\$ 374,519</u>	<u>\$ 250,009</u>	<u>\$ (19,723)</u>	<u>\$ (67,254)</u>	<u>\$ 166,872</u>	<u>\$ 21,143</u>
	\$ 374,519	\$ 250,009	\$ (19,723)	\$ (67,254)	\$ 166,872	\$ 21,143
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Charter school's records.

Note: Noncapital expenditures are total expenditures less capital outlay.



**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**GENERAL FUND REVENUE - OTHER LOCAL REVENUE BY SOURCE**

**Last Ten Fiscal Years (1)**

(Unaudited)

Fiscal Year Ended June 30,	Interest Income	Turell Fund	Friends of Newark Educators'	Gem Foundation	DUNN Grant	First Presbyterian Outreach	Miscellaneous	Annual Totals
2015	\$ 585	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,836	\$ 15,421
2014	413	-	-	-	-	-	18,709	19,122
2013	372	7,000	120,000	-	10,000	-	7,497	144,869
2012	156	-	-	-	10,000	3,211	8,670	22,037
2011	163	-	-	-	25,000	4,500	16,364	46,027
2010	181	-	-	150,000	20,000	-	14,021	184,202

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**RATIOS OF OUTSTANDING DEBT BY TYPE**

**Last Ten Fiscal Years (1)**

(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities			Bond Anticipation Notes (BANs)	Business-Type Activities	Total Charter School
	General Obligation Bonds	Certificates of Participation	Capital Leases		Capital Leases	
2015	\$ -	\$ -	\$ 233,028	\$ -	\$ -	\$ 233,028
2014	-	-	310,704	-	-	310,704
2013	-	-	-	-	-	-
2012	-	-	-	-	-	-
2011	-	-	-	-	-	-
2010	-	-	-	-	-	-

Note: Details regarding the Charter School's outstanding debt can be found in the notes to the basic financial statements.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Fiscal Years (1)**

<u>Year</u>	<u>Population <sup>a</sup></u>	<u>Personal Income <sup>b</sup></u>	<u>Per Capita Personal Income <sup>c</sup></u>	<u>Unemployment Rate <sup>d</sup></u>
2014	280,579	**	**	10.20%
2013	279,468	\$ 15,260,629,608	\$ 54,606	7.90%
2012	278,289	15,116,101,902	54,318	8.80%
2011	277,854	14,892,140,838	53,597	8.90%
2010	277,522	14,270,736,284	51,422	9.50%
2009	278,154	13,838,161,500	49,750	9.50%

\*\* Data not available

**Source:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income has been estimated based upon the municipal population and per capita personal income presented

<sup>c</sup> Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

<sup>d</sup> Unemployment data provided by the NJ Dept of Labor and Workforce Development

**NEWARK EDUCATORS COMMUNITY CHARTER SCHOOL**  
(COUNTY OF ESSEX, NEW JERSEY)

**PRINCIPAL EMPLOYERS**  
**Current Year and Five Years Ago**

Employer	2015		2010	
	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment
St. Barnabas Health Care System	23,000	**	-	
Verizon	17,100	**	18,000	**
Prudential Ins. Co. of America	16,850	**	8,119	**
Rutgers University - Newark Campus	15,500	**	-	
Continental Airlines	11,000	**	14,000	**
Newark Board of Education	7,050	**	-	
Automatic Data Processing	5,649	**	4,666	**
New Jersey Transit	4,000	**	-	
City of Newark	4,000	**	-	
Essex County	3,500	**	-	
PSE&G	-		10,300	**
JP Morgan Chase	-		5,300	**
Horizon Blue Cross/Blue Shield	-		4,808	**
Roche	-		3,715	**
KPMG	-		2,265	**
Ricoh American Corp	-		1,400	**
	<u>107,649</u>		<u>72,573</u>	<u>72,573</u>

Note - Principal employers are that of Essex County

\*\* - Information not available

Source: Essex County Economic Development Corporation

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM**

**Last Ten Fiscal Years (1)**

(Unaudited)

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b><u>Function/Program</u></b>						
Instruction	28	28	28	26	20	16
Administrative	6	6	7	7	6	6
Support Services	2	2	2	2	2	2
Food Service	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total	<u><u>37</u></u>	<u><u>37</u></u>	<u><u>38</u></u>	<u><u>36</u></u>	<u><u>29</u></u>	<u><u>25</u></u>

**Source:** Charter School's personnel records

NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

OPERATING STATISTICS

Last Ten Fiscal Years (1)  
(Unaudited)

Fiscal Year	Enrollment	Operating Expenditures <sup>a</sup>	Cost Per Pupil	Percentage Change	Teaching Staff <sup>b</sup>	Pupil/Teacher Ratio		Average Daily Enrollment (ADE) <sup>c</sup>	Average Daily Attendance (ADA) <sup>c</sup>	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary					
2015	310	5,436,449	17,537	1.19%	26	10.65		312.5	306.25	12.82%	98.00%
2014	277	4,800,740	17,331	-0.07%	26	10.65		277.0	272	1.17%	98.19%
2013	278	4,821,491	17,343	5.64%	26	10.69		273.8	255	-1.86%	93.13%
2012	279	4,580,558	16,418	26.44%	24	11.63		279.0	262	6.88%	93.91%
2011	249	3,233,239	12,985	1.52%	18	13.83		247.0	234	6.79%	94.74%
2010	194	2,481,361	12,791	100.00%	15	12.93		191.5	188	100.00%	98.17%

Source: Charter School's Records

Note: Enrollment based on annual October Charter School count.

a Operating expenditures equal total expenditures less debt service and capital outlay.

b Teaching staff includes only full-time equivalents of certificated staff.

c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**SCHOOL BUILDING INFORMATION  
Last Ten Fiscal Years (1)**

	<u>2015</u>	<u>2014*</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Charter School Building</u>						
<u>Elementary School</u>						
Newark Educators' Community Charter School						
Square Feet	58,000	58,000	28,000	28,000	28,000	28,000
Capacity (students)	450	450	300	300	300	300
Enrollment	310	277	278	279	249	194
Number of Schools	1	1	1	1	1	1

**Source:** Charter School's Records

\* Charter School moved to a new location in 2014.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**INSURANCE SCHEDULE**

**June 30, 2015  
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
Commercial property and general liability:		
<b>Property:</b>		
Building	\$ 12,082,293	\$ -
Business Personal Property	250,000	1,000
Electronic Data Processing	100,000	1,000
Equipment Breakdown	100,000,000	1,000
<b>Liability</b>		
BI & PD Each Occurrence	11,000,000	
Products/Completed Ops Ann Aggregate	11,000,000	
Personal & Adv. Injury	11,000,000	
Sexual Abuse per occurrence	11,000,000	
NJSIG Annual Aggregate	17,000,000	
Employee Benefits Liability per occurrence and annual aggregate	11,000,000	
<b>Crime</b>		
Employee Dishonesty	100,000	
Money & Securities on or off premises	50,000	
Money Orders/Counterfeit	50,000	
Forgery or Alteration	250,000	
Computer Fraud	250,000	
Deductibles vary per schedule		
<b>Automobile</b>		
Non Owned & Hired Auto Liability	11,000,000	
<b>Bonds</b>		
Board Secretary	183,508	
<b>Environmental Policy</b>		
Each Incident	1,000,000	25,000
<b>Workers Compensation</b>		
Employers Liability		
Each Accident	2,000,000	
Each Employee	2,000,000	
<b>Errors &amp; Omissions</b>		
Coverage A - Limit per policy period	11,000,000	5,000
Coverage B - Limit each claim	100,000	
Limit each policy period	300,000	5,000 each claim
<b>Supplemental Indemnity</b>		
Maximum Benefit Period	52 weeks	
Maximum Weekly Benefit	2,500	
Elimination period	7 days	
<b>Student Accident</b>		
Limit	1,000,000	
<b>Group Catastrophic Policy</b>		
Limit each occurrence	50,000,000	
Annual Aggregate	100,000,000	

**Source:** Charter School's Records



NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

CHARTER SCHOOL PERFORMANCE FRAMEWORK  
FINANCIAL PERFORMANCE  
FISCAL RATIOS

Multi-Year Information  
(Unaudited)

	2013 Audit	2014 Audit	2015 Audit	Source
Cash	\$ 186,979	\$ 330,003	\$ 472,592	Audit: Exhibit A-1
Current Assets	302,911	467,605	900,701	Audit: Exhibit A-1
Total Assets	366,715	881,934	1,143,365	Audit: Exhibit A-1
Current Liabilities	204,715	215,029	89,705	Audit: Exhibit A-1
Total Liabilities	232,234	463,057	2,344,019	Audit: Exhibit A-1
Net Assets	134,481	418,877	(1,514,315)	Audit: Exhibit A-1
Total Revenue	5,246,749	5,300,355	6,321,743	Audit: Exhibit A-2
Total Expenses	5,278,513	5,015,959	5,907,213	Audit: Exhibit A-2
Change in Net Assets	(31,764)	284,396	414,530	Audit: Exhibit A-2
Depreciation Expense	2,676	70,823	-	Financial Statements/Audit Workpapers
Interest Expense	4,837	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	274	277	313	DOE Enrollment Reports
March 30th Budgeted Enrollment	300	285	305	Charter School Budget

		RATIOS ANALYSIS					
Near Term Indicators		2013	2014	2015	3 YR CUM	Source:	Target
1a.	Current Ratio	1.48	2.17	10.04	3.28	Current Assets/Current Liabilities	> 1.1
1b.	Unrestricted Days Cash	12.93	24.01	29.20	22.29364	Cash/(Total Expenses/365)	30-60
1c.	Enrollment Variance	91%	97%	102%	97.02%	Average Daily Enrollment/Budgeted Enrollment	>95%
1d.	Default	No	No	No	No	Audit	not in default
Sustainability Indicators							
2a.	Total Margin	-1%	5%	7%	4%	Change in Net Assets/Total Revenue	positive
2b.	Debt to Asset	0.63	0.53	2.05	1.27	Total Liabilities/Total Assets	<.9
2c.	Cash Flow	(105,871)	143,024	142,589	179,742	Net change in cash flow from prior years	3 yr cum positive
2d.	Debt Service Coverage Ratio	N/A	N/A	N/A	-	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)	>1.10

# **SINGLE AUDIT SECTION**

**INDEPENDENT AUDITORS' 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**

The Honorable President and  
Members of the Board of Trustees  
Newark Educators' Community Charter School  
Essex County, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Newark Educators' Community Charter School (the Charter School), in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued our report thereon dated November 13, 2015.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

**INDEPENDENT AUDITORS' 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 - CONTINUED**

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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey.

However, we noted certain matters that we have reported to the Board of Trustees of the Newark Educators' Community Charter School in the County of Essex, New Jersey in a separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, dated November 13, 2015.

**Purpose of this Report**

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



Leonora Galleros, CPA  
Licensed Public School Accountant  
No. 20CS002239400



November 13, 2015  
Freehold, New Jersey

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR MAJOR FEDERAL AND STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB LETTER CIRCULAR 04-04**

The Honorable President and  
Members of the Board of Trustees  
Newark Educators' Community Charter School  
Essex County, New Jersey

**Report on Compliance for Each Major Federal and State Programs**

We have audited the Newark Educators' Community Charter School's (the Charter School) in the County of Essex, State of New Jersey compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal and state programs for the fiscal year ended June 30, 2015. The Charter School's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Charter School's major federal programs based on our audit of the types of compliance requirements referred to above. 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; the audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey; OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey OMB Letter Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, OMB Circular A-133 and New Jersey OMB Letter Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR MAJOR FEDERAL AND STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB LETTER CIRCULAR 04-04**

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the Charter School's compliance on compliance for each major federal and state programs.

### **Opinions on Each Major Federal and State Programs**

In our opinion, the Newark Educators' Community Charter School Board of Trustees, in the County of Essex, State of New Jersey, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2015.

### **Others**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and NJ OMB Letter Circular 04-04, and which are described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program and state financial assistance is not modified with respect to these matters.

### **Report on Internal Control Over Compliance**

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance for each major federal and state programs and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Letter Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Charter School's 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 or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR MAJOR FEDERAL AND STATE PROGRAMS AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133 AND NEW JERSEY OMB LETTER CIRCULAR 04-04**

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

The Charter School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Charter School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 OMB Circular A-133 and NJ OMB Letter Circular 04-04. Accordingly, this report is not suitable for any other purpose.



Leonora Galleros, CPA  
Licensed Public School Accountant  
No. 20CS002239400



November 13, 2015  
Freehold, New Jersey

NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT K-3  
SCHEDULE A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA No.	Grant Period	Award Amount	Balance at June 30, 2014	Carryover Walkover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2015	Deferred Revenue at June 30, 2015	Due to Grantor at June 30, 2015
<b>U.S. Department of Education:</b>											
<b>Passed-through New Jersey State Department Education</b>											
<b>No Child Left Behind:</b>											
Title I, Part A - Grants to Local Educational Agencies	84.010	7/1/14-6/30/15	\$ 223,665	\$ -	\$ -	\$ 170,959	\$ (223,665)	\$ -	\$ (52,706)	\$ -	\$ -
Title I, Part A - Grants to Local Educational Agencies	84.010	7/1/13-6/30/14	246,573	(7,008)	-	7,008	-	-	-	-	-
Title II, Part A - Improving Teacher Quality State Grant:	84.367	7/1/14-6/30/15	2,233	-	-	-	(2,233)	-	(2,233)	-	-
Title II, Part A - Improving Teacher Quality State Grant:	84.367	7/1/13-6/30/14	287	(268)	-	268	-	-	-	-	-
IDEA, Part B, Basic	84.027	7/1/14-6/30/15	57,406	-	-	37,788	(57,406)	-	(19,618)	-	-
IDEA, Part B, Basic	84.027	7/1/13-6/30/14	55,582	(43,409)	-	-	-	-	-	-	-
IDEA - Special Education_Preschool Grants	84.027	7/1/14-6/30/15	1,813	-	-	-	(1,813)	-	(1,813)	-	-
Total U.S. Department of Education				<u>(50,685)</u>	<u>-</u>	<u>45,064</u>	<u>(285,117)</u>	<u>-</u>	<u>(76,370)</u>	<u>-</u>	<u>-</u>
<b>U.S. Department of Agriculture</b>											
<b>Passed-through New Jersey State Department of Agriculture</b>											
National School Lunch Program	10.555	7/1/14-6/30/15	137,180	-	-	125,836	(137,180)	-	(11,344)	-	-
National School Lunch Program	10.555	7/1/13-6/30/14	114,867	(11,095)	-	11,095	-	-	-	-	-
National School Breakfast Program	10.553	7/1/14-6/30/15	53,792	-	-	49,258	(53,792)	-	(4,534)	-	-
National School Breakfast Program	10.553	7/1/13-6/30/14	42,338	(4,288)	-	4,288	-	-	-	-	-
After School Snack Program	10.558	7/1/14-6/30/15	10,457	-	-	9,701	(10,457)	-	(756)	-	-
After School Snack Program	10.558	7/1/13-6/30/14	8,434	(1,018)	-	1,018	-	-	-	-	-
Fresh Fruit and Vegetable Program	10.582	7/1/14-6/30/15	15,070	-	-	12,545	(15,070)	-	(2,525)	-	-
Total U.S. Department of Agriculture				<u>(16,401)</u>	<u>-</u>	<u>213,741</u>	<u>(216,499)</u>	<u>-</u>	<u>(19,159)</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ (67,086)</u>	<u>\$ -</u>	<u>\$ 258,805</u>	<u>\$ (501,616)</u>	<u>\$ -</u>	<u>\$ (95,529)</u>	<u>\$ -</u>	<u>\$ -</u>



NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)

EXHIBIT K-4  
SCHEDULE B

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014	Adjustments	Carryover Walkover Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2015	Deferred Revenue at June 30, 2015	Due to Grantor at June 30, 2015
<b>New Jersey State Department of Education</b>												
<b>General Fund:</b>												
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	\$ 3,969,387	\$ -	\$ -	\$ -	\$ 3,813,827	\$ (3,969,387)	\$ -	\$ (155,560)	\$ -	\$ -
Equalization Aid	14-495-034-5120-078	7/1/13-6/30/14	3,611,227	69,745	-	-	2,022	-	(71,345)	-	-	422
Special Education Categorical Aid	15-495-034-5120-089	7/1/14-6/30/15	130,759	-	-	-	130,759	(130,759)	-	-	-	-
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	173,372	-	-	-	173,372	(173,372)	-	-	-	-
Preschool Education Aid	15-495-034-5120-086	7/1/14-6/30/15	192,438	-	-	-	176,727	(189,765)	-	(13,038)	-	-
TPAF-Social Security	15-495-034-5095-006	7/1/14-6/30/15	142,658	-	-	-	128,459	(142,658)	-	(14,199)	-	-
TPAF-Social Security	14-495-034-5095-006	7/1/13-6/30/14	121,724	(6,526)	-	-	6,526	-	-	-	-	-
TPAF-Post Retirement - Medical	15-495-034-5095-001	7/1/13-6/30/15	258,443	-	-	-	-	(258,443)	-	-	-	-
Total General Fund				<u>63,219</u>	<u>-</u>	<u>-</u>	<u>4,431,692</u>	<u>(4,864,384)</u>	<u>(71,345)</u>	<u>(182,797)</u>	<u>-</u>	<u>422</u>
<b>Enterprise Fund:</b>												
State School Lunch Program	15-100-010-3350-023	7/1/14-6/30/15	2,575	\$ -	\$ -	\$ -	2,363	(2,575)	\$ -	(212)	\$ -	\$ -
State School Lunch Program	15-100-010-3350-023	7/1/13-6/30/14	2,217	(211)	-	-	211	-	-	-	-	-
Total Enterprise Fund				<u>(211)</u>	<u>-</u>	<u>-</u>	<u>2,574</u>	<u>(2,575)</u>	<u>-</u>	<u>(212)</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures of State Financial Assistance</b>				<u>\$ 63,008</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,434,266</u>	<u>\$ (4,866,959)</u>	<u>\$ (71,345)</u>	<u>\$ (183,009)</u>	<u>\$ -</u>	<u>\$ 422</u>

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE**

**FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE 1 GENERAL**

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state activity of the Board of Trustees of the Charter School. The Board of Trustees is defined in Note 1 to the Charter School's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of federal awards and state financial assistance.

**NOTE 2 BASIS OF ACCOUNTING**

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting with the exception of those recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey OMB Letter Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the Board's basic financial statements. The basic financial statements present the special revenue fund on both GAAP and budgetary basis. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. See Exhibit C-3 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the special revenue fund. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE - CONTINUED**

**NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS - CONTINUED**

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 4,273,518	\$ 4,273,518
Special Revenue Fund	285,117	-	285,117
Enterprise Fund	216,499	2,575	219,074
Total	<u>\$ 501,616</u>	<u>\$ 4,276,093</u>	<u>\$ 4,777,709</u>

**NOTE 4 RELATIONSHIP TO STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**NOTE 5 ON-BEHALF PAYMENTS**

TPAF Social Security Contributions represents reimbursements in the amount of \$142,658 by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2015. The State had also made on-behalf TPAF payments for post-retirement medical benefits in the amount of \$258,443.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FISCAL YEAR ENDED JUNE 30, 2015**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statement Section**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:  
 Material weakness(es) identified?        Yes   ✓   None reported

Significant deficiency(ies) identified not considered to be material weaknesses?        Yes   ✓   No

Noncompliance material to financial statements noted?        Yes   ✓   No

**Federal Awards**

Dollar threshold used to determine Type A and B programs: \$300,000

Auditee qualified as low-risk auditee?        Yes   ✓   No

Type of auditors' report on compliance for major programs: Unmodified

Internal control over compliance:  
 Material weakness(es) identified?        Yes   ✓   No

Significant deficiency(ies) identified not considered to be material weakness(es)?        Yes   ✓   No

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (Section .510(a))?   ✓   Yes        No

**Identification of Major Programs:**

<u>CFDA No.</u>	<u>Name of Federal Program</u>
84.010	Title I, Part A – Grants to Local Educational Agencies
10.555	Child Nutrition Cluster
10.553	National School Lunch Program
	National School Breakfast Program

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FISCAL YEAR ENDED JUNE 30, 2015**

**SECTION I - SUMMARY OF AUDITORS' RESULTS - CONTINUED**

**State Financial Assistance**

Dollar threshold used to determine Type A and B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

Type of auditors' report on compliance for major programs: Unmodified

Internal control over compliance:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified not considered to be material weakness(es)?  Yes  No

Any audit findings disclosed that are required to be reported in accordance with NJ OMB Letter Circular 04-04?  Yes  No

**Identification of Major Programs:**

<u>State or Project No.</u>	<u>Name of State Program</u>
State Aid Public Cluster:	
15-495-034-5120-078	Equalization Aid
15-495-034-5120-084	Security Aid
15-495-034-5120-089	Special Education Aid
15-495-034-5120-086	Pre-School Education Aid

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None noted.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**SECTION III FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

**FEDERAL AWARDS**

**Finding 2015-001 Lunch Applications**

CFDA #10.553, 10.556 – Child Nutrition Cluster

*Criteria*

*“Eligibility for Free or Reduced Price Meals or Free Milk (1) General Rule: Annual Certification* – A child’s eligibility for free or reduced price meals under a Child Nutrition Cluster program may be established by the submission of an annual application or statement which furnishes such information as family income and family size. Local educational agencies (LEAs), institutions, and sponsors determine eligibility by comparing the data reported by the child’s household to published income eligibility guidelines.

*Condition*

In our review of records and reports related to the food program, we noted that entries in the Charter School Enrollment (CHE) System of the New Jersey Department of Education did not agree to information on verified applications and supporting documents.

*Questioned cost*

Cannot be determined

*Context*

In our review of enrollment information of all students enrolled with the Charter School, we noted the following instances:

- a. There were 2 students classified as "reduced" category should have been classified under "denied" category based on the completed application and income information on file.
- b. A student classified as "free" should had been classified under "denied" based on the completed application and income information on file.
- c. There were 3 students classified as "reduced" category should have been classified under "free" category based on the completed application and income information on file.
- d. There were 3 students classified as "denied" category should have been classified under "free" category based on the completed application and income information on file.

*Effect*

Information entered into the CHE System for some students is incorrect.

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**SECTION III      FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**

**Finding 2015-001      Lunch Applications - Continued**

*Cause*

Procedures to review student application and meals classification were not adhered to consistently.

*Recommendation*

We recommend that entries in the CHE system should be reviewed against information on verified lunch applications by designated Charter School personnel to ensure proper reporting and accurate claims of meals served under the three categories: free, reduced, or paid meals. All completed applications should be maintained and be made available for review.

*View of the Responsible Official and Planned Corrective Action*

Lunch verification will be conducted by Food Service Director and re-verified by the School Business Administrator prior to input into Genesis Information System (Genesis). Once uploaded to Genesis, the information will be reviewed and verified one more time prior to upload to the CHE System.



**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL  
(COUNTY OF ESSEX, NEW JERSEY)**

**SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS AND QUESTIONED COSTS AS  
PREPARED BY MANAGEMENT**

**FISCAL YEAR ENDED JUNE 30, 2015**

There was no prior year finding.