

**NEWARK EDUCATORS'
COMMUNITY CHARTER SCHOOL**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2018

**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.

February 27, 2019

Dr. Lamont Repollet
Commissioner of Education
New Jersey Department of Education
100 Riverview Executive Plaza CN 500
Trenton, New Jersey 08625-0500

Dear Dr. Repollet:

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, 2018. 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 Charter School 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 New Jersey State Office of Management and Budget (OMB) Circular Letter 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*.

Learning for all.

9-11 HILL STREET TEL 973.732.3848 info@newarkeducators
NEWARK, NJ 07102 FAX 973.732.3847 newarkeducators.org

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 seven 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 Charter 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 Charter School's Principal and Vice-Principal, School Business Administrator/Board Secretary, and faculty representative.

The Principal of the Charter School 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 Newark Educators' Community 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 Pre-K through 4. These include both regular and special education programs. As of June 30, 2017, the Charter School's final head count was 293 students.

2. **MAJOR INITIATIVES:** The following are the major initiatives successfully implemented at the Charter School for 2017-2018 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.

2. **MAJOR INITIATIVES - CONTINUED**

- PARCC preparation and instructional alignment to the Common Core State Standards (CCSS) - continued
 - 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.
 - 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 is 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 re-teaching 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:
 - 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.

2. **MAJOR INITIATIVES - CONTINUED**

- 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 twice 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
 - 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
 - Family and Friends Skate Night 3x a year
 - Picture Day for families
 - Family Carnival Day
 - Moving On Ceremonies for Pre-k, Kindergarten, and 4th
 - Transitional Enrollment for 4th grade families

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, 2018.

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, 2017, 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" Notes 1 and 3. 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 New Jersey Letter Circular Letter 15-08-OMB.

The auditors' report on the basic financial statements, combining and individual fund statements, and schedules are included in the financial section of this report. The auditors' 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.

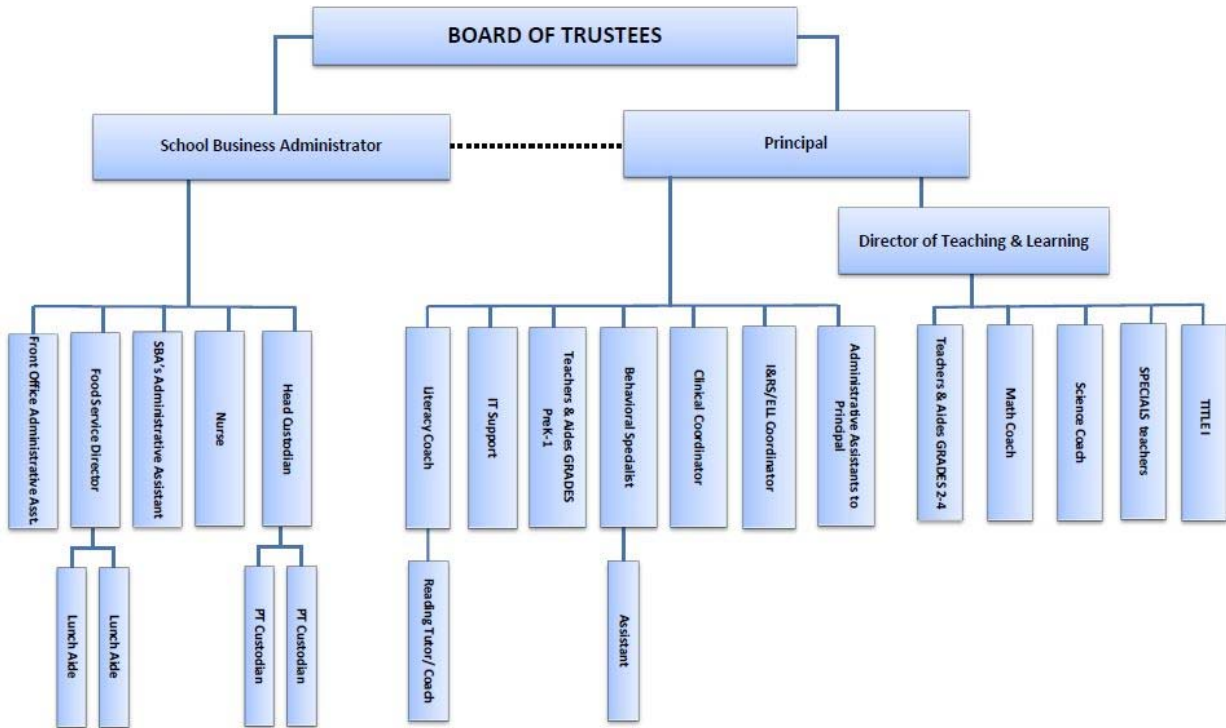
Respectfully submitted,



Dr. Brian Falkowski
School 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, 2018

Board -of Trustees

MEMBERS OF THE BOARD OF TRUSTEES

Lisette Curry	President
Mary Serpico	Vice President
Nausia Bell	Trustee
Nancy Toes	Trustee
Chalynda Maynard	Trustee
Al-Jabbar Riddle	Trustee
Torra Waynick	Trustee
Shamecha Jones	Trustee

OTHER OFFICIALS

Dina Velez, Principal

Jennifer Di Santo, Director of Teaching & Learning

Dr. Brian Falkowski, Board Secretary/Business Administrator

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

CONSULTANTS AND ADVISORS

Independent Auditors

Galleros Koh LLP
115 Davis Station Road
Cream Ridge, NJ 08514

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, 2018, 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 Office of School 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, 2018, 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 the Matter

We draw attention to Notes 2 and 8 in the notes to financial statements which disclose the effects of the School District's adoption of the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". 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 64 through 66, and Schedules Related to Accounting and Reporting for Pensions (GASB 68) and Other Post-Employment Benefits (OPEB) on pages 68 through 71 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey OMB's Letter Circular 15-08, *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 February 27, 2019 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.



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



GALLEROS KOH LLP
Certified Public Accountants

February 27, 2019
Cream Ridge, 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

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, 2018. 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, 2018. 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 2017-2018 are as follows:

- In total, net position increased from (\$1.54) million to (\$1.48) million.
- General revenues accounted for \$4.00 million 58% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions accounted for \$2.86 million or 42% of total revenues of \$6.86 million.
- The Charter School had \$6.8 million in expenses; only \$2.86 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$4.00 million were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$4.49 million in revenues and \$4.49 million in expenditures. The General Fund's fund balance increased by \$4,516 over 2017.

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.

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(COUNTY OF ESSEX, NEW JERSEY)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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 2018?" 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 take into account all of the current year's revenues and expenses regardless of when cash was received or paid.

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, 2018. 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:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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.

Enterprise Fund

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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, 2018.

The total net position of the Charter School has increased by \$64,203 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 2018.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current Assets	\$ 926,211	\$ 28,532	\$ 954,743
Capital Assets, net	<u>28,141</u>	<u>-</u>	<u>28,141</u>
Total Assets	<u>954,352</u>	<u>28,532</u>	<u>982,884</u>
Deferred Outflow of Resources			
	<u>560,042</u>	<u>-</u>	<u>560,042</u>
Liabilities			
Current Liabilities	224,627	(14,396)	210,231
Noncurrent liabilities	<u>1,964,078</u>	<u>-</u>	<u>1,964,078</u>
Total Liabilities	<u>2,188,705</u>	<u>(14,396)</u>	<u>2,174,309</u>
Deferred Inflow of Resources			
	<u>843,946</u>	<u>-</u>	<u>843,946</u>
Net Position			
Invested in Capital Assets (net of related debt)	28,141	-	28,141
Unrestricted	<u>(1,546,398)</u>	<u>42,928</u>	<u>(1,503,470)</u>
Total Net Position	<u>\$ (1,518,257)</u>	<u>\$ 42,928</u>	<u>\$ (1,475,329)</u>

In 2018, total revenues increased by \$0.43 million about 6.65% compared to total revenues in 2017. This was mainly due to a very slight increase in enrollment in 2017. Total expenses increased by \$0.41 million, about 6.44%.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

	Governmental		Business Type		Total	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charge for Services	\$ -	\$ -	\$ 23,989	\$ 31,783	\$ 23,989	\$ 31,783
Grants and Contributions	2,636,469	2,268,073	203,915	202,608	2,840,384	2,470,681
Total Program Revenues	<u>2,636,469</u>	<u>2,268,073</u>	<u>227,904</u>	<u>234,391</u>	<u>2,864,373</u>	<u>2,502,464</u>
General Revenues:						
Local Aid	523,159	483,367	-	-	523,159	483,367
Federal and State Aid	3,451,355	3,450,063	-	-	3,451,355	3,450,063
Other	25,878	938	-	-	25,878	938
Total General Revenues	<u>4,000,392</u>	<u>3,934,368</u>	<u>-</u>	<u>-</u>	<u>4,000,392</u>	<u>3,934,368</u>
Total Revenues	<u>6,636,861</u>	<u>6,202,441</u>	<u>227,904</u>	<u>234,391</u>	<u>6,864,765</u>	<u>6,436,832</u>
Expenses:						
Instruction	3,612,775	3,382,972	-	-	3,612,775	3,382,972
Support Services:						
School Administrative Services	942,631	1,012,539	-	-	942,631	1,012,539
General and Business Administration Services	1,991,875	1,757,280	-	-	1,991,875	1,757,280
Capital Outlay	7,880	-	-	-	7,880	-
Enterprise Activities	-	-	245,401	236,332	245,401	236,332
Total Expenses	<u>6,555,161</u>	<u>6,152,791</u>	<u>245,401</u>	<u>236,332</u>	<u>6,800,562</u>	<u>6,389,123</u>
Changes in Net Position	<u>\$ 81,700</u>	<u>\$ 49,650</u>	<u>\$ (17,497)</u>	<u>\$ (1,941)</u>	<u>\$ 64,203</u>	<u>\$ 47,709</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, 2018.

Business-Type Activity

The business-type activities of the Charter School are the food service operation and after care. These programs had revenues of \$227,904 and operating expenses of \$245,401 for fiscal year 2018.

**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 \$5.399 million and expenditures of \$5.394 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 2018, 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 \$4.5 million which included a local tax levy of \$0.52 million. Expenditures were budgeted at \$4.2 million. The Charter School anticipated a increase in fund balance of \$0.3 million. In its 2017-2018, actual revenues were \$4.49 million and expenditures were \$4.49 million.

The State of New Jersey reimbursed the Charter School \$80,228 during the year ended June 30, 2018 for the employer's share of social security contributions for TPAF members while on-behalf TPAF payments for post-retirement pensions, medical benefits and long-term disability insurance were \$413,395. These unbudgeted amounts are included in both revenues and expenditures.

Capital Assets

At the end of fiscal year 2018, the Charter School had \$28,141 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 2017-2018. 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, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 36,946	\$ 13,564	\$ 50,510
Accounts receivable	725,338	14,968	740,306
Security deposit	163,927	-	163,927
Total current assets	<u>926,211</u>	<u>28,532</u>	<u>954,743</u>
Capital assets:			
Machinery and equipment	22,771	2,358	25,129
Buildings and improvements	397,221	-	397,221
	419,992	2,358	422,350
Less: Accumulated depreciation	<u>(391,851)</u>	<u>(2,358)</u>	<u>(394,209)</u>
Net capital assets	<u>28,141</u>	<u>-</u>	<u>28,141</u>
Total assets	<u>954,352</u>	<u>28,532</u>	<u>982,884</u>
Deferred Outflow of Resources	<u>560,042</u>	<u>-</u>	<u>560,042</u>
Liabilities			
Current liabilities:			
Accounts payable	44,194	-	44,194
Intergovernmental payable:			
State	71,894	-	71,894
Interfund payables (internal)	14,396	(14,396)	-
Interfund payables - fiduciary	22,408	-	22,408
Deferred revenues	71,735	-	71,735
Total current liabilities	<u>224,627</u>	<u>(14,396)</u>	<u>210,231</u>
Noncurrent liabilities:			
Due within one year	1,500	-	1,500
Due in more than one year	1,962,578	-	1,962,578
Total noncurrent liabilities	<u>1,964,078</u>	<u>-</u>	<u>1,964,078</u>
Total liabilities	<u>2,188,705</u>	<u>(14,396)</u>	<u>2,174,309</u>
Deferred Inflow of Resources	<u>843,946</u>	<u>-</u>	<u>843,946</u>
Net position			
Invested in capital assets, net of related debt	28,141	-	28,141
Unrestricted	<u>(1,546,398)</u>	<u>42,928</u>	<u>(1,503,470)</u>
Total net position	<u>\$ (1,518,257)</u>	<u>\$ 42,928</u>	<u>\$ (1,475,329)</u>

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

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction	\$ 3,612,775	\$ -	\$ 1,700,557	\$ (1,912,218)	\$ -	\$ (1,912,218)
Administrative	942,631	-	295,292	(647,339)	-	(647,339)
Support services	1,991,875	-	632,740	(1,359,135)	-	(1,359,135)
Capital outlay	<u>7,880</u>	<u>-</u>	<u>7,880</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	6,555,161	-	2,636,469	(3,918,692)	-	(3,918,692)
Business-type activities:						
Food service	234,865	9,028	203,915	-	(21,922)	(21,922)
Afterschool program	<u>10,536</u>	<u>14,961</u>	<u>-</u>	<u>-</u>	<u>4,425</u>	<u>4,425</u>
Total primary government	<u>\$ 6,800,562</u>	<u>\$ 23,989</u>	<u>\$ 2,840,384</u>	<u>\$ (3,918,692)</u>	<u>\$ (17,497)</u>	<u>\$ (3,936,189)</u>
General revenues, transfers and special items:						
Local sources				\$ 523,159	-	\$ 523,159
State sources				3,451,355	-	3,451,355
Miscellaneous				<u>25,878</u>	<u>-</u>	<u>25,878</u>
Total general revenues, transfers and special items				<u>4,000,392</u>	<u>-</u>	<u>4,000,392</u>
Changes in net position				<u>81,700</u>	<u>(17,497)</u>	<u>64,203</u>
Net position - beginning				<u>(1,599,957)</u>	<u>60,425</u>	<u>(1,539,532)</u>
Net position - ending (A-1)				<u>\$ (1,518,257)</u>	<u>\$ 42,928</u>	<u>\$ (1,475,329)</u>

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

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

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 36,946	\$ -	\$ 36,946
Accounts receivable:			
Local	6,782	-	6,782
State	314,029	116,944	430,973
Federal	-	287,583	287,583
Interfund receivables	308,754	-	308,754
Other current assets	<u>163,927</u>	<u>-</u>	<u>163,927</u>
Total assets	<u>\$ 830,438</u>	<u>\$ 404,527</u>	<u>\$ 1,234,965</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 44,194	\$ -	\$ 44,194
Intergovernmental payables:			
State	71,894	-	71,894
Interfund payables	12,767	332,792	345,559
Deferred revenue	<u>-</u>	<u>71,735</u>	<u>71,735</u>
Total liabilities	<u>128,855</u>	<u>404,527</u>	<u>533,382</u>
Fund balances:			
Assigned	-		-
Unassigned	<u>701,583</u>	<u>-</u>	<u>701,583</u>
Total fund balances	<u>701,583</u>	<u>-</u>	<u>701,583</u>
Total liabilities and fund balances	<u>\$ 830,438</u>	<u>\$ 404,527</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.			
	Cost of capital assets		\$ 419,992
	Accumulated depreciation		<u>(391,851)</u>
			28,141
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.			
	Deferred amounts on net pension liability		<u>(283,904)</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.			
	Net pension liability		(1,949,078)
	Compensated absences payable		(15,000)
	Capital lease obligation payable		<u>-</u>
			<u>(1,964,078)</u>
Net position of governmental activities - A-1			<u>\$ (1,518,258)</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, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Revenues			
Local sources:			
Local tax levy	\$ 523,159	\$ -	\$ 523,159
Miscellaneous	25,878	-	25,878
Total revenues -local sources	<u>549,037</u>	-	<u>549,037</u>
State sources	3,451,355	570,768	4,022,123
Federal sources	-	334,669	334,669
Reimbursed TPAF - Social Security (non-budgeted)	80,228	-	80,228
On-Behalf Teachers' Pension and Annuity Fund	250,400	-	250,400
On-Behalf Teachers' Pension and Annuity Fund - Post Retirement Medical	161,727	-	161,727
On-Behalf Teachers' Pension and Annuity Fund - Non-contributory Insurance	<u>1,268</u>	-	<u>1,268</u>
Total revenues	<u>4,494,015</u>	<u>905,437</u>	<u>5,399,452</u>
Expenditures			
Current expense:			
Instruction	1,518,086	496,861	2,014,947
Administrative cost	1,117,984	-	1,117,984
Support services	1,359,806	400,696	1,760,502
Capital outlay	-	7,880	7,880
Reimbursed and on-behalf payments:			
Reimbursed TPAF - Social Security (non-budgeted)	80,228	-	80,228
On-Behalf Teachers' Pension and Annuity Fund	250,400	-	250,400
On-Behalf Teachers' Pension and Annuity Fund - Post Retirement Medical	161,727	-	161,727
On-Behalf Teachers' Pension and Annuity Fund - Non-contributory Insurance	<u>1,268</u>	-	<u>1,268</u>
Total expenditures	<u>4,489,499</u>	<u>905,437</u>	<u>5,394,936</u>
Excess revenues over expenditures	4,516	-	4,516
Fund balances at beginning of the year	<u>697,067</u>	-	<u>697,067</u>
Fund balances at end of year	<u>\$ 701,583</u>	<u>\$ -</u>	<u>\$ 701,583</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, 2018

Total net change in fund balances - governmental funds (B-2) \$ 4,516

**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.

Capital outlay	8,397
Depreciation expense	(76,791)

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	<u>67,901</u>
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Change in net position of governmental activities (A-2) \$ 81,699

PROPRIETARY FUNDS

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

PROPRIETARY FUND

STATEMENT OF NET POSITION

JUNE 30, 2018

Assets

Current assets:

Cash and cash equivalents	\$ 13,564
Interfund receivable	14,396
Accounts receivable:	
Federal	14,792
State	<u>176</u>
Total accounts receivables	<u>14,968</u>

Capital assets

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

Total Assets \$ 42,928

Liabilities

Current liabilities

Accounts payable	<u>\$ -</u>
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Net position

Unrestricted	<u>42,928</u>
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Total Liabilities and Net Position \$ 42,928

**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, 2018

Operating revenues:		
Charges for services:		
Daily sales - reimbursable programs	\$	5,920
Afterschool fees		14,961
Miscellaneous revenue		<u>3,108</u>
Total operating revenues		<u>23,989</u>
Operating expenses:		
Salaries		70,555
Supplies and materials - reimbursable programs		174,494
Depreciation		<u>352</u>
Total operating expenses		<u>245,401</u>
Operating income (loss)		<u>(221,412)</u>
Non-operating revenues:		
State sources:		
State School Lunch Program		2,362
Federal sources:		
National School Lunch		139,773
National School Breakfast		47,741
Fresh Fruits and Vegetables		<u>14,039</u>
Total non-operating revenues		<u>203,915</u>
Change in net position		(17,497)
Total net position at beginning of year		<u>60,425</u>
Total net position at end of year	\$	<u>42,928</u>

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

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

Cash flows from operating activities

Operating loss	\$ (221,412)
Adjustment to reconcile operating loss to net cash from operating activities	
Depreciation	352
Changes in assets and liabilities:	
Accounts receivable	(1,592)
Interfund receivable	(1,229)
Accounts payable	<u>(1,054)</u>
Net cash from operating activities	(224,935)

Cash flows from noncapital financing activities

Cash received from state and federal reimbursements	<u>203,915</u>
Net cash from noncapital financing activities	<u>203,915</u>
Net increase in cash and cash equivalents	(21,020)
Cash and cash equivalents at beginning of the year	<u>34,584</u>
Cash and cash equivalents at end of year	<u><u>\$ 13,564</u></u>

FIDUCIARY FUNDS

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)****FIDUCIARY FUNDS****STATEMENT OF FIDUCIARY NET POSITION****JUNE 30, 2018****Assets**

Cash and cash equivalents	\$	143,636
Interfund receivables		<u>22,408</u>
Total assets	\$	<u><u>166,044</u></u>

Liabilities

Payroll withholdings payable	\$	154,148
Accounts payable		<u>11,896</u>
Total liabilities	\$	<u><u>166,044</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, 2018

Revenues:		
General fund appropriation	\$	19,801
Employees' contributions		<u>9,292</u>
Total revenues		<u>29,093</u>
Expenditures:		
Payments to NJ Unemployment Compensation Fund		<u>29,093</u>
Total expenditures		<u>29,093</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, 2018

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 Government Auditing Standards Board (GASB) 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
(COUNTY OF ESSEX, NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Continued

In June 1999, the GASB 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
(COUNTY OF ESSEX, NEW JERSEY)**

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. GAAP 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
(COUNTY OF ESSEX, NEW JERSEY)**

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, 2018, 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, 2018, 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 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
(COUNTY OF ESSEX, NEW JERSEY)**

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 involve 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 spendable 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 GAAP, 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 GAAP 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
(COUNTY OF ESSEX, NEW JERSEY)**

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 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 cash equivalents includes amounts in deposits, money market accounts and short-term investments with original maturities of three months or less.

Investments are stated at cost, or amortized cost, which approximates market. The amortized cost method involves valuing a security at its cost on the date of purchase and thereafter assuming a constant amortization to maturity of any discount or premium. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40 replaces in part, and otherwise modifies the prior GASB Statement No. 3, in addressing the requirements for disclosure of the level of custodial credit risk assumed by the Board in its cash, cash equivalents and investments. Custodial credit risk disclosures are limited to deposits that are not covered by depository insurance and are (a) uncollateralized; (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name. Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Deposits, Investments and Risk Disclosure - Continued

Deposits

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. Charter Schools are also permitted to deposit public funds in the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows: The market value of the collateral must equal at least five percent of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%. All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments

New Jersey statutes permit the Charter School to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal national Mortgage Agency or of any United States Bank for Cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the Charter School.
- d. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

As of June 30, 2018, the Charter School did not hold any investments.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Deposits, Investments and Risk Disclosure - Continued

Risk Category

All bank deposits, as of the balance sheet date, are entirely insured or collateralized by a collateral pool maintained by public depositories as required by the Governmental Unit Deposit Protection Act. Although GASB Statement No. 40 eliminated Categories 1 and 2 as previously established by GASB Statement No. 3, it maintained, with modification, the level-of-disclosure requirements of GASB Statement No. 3.

As of June 30, 2018, the Board had funds invested and on deposit in checking accounts. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and modified by GASB Statement No. 40, and as such, are deposits that are insured or collateralized with securities held by the Board or by its agent in the Board's name, both at year-end and throughout the year.

The Charter School does not have a policy for the management of the custodial risk, other than depositing all of its funds in banks covered by GUDPA.

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, 2018.

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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

M. Fixed Assets - Continued

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.

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 GASB Statement No. 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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

O. Compensated Absences - Continued

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.

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. 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, 2018.

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 is 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

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

R. Accrued Liabilities and Long-Term Obligations - continued

fund financial statements only to the extent that they are due for payments during the current year.

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 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
(COUNTY OF ESSEX, NEW JERSEY)**

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 2015.

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 February 27, 2019.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 2 CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2018, the Charter School implemented GASB Statement No. 75, "Accounting and Financial Reporting for Post-employment Benefits Other than Pensions (OPEB)". This statement addresses accounting and financial reporting for the OPEB that is provided to the employees of the state and local governments by establishing standards for recognizing and measuring liabilities, deferred outflows/inflows of resources and expenses/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to the periods of employee service.

The adoption of the standards resulted in an increase in revenue and expenses for the year ended June 30, 2018 of \$617,099 and a \$0 effect for the change in accounting principle in the Charter-School wide financial statements.

Note disclosures required by GASB 75 is reflected in Note 8 post-retirement benefits and the required supplementary information in Schedule M.

NOTE 3 CASH AND CASH EQUIVALENTS

The Charter School's cash and cash equivalents are classified below to inform financial statement users about the extent to which the Charter School's deposits and investments are exposed to custodial credit risk.

As of June 30, 2018, the Charter School's deposits are summarized as follows:

	General Fund	Enterprise Fund	Trust and Agency Funds	Total
Operating Account	\$ 28,961	\$ 13,564	\$ 143,636	\$ 186,161
Restricted cash	7,985	-	-	7,985
Total	<u>\$ 36,946</u>	<u>\$ 13,564</u>	<u>\$ 143,636</u>	<u>\$ 194,146</u>

Operating cash accounts are held in the Charter School's name by several banking institutions. At June 30, 2018, the Charter School's carrying amount of deposits was \$194,146 and the bank balance was \$562,472. Of the bank balance, up to a maximum of \$250,000 of the Charter School's cash deposits on June 30, 2018 were secured by federal deposit insurance and \$312,472 was covered by a collateral pool maintained by the bank as required by New Jersey statutes in accordance with the New Jersey Governmental Unit Deposit Protection Act ("GUDPA").

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 3 CASH AND CASH EQUIVALENTS - CONTINUED

Restricted Cash

The Charter School has established and funded an Escrow Account pursuant to an agreement signed with the New Jersey Department of Education. The required minimum is \$75,000, of which, \$7,985 is funded at June 30, 2018. The agreement stipulates that the intended use of the escrow amount is "to pay for legal and audit expenses and any other outstanding pension benefits that would be associated with a dissolution should it occur."

NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Net Additions (Deletions)</u>	<u>Ending Balance</u>
Capital assets being depreciated:			
Machinery and equipment	\$ 14,374	\$ 8,397	\$ 22,771
Leasehold improvements	397,221	-	397,221
Total	411,595	8,397	419,992
Less Accumulated depreciation	(315,060)	(76,791)	(391,851)
Capital assets net	<u>\$ 96,535</u>	<u>\$ (68,394)</u>	<u>\$ 28,141</u>
<u>Business-Type Activities</u>			
Machinery and equipment	\$ 2,358	\$ -	\$ 2,358
Less Accumulated depreciation	(2,006)	(352)	(2,358)
Capital assets net	<u>\$ 352</u>	<u>\$ (352)</u>	<u>\$ -</u>

Depreciation expense was charged to functions/programs of the Charter School for the year ended June 30, 2018 as follows:

Instruction	\$ 33,912
Administrative	24,979
Support	17,900
	<u>\$ 76,791</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. As of June 30, 2018, the lease payable has been fully paid.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5 NONCURRENT LIABILITIES - CONTINUED

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, 2018 was \$762,211.

Changes in Noncurrent Liabilities

	<u>Balance at</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>June 30, 2018</u>	<u>Due within</u> <u>One Year</u>
Governmental activities:					
Capital lease payable	\$ 77,676	\$ -	\$ (77,676)	\$ -	\$ -
Net pension liability	2,614,744	-	(665,666)	1,949,078	132,184
Compensated absences	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>1,500</u>
Government activity noncurrent liabilities	<u>\$ 2,707,420</u>	<u>\$ -</u>	<u>\$ (743,342)</u>	<u>\$ 1,964,078</u>	<u>\$ 133,684</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 \$132,184 represents pension contributions for fiscal year 2018 due and payable on April 1, 2019.

Assets acquired capital leases are as follows at June 30, 2018:

<u>Description</u>	<u>Governmental</u> <u>Activities</u>
Equipment	\$ 372,845
Less: accumulated depreciation	<u>(360,417)</u>
Total	<u>\$ 12,428</u>

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 6 NET POSITION (DEFICIT)

As of June 30, 2018, 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	\$ 28,141	\$ -	\$ 28,141
Less: Long-Term obligations	-	-	-
(All long-term debt relates to capital assets)	<u>28,141</u>	<u>-</u>	<u>28,141</u>
<u>UNRESTRICTED</u>			
Net position (deficit) not restricted above	<u>(1,546,398)</u>	<u>42,928</u>	<u>(1,503,470)</u>
NET POSITION (DEFICIT)	<u>\$ (1,518,257)</u>	<u>\$ 42,928</u>	<u>\$ (1,475,329)</u>

The Charter School has an unrestricted deficit of (\$1,546,398) as of June 30, 2018. This deficit was caused by the recognition of the share in the net pension liability of \$2,039,804 in fiscal year 2015.

NOTE 7 PENSION 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.

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.

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

NOTE 7 PENSION PLANS - CONTINUED

A. Description of Plans - Continued

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 determined 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.

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.

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

NOTE 7 PENSION PLANS - CONTINUED

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.

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 with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.06% for PERS and 7.06% for TPAF of the employee's annual compensation. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the

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

NOTE 7 PENSION PLANS - CONTINUED

D. Contribution Requirement - Continued

Charter School is a non-contributing employer of the TPAF. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Charter School.

The Charter School's contribution to PERS for the year ended June 30, 2018 was \$77,566. In addition, for fiscal year 2018, the Charter School contributed \$3,955 for PERS Long-term Disability Insurance Premiums (LTDI).

The State of New Jersey was required to contribute for TPAF on behalf of the Charter School, for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) and post-retirement medical contribution amounting to \$412,127. In addition, for fiscal year 2017, the State of New Jersey contributed \$1,268 for TPAF Long-term Disability Insurance Premiums (LTDI).

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$80,228 during the year ended June 30, 2018 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.

The PERS contributions are recognized in the governmental fund financial statements (modified accrual basis) as an expenditure. The on-behalf TPAF contribution and social contribution for TPAF members are recognized in the governmental fund financial statements (modified accrual basis) as both a revenue and expenditure.

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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

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

At June 30, 2018, the Charter School reported in the charter school-wide statement of net position a liability of \$1,949,078 for its proportionate share of the PERS net pension liability. The total pension liability for the June 30, 2018 was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017 measurement date. The Charter School's proportionate share of the net pension liability was based on the ration of contributions as an individual employer to the total contributions to the PERS for the years ended June 30, 2017 and 2016. At June 30, 2018, the Charter School's proportionate share was 0.0083729026% which is a decrease from the proportionate share of 0.008828485% at June 30, 2017.

For the year ended June 30, 2018, the Charter School recognized pension expense of \$(67,901). At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 392,672	\$ 391,232
Net difference between projected and actual earnings on pension plan investments	13,272	-
Change in proportion and differences between Charter School contributions and proportionate share contributions	108,204	452,714
Net difference between expected and actual experience	45,894	-
	<u>\$ 560,042</u>	<u>\$ 843,946</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - continued

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

	Year Ended June 30
2019	\$ (85,893)
2020	(57,025)
2021	(6,508)
2022	(74,047)
2023	(60,431)

Actuarial assumptions. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.25% percent
Salary increases	
Through 2026	1.65% – 4.15% based on age
Thereafter	2.65% – 5.15% based on age
Investment rate of return	7.00%

Pre-retirement mortality rates were based on RP-2000 Employee Preretirement Mortality Table for male and female active participants. For Local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disables retirees were based on the RP-2000 Disables Mortality Table (set back 3 years for males and set forward 1 year for females).

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

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

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-term Expected Rate of Return. In accordance with the State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Total	100.00%	

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

NOTE 7 PENSION 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 5.00% at June 30, 2017. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017, 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 contributions rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined 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 2040.

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040, 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:

	<u>1% Decrease (4.00%)</u>	<u>Current Discount Rate (5.00%)</u>	<u>1% Increase (6.00%)</u>
Charter School's proportionate share of the net pension liability	\$ 2,417,963	\$ 1,949,078	\$ 1,558,438

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
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION 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, 2018, the State's proportionate share of the net pension liability attributable to the Charter School amounted to \$12,568,908. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017.

For the year ended June 30, 2018, the Charter School recognized pension expense and related revenue of \$870,710 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 non-employer 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, 2018 and 2017. At June 30, 2018 and 2017, the State's proportion of the net pension liability attributable to Charter School was 0.0186417027% and 0.0197753226%, respectively.

Actuarial Assumptions. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.25 percent
Salary increases	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment rate of return	7.00%

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

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

Pre-retirement, post-retirement and disables mortality rates were based on the experience of TPAF members reflecting mortality improvement on a generational basis based on a 60-year average Social Security Data from 1953 to 2013. The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2015.

Long-term Expected Rate of Return. In accordance with the State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2017) 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. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Credit oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Total	100.00%	

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

NOTE 7 PENSION 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 4.25% June 30, 2017. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017, 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 contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined 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 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036, 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:

	1% Decrease (3.25%)	Current Discount Rate (4.25%)	1% Increase (5.25%)
State's proportionate share of the net pension liability attributable to the Charter School	<u>\$ 14,986,872</u>	<u>\$ 12,568,908</u>	<u>\$ 10,660,821</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
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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), 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 TPAF and PERS. 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. 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 (APB) who retired from a board of education or county college with 25 years of service (GASB Cod. Sec. 2300.106(g)).

The School Employees Health Benefits Program (SEHBP) Act is found in New Jersey Statutes Annotated, Title 52, Article 17.25 et. seq. Rules governing the operation and administration of the program are found in Title 17, Chapter 9 of the New Jersey Administrative Code.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASBS No. 75.

State employees covered by benefit terms. At June 30, 2016, the following employees were covered by the benefit terms:

<u>Local Education</u>	
Active Plan Members	223,747
Inactive Plan Members or Beneficiaries	
Currently Receiving Benefits	<u>142,331</u>
	<u>366,078</u>

TPAF Participant Retirees

As of June 30, 2017, there were 112,966 retirees receiving post-retirement medical benefits, and the State contributed \$1.39 billion on their behalf.

PERS Participant Retirees

The State paid \$238.9 million toward Chapter 126 benefits for 209,913 eligible retired members in Fiscal Year 2017.

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

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The Charter School's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the Charter School did not recognize any portion of the collective net OPEB liability on the Statement of Net Position.

The following OPEB liability note information is reported at the State's level and is not specific to the Charter School.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017 measurement date. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate 2.50%

	TPAF/ABP	PERS	PFRS
Salary increases:			
Through 2026	1.55% - 4.55% based on years of service	2.15% - 4.15% based on age	2.10% - 8.98% based on age
Thereafter	2.00% - 5.45% based on years of service	3.15% - 5.15% based on age	3.10% - 9.98% based on age

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from central year using the MP-2017 scale. Postretirement mortality rate were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

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NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

(a) Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to 5% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

(b) Discount rate

The discount rate for June 30, 2017 and 2016 measurement dates were 3.58% and 2.85%. This represents the municipal bond return rate as chosen by the Division. The source is 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.

Changes in the State's Proportionate Share of the Total OPEB Liability Attributable to the Charter School retirees:

Total OPEB Liability

Balance at 6/30/16 Measurement date	\$	3,149,655
Changes for the year		
Service cost		537,040
Interest		104,074
Changes in assumptions and other inputs		(561,174)
Benefit payments		(73,172)
Contributions from the member		<u>2,694</u>
Net Change		9,462
Balance at 6/30/17 measurement date	\$	<u><u>3,159,117</u></u>

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

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the State for Charter School retirees, as well as what the State's total OPEB liability for the Charter School retirees would be if it were calculated using a discount rate that is 1-percentage -point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease (2.58%)</u>	<u>Current Discount Rate (3.58%)</u>	<u>1% Increase (4.58%)</u>
State's Proportionate Share of the Total OPEB Liability Attributable to the Charter School retirees	\$ 3,750,100	\$ 3,159,117	\$ 2,690,344

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the State for Charter School retirees, as well as what the State's total OPEB liability for the Charter School retirees would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Health Cost Trend Rate</u>	<u>1% Increase</u>
State's Proportionate Share of the Total OPEB Liability Attributable to the Charter School retirees	\$ 3,904,183	\$ 57,831,784,184	\$ 2,598,068

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

For the year ended June 30, 2018, the Charter School recognize OPEB revenue and expense of \$617,099 as determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and in which there is a special funding situation.

In accordance with GASB Statement No. 75, the Charter School's proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to retired Charter School employees' OPEB from the following sources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ (373,616)
Changes in proportion	202,559	-
	<u>\$ 202,559</u>	<u>\$ (373,616)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB of retired Charter School employees will be recognized in OPEB expense as follows:

	Year Ended June 30
2019	\$ (20,030)
2020	(20,030)
2021	(20,030)
2022	(20,030)
2023	(20,030)
Thereafter	(70,907)

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.

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

NOTES TO FINANCIAL STATEMENTS - CONTINUED

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).

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, 2018, the interfund balances consisted of the following components:

	<u>RECEIVABLE (PAYABLE)</u>			
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Enterprise Fund</u>	<u>Fiduciary Fund</u>
General fund	\$ 295,989	\$ (332,792)	\$ 14,395	\$ 22,408
GASB No 34 mandated eliminations within governmental activities	<u>(332,792)</u>	<u>332,792</u>	-	-
Net interfund balances reported as follows:				
Entity-wide (eliminated in total column)	<u>\$ (36,803)</u>	<u>\$ -</u>	<u>\$ 14,395</u>	
External (Due from Trust and Agency Funds)				<u>\$ 22,408</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, 2018, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2018.

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 2018.

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, 2018 amounted to \$762,211.

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, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources:					
Local tax levy	\$ 589,095	\$ -	\$ 589,095	\$ 523,159	\$ (65,936)
Miscellaneous	-	-	-	25,878	25,878
Total revenues - local sources	589,095	-	589,095	549,037	(40,058)
State sources					
State sources	3,960,171	14,343	3,974,514	3,451,355	(523,159)
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	80,228	80,228
On-Behalf Teachers' Pension and Annuity Fund	-	-	-	250,400	250,400
On-Behalf Teachers' Pension and Annuity Fund - Post Retirement Medical	-	-	-	161,727	161,727
On-Behalf Teachers' Pension and Annuity Fund - -- Non-contributory Insurance	-	-	-	1,268	1,268
Total revenues	4,549,266	14,343	4,563,609	4,494,015	(69,594)
Expenditures					
Current expense:					
Instruction					
Salaries	948,843	83,527	1,032,370	990,395	41,975
Other salaries for instruction	482,897	(146,784)	336,113	317,317	18,796
Professional/technical service	30,819	38,370	69,189	58,298	10,891
Other purchased services	-	4,504	4,504	4,504	-
General supplies	123,068	(40,369)	82,699	82,699	-
Miscellaneous	61,644	13,326	74,970	64,873	10,097
Total instruction	1,647,271	(47,426)	1,599,845	1,518,086	81,759
Administrative cost					
Salaries	486,175	(48,832)	437,343	420,105	17,238
Total benefit costs	513,595	22,766	536,361	495,978	40,383
Professional/technical service	47,300	29,117	76,417	73,917	2,500
Other purchased services	28,276	(8,700)	19,576	16,072	3,504
Communications and telephones	109,266	(450)	108,816	101,148	7,668
Supplies and materials	4,000	(3,254)	746	55	691
Judgments against Charter School	-	73	73	73	-
Miscellaneous	16,920	(848)	16,072	10,636	5,436
Total administrative cost	1,205,532	(10,128)	1,195,404	1,117,984	77,420
Support services					
Salaries	158,646	61,299	219,945	194,100	25,845
Purchased professional/technical service	131,200	6,541	137,741	123,531	14,210
Other purchased services	19,500	(13,852)	5,648	5,114	534
Rent on land and buildings	777,629	(1,229)	776,400	762,211	14,189
Insurance-fidelity, liability, property	73,356	(967)	72,389	68,359	4,030
Supplies and materials	26,994	(5,647)	21,347	20,783	564
Custodial	91,723	11,409	103,132	100,130	3,002
Transportation-other than to/from school	9,000	-	9,000	3,600	5,400
Utilities	90,000	-	90,000	81,978	8,022
Total support services	1,378,048	57,554	1,435,602	1,359,806	75,796

See independent auditors' report.

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

EXHIBIT C-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Capital outlay:					
Non-Instructional equipment	6,000	-	6,000	-	6,000
Total capital outlay	<u>6,000</u>	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
Reimbursed TPAF - Social Security (non-budgeted)	-	-	-	80,228	(80,228)
On-Behalf Teachers' Pension and Annuity Fund	-	-	-	250,400	(250,400)
On-Behalf Teachers' Pension and Annuity Fund - Post Retirement Medical	-	-	-	161,727	(161,727)
On-Behalf Teachers' Pension and Annuity Fund - Non-contributory Insurance	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,268</u>	<u>(1,268)</u>
Total expenditures before other financing uses	<u>4,236,851</u>	<u>-</u>	<u>4,236,851</u>	<u>4,489,499</u>	<u>(252,648)</u>
Excess revenues over expenditures	312,415	14,343	326,758	4,516	(322,242)
Fund balances at beginning of the year	<u>(312,415)</u>	<u>(14,343)</u>	<u>(326,758)</u>	<u>697,067</u>	<u>-</u>
Fund balances at ending of the year	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 701,583</u>	<u>\$ (322,242)</u>

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

SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
Revenues					
Local	\$ -	\$ -	\$ -	\$ -	\$ -
State	589,095	(18,327)	\$ 570,768	570,768	-
Federal	311,689	22,980	334,669	334,669	-
Total revenues - all sources	<u>900,784</u>	<u>4,653</u>	<u>905,437</u>	<u>905,437</u>	<u>-</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	192,927	1,372	194,299	194,299	-
Other salaries for instruction	284,595	(74,136)	210,459	210,459	-
Employee benefits	5,320	-	5,320	5,320	-
Purchased professional and technical services	23,054	35,706	58,760	58,760	-
Supplies and materials	40,000	(11,977)	28,023	28,023	-
Miscellaneous	-	-	-	-	-
Total instruction	<u>545,896</u>	<u>(49,035)</u>	<u>496,861</u>	<u>496,861</u>	<u>-</u>
Support services					
Salaries of supervisors of instruction	45,500	15,750	61,250	61,250	-
Other salaries for support services	63,523	11,250	74,773	74,773	-
Employee benefits	107,902	(11,192)	96,710	96,710	-
Purchased professional educational services	35,646	-	35,646	35,646	-
Travel	5,000	-	5,000	5,000	-
Rent	90,000	-	90,000	90,000	-
Custodial	-	30,000	30,000	30,000	-
Supplies	6,117	-	6,117	6,117	-
Miscellaneous expenditures	1,200	-	1,200	1,200	-
Total support services	<u>354,888</u>	<u>45,808</u>	<u>400,696</u>	<u>400,696</u>	<u>-</u>
Capital Outlay:					
Instructional equipment	-	7,880	7,880	7,880	-
Total Expenditures	<u>900,784</u>	<u>4,653</u>	<u>905,437</u>	<u>905,437</u>	<u>-</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, 2018

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

	<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] \$ 4,494,015		[C-2] 905,437
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>4,494,015</u>		[B-2] <u>905,437</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] 4,489,499		[C-2] 905,437
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>\$ 4,489,499</u>		[B-2] <u>\$ 905,437</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)**

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Charter School's proportion of the net pension liability (asset)	0.0083729026%	0.0088284850%	0.0079785347%	0.0103494047%
Charter School's proportionate share of the net pension liability (asset)	\$ 1,949,078	\$ 2,614,744	\$ 1,791,021	\$ 1,937,692
Charter School's covered-employee payroll	\$ 1,429,847	\$ 1,408,763	\$ 621,992	\$ 455,952
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	136.31%	185.61%	287.95%	424.98%
Plan fiduciary net position as a percentage of the total pension liability	48.10%	40.14%	47.92%	52.08%

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 77,566	\$ 78,431	\$ 68,594	\$ 85,319
Contributions in relation to the contractually required contribution	<u>(77,566)</u>	<u>(78,431)</u>	<u>(68,594)</u>	<u>(85,319)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered-employee payroll	\$ 1,429,847	\$ 1,408,763	\$ 621,992	\$ 455,952
Contributions as a percentage of covered-employee payroll	5.42%	5.57%	11.03%	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.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
State's proportion of the net pension liability (asset) attributable to the Charter School	0.0186417027%	0.0197753226%	0.0184747018%	0.0131667828%
State's proportionate share of the net pension liability (asset) attributable to the Charter School	\$ 12,568,908	\$ 15,556,528	\$ 11,676,800	\$ 7,037,217
Charter School's covered-employee payroll	\$ 1,177,945	\$ 1,357,265	\$ 1,663,949	\$ 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	1067.02%	1146.17%	701.75%	364.56%
Plan fiduciary net position as a percentage of the total pension liability	25.41%	22.33%	28.71%	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.

**SCHEDULES RELATED TO ACCOUNTING
AND REPORTING FOR OPEB (GASB 75)**

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

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CHARTER SCHOOL'S TOTAL
OPEB LIABILITY AND RELATED RATIOS**

LAST TEN FISCAL YEARS (1)

	<u>2018</u>
Total State OPEB Liability Attributable to Charter School	
Service cost	\$ 537,040
Interest	104,074
Changes in assumptions and other inputs	(561,174)
Benefit payments	(73,172)
Contributions from the member	<u>2,694</u>
Net Change in Total State OPEB Liability Attributable to	9,462
Total State OPEB Liability Attributable to Charter School:	
At beginning of year	<u>\$ 3,149,655</u>
At end of year	<u>\$ 3,159,117</u>
Charter School's proportionate share of the Total OPEB Liability	0%
Charter School Covered-employee payroll ⁽²⁾	\$ 2,607,792
Total State OPEB liability as a percentage of Charter School covered-employee payroll	121.14%

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 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2018. No data is available prior to fiscal year 2018.

(2) Covered payroll was based on the Charter School's payroll for the year ended June 30, 2018.

**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, 2018**

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. The discount rate used to measure the total pension liability changed from 3.98% to 5.00%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

The single blended discount rate of 5.00% in the current measurement date was based on the long-term expected rate of return on pension plan investments of 7.00% (7.65% in prior measurement date) and a municipal bond rate of 3.58% (2.85% in prior measurement date) 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.

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. The discount rate used to measure the total pension liability changed from 3.22% to 4.25% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

The single blended discount rate of 4.25% in the current measurement date was based on the long-term expected rate of return on pension plan investments of 7.00% (7.65% in prior measurement date) and a municipal bond rate of 3.58% (2.85% in prior measurement date) 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.

Other Post-Retirement Employment Benefits (OPEB)

Change in benefit terms. There was no change in the benefit terms.

Change in assumptions.

The calculation of the discount rate used to measure the total nonemployer OPEB liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 2.85% to 3.58% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 75. The source is 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.

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, 2018

	Title I	Title IIA	IDEA	IDEA Pre School	Title IV Part A	Total
Revenues						
Local	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	253,586	18,060	51,169	1,854	10,000	334,669
Total revenues - all sources	<u>\$ 253,586</u>	<u>\$ 18,060</u>	<u>\$ 51,169</u>	<u>\$ 1,854</u>	<u>\$ 10,000</u>	<u>\$ 334,669</u>
Expenditures						
Current Expenditures:						
Instruction:						
Salaries of teachers	\$ -	\$ -	\$ 19,000	\$ -	\$ 10,000	\$ 29,000
Other salaries for instruction	145,538	-	-	-	-	145,538
Employee benefits	-	-	5,320	-	-	5,320
Purchased professional and technical services	37,706	5,000	-	-	-	42,706
Total instruction	<u>183,244</u>	<u>5,000</u>	<u>24,320</u>	<u>-</u>	<u>10,000</u>	<u>222,564</u>
Support services						
Salaries	55,000	-	-	-	-	55,000
Employee benefits	15,342	-	-	-	-	15,342
Purchased services	-	13,060	22,586	-	-	35,646
Supplies	-	-	4,263	1,854	-	6,117
Total support services	<u>70,342</u>	<u>13,060</u>	<u>26,849</u>	<u>1,854</u>	<u>-</u>	<u>112,105</u>
Total Expenditures	<u>\$ 253,586</u>	<u>\$ 18,060</u>	<u>\$ 51,169</u>	<u>\$ 1,854</u>	<u>\$ 10,000</u>	<u>\$ 334,669</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, 2018

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
EXPENDITURES:					
Instruction					
Salaries of teachers	\$ 163,927	\$ 1,372	\$ 165,299	\$ 165,299	\$ -
Other salaries for instruction	80,523	(15,602)	64,921	64,921	-
Purchased professional and technical services	18,054	(2,000)	16,054	16,054	-
Instructional supplies	40,000	(11,977)	28,023	28,023	-
Total instruction	302,504	(28,207)	274,297	274,297	-
Support services					
Salaries	45,500	(39,250)	6,250	6,250	-
Other salaries for support services	63,523	11,250	74,773	74,773	-
Employee benefits	81,368	-	81,368	81,368	-
Custodial	-	30,000	30,000	30,000	-
Field trips	5,000	-	5,000	5,000	-
Rent	90,000	-	90,000	90,000	-
Supplies and materials	1,200	-	1,200	1,200	-
Total support services	286,591	2,000	288,591	288,591	-
Capital Outlay					
Instructional equipment	-	7,880	7,880	7,880	-
Non-instructional equipment	-	-	-	-	-
Total facilities acquisition and construction services	-	7,880	7,880	7,880	-
Total Expenditures	\$ 589,095	\$ (18,327)	\$ 570,768	\$ 570,768	\$ -

CALCULATION OF BUDGET AND CARRYOVER

Total revised 2017-18 Preschool Education Aid Allocation	\$ 570,768
Add: Actual ECPA/PEA Carryover (June 30, 2017)	60,270
Total Preschool Education Aid Funds Available for 2016-17 Budget	631,038
Less: 2016-17 Budgeted Preschool Education Aid	(570,768)
Available and Unbudgeted Preschool Education Aid Funds as of June 30, 2018	60,270
2017-18 Carryover - Preschool Education Aid Programs	\$ 60,270
Budgeted for Preschool Programs 2018-19	\$ 60,270

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, 2018, 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, 2018

	FOOD SERVICE	AFTER SCHOOL	TOTAL
Assets			
Current assets:			
Cash and cash equivalents	\$ (2,614)	\$ 16,178	\$ 13,564
Interfund receivable - General fund	14,396	-	14,396
Accounts receivable:			
Federal	14,792	-	14,792
State	176	-	176
Total Accounts Receivable	<u>14,968</u>	<u>-</u>	<u>14,968</u>
Total Current Assets	<u>26,750</u>	<u>16,178</u>	<u>42,928</u>
Capital assets			
Machinery and equipment	2,358	-	2,358
Less: Accumulated depreciation	<u>(2,358)</u>	<u>-</u>	<u>(2,358)</u>
Net capital assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 26,750</u>	<u>\$ 16,178</u>	<u>\$ 42,928</u>
Liabilities			
Current liabilities			
Accounts payable	\$ -	\$ -	\$ -
Interfund payable	<u>(11,532)</u>	<u>11,532</u>	<u>-</u>
Total current liabilities	<u>(11,532)</u>	<u>11,532</u>	<u>-</u>
Net assets			
Unrestricted	<u>38,282</u>	<u>4,646</u>	<u>42,928</u>
Total Liabilities and Net Position	<u>\$ 26,750</u>	<u>\$ 16,178</u>	<u>\$ 42,928</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, 2018

	<u>FOOD SERVICE</u>	<u>AFTER SCHOOL</u>	<u>TOTAL</u>
Operating revenues:			
Charges for services:			
Daily sales - reimbursable programs	\$ 5,920	\$ -	\$ 5,920
Afterschool fees	-	14,961	14,961
Miscellaneous revenue	<u>3,108</u>	<u>-</u>	<u>3,108</u>
Total Operating revenues	<u>9,028</u>	<u>14,961</u>	<u>23,989</u>
Operating expenses:			
Salaries	60,019	10,536	70,555
Rental	-	-	-
Supplies and materials - reimbursable programs	174,494	-	174,494
Depreciation	<u>352</u>	<u>-</u>	<u>352</u>
Total operating expenses	<u>234,865</u>	<u>10,536</u>	<u>245,401</u>
Operating loss	<u>(225,837)</u>	<u>4,425</u>	<u>(221,412)</u>
Nonoperating revenues:			
State sources:			
State School Lunch	2,362	-	2,362
Federal sources:			
National School Lunch	139,773	-	139,773
National School Breakfast	47,741	-	47,741
Fresh Fruits and Vegetables	<u>14,039</u>	<u>-</u>	<u>14,039</u>
Total nonoperating revenues	<u>203,915</u>	<u>-</u>	<u>203,915</u>
Changes in net position	(21,922)	4,425	(17,497)
Total net position at beginning of year	<u>60,204</u>	<u>221</u>	<u>60,425</u>
Total net position at end of year	<u>\$ 38,282</u>	<u>\$ 4,646</u>	<u>\$ 42,928</u>

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

ENTERPRISE FUND

COMBINING SCHEDULE OF CASH FLOWS

YEAR ENDED JUNE 30, 2018

	<u>FOOD SERVICE</u>	<u>AFTER SCHOOL</u>	<u>TOTAL</u>
Cash flows from operating activities			
Operating loss	\$ (225,837)	\$ 4,425	\$ (221,412)
Adjustment to reconcile operating loss to net cash from operating activities			
Depreciation	352	-	352
Changes in assets and liabilities:			
Accounts receivable	(1,592)	-	(1,592)
Interfund receivable	(1,229)	-	(1,229)
Accounts payable	(1,054)	-	(1,054)
Net cash from operating activities	<u>(240,892)</u>	<u>15,957</u>	<u>(224,935)</u>
Cash flows from noncapital financing activities			
Cash received from state and federal reimbursements	<u>203,915</u>	<u>-</u>	<u>203,915</u>
Net cash from noncapital financing activities	<u>203,915</u>	<u>-</u>	<u>203,915</u>
Net increase (decrease) in cash and cash equivalents	(36,977)	15,957	(21,020)
Cash and cash equivalents at beginning of the year	<u>34,363</u>	<u>221</u>	<u>34,584</u>
Cash and cash equivalents at end of year	<u>\$ (2,614)</u>	<u>\$ 16,178</u>	<u>\$ 13,564</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, 2018, 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, 2018

	New Jersey Unemployment Benefits	Agency		Total	
		Student Activities	Net Payroll		Payroll Agency
Assets					
Cash and cash equivalents	\$ -	\$ 6,555	\$ -	\$ 137,081	\$ 143,636
Interfund receivable	-	5,341	-	17,067	22,408
Total assets	<u>\$ -</u>	<u>\$ 11,896</u>	<u>\$ -</u>	<u>\$ 154,148</u>	<u>\$ 166,044</u>
Liabilities and Fund Balances					
Liabilities:					
Payroll and withholdings payable	\$ -	\$ -	\$ -	\$ 154,148	\$ 154,148
Accounts payable	-	11,896	-	-	11,896
Total liabilities	<u>-</u>	<u>11,896</u>	<u>-</u>	<u>154,148</u>	<u>166,044</u>
Net Position					
Restricted					
Unemployment compensation	-	-	-	-	-
Total liabilities and net position	<u>\$ -</u>	<u>\$ 11,896</u>	<u>\$ -</u>	<u>\$ 154,148</u>	<u>\$ 166,044</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, 2018

	New Jersey Unemployment Benefits
	<u> </u>
Revenues:	
General fund appropriation	\$ 19,801
Employees' contributions	9,292
Total revenues	<u>29,093</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	<u>29,093</u>
Total expenditures	<u>29,093</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, 2018

	<u>Balance June 30, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2018</u>
Assets				
Cash	\$ 6,653	\$ 10,003	\$ 10,101	\$ 6,555
Interfund receivable	5,341	-	-	5,341
Total Assets	<u>11,994</u>	<u>10,003</u>	<u>10,101</u>	<u>11,896</u>
Liabilities				
Due to Student Groups	<u>11,994</u>	<u>\$ 10,003</u>	<u>\$ 10,101</u>	<u>11,896</u>

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

PAYROLL AGENCY FUND

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

YEAR ENDED JUNE 30, 2018

	<u>Balance June 30, 2017</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2018</u>
Assets				
Cash and cash equivalents	\$ 106,477	\$ 1,006,622	\$ 976,018	\$ 137,081
Interfund receivable	<u>17,824</u>	<u>-</u>	<u>757</u>	<u>17,067</u>
Total Assets	<u>\$ 124,301</u>	<u>\$ 1,006,622</u>	<u>\$ 976,775</u>	<u>\$ 154,148</u>
Liabilities				
Payroll deductions and withholdings	<u>\$ 124,301</u>	<u>\$ 1,006,622</u>	<u>\$ 976,775</u>	<u>\$ 154,148</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.

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

LONG-TERM DEBT

SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES

YEAR ENDED JUNE 30, 2018

	<u>Amount of Original Issue</u>	<u>Balance June 30, 2017</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2018</u>
Infrastructure Improvements	\$ 388,380	\$ 77,676	\$ -	\$ 77,676	\$ -
Total Liabilities	<u>\$ 388,380</u>	<u>\$ 77,676</u>	<u>\$ -</u>	<u>\$ 77,676</u>	<u>\$ -</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

<u>Contents</u>		<u>Page</u>
Financial Trends	These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.	83
Revenue Capacity	These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.	N/A
Debt Capacity	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.	88
Demographic and Economic Information	These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.	89
Operating Information	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.	91

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)

	Fiscal Year Ended June 30,								
	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental activities									
Invested in capital assets, net of related debt	\$ 28,141		\$ 15,255	\$ 8,340	\$ 10,845	\$ 15,844	\$ 18,282	\$ 20,720	\$ 23,157
Unrestricted	<u>(1,546,398)</u>		<u>(1,664,862)</u>	<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 position	<u>\$ (1,518,257)</u>	<u>\$ -</u>	<u>\$ (1,649,607)</u>	<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	\$ -	\$ -
Unrestricted	<u>42,928</u>		<u>61,542</u>	<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 position	<u>\$ 42,928</u>	<u>\$ -</u>	<u>\$ 61,542</u>	<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	\$ 28,141	\$ -	\$ 15,255	\$ 8,340	\$ 12,613	\$ 17,848	\$ 20,522	\$ 20,720	\$ 23,157
Unrestricted	<u>(1,503,470)</u>	<u>-</u>	<u>(1,603,320)</u>	<u>(1,523,951)</u>	<u>406,264</u>	<u>116,633</u>	<u>145,723</u>	<u>219,989</u>	<u>51,143</u>
Total charter school net position	<u>\$ (1,475,329)</u>	<u>\$ -</u>	<u>\$ (1,588,065)</u>	<u>\$ (1,515,611)</u>	<u>\$ 418,877</u>	<u>\$ 134,481</u>	<u>\$ 166,245</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)

	Fiscal Year Ended June 30,								
	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses									
Governmental activities									
Instruction	\$ 3,612,775	\$ 3,382,972	\$ 3,090,071	\$ 3,247,967	\$ 2,145,766	\$ 2,011,877	\$ 2,195,488	\$ 1,750,218	\$ 1,225,874
Support Services:									
School Administrative Services	2,934,506	2,769,819	2,804,719	2,408,271	2,651,137	3,031,143	2,484,791	1,855,590	1,692,226
Total governmental activities expenses	6,547,281	6,152,791	5,894,790	5,656,238	4,796,903	5,043,020	4,680,279	3,605,808	2,918,100
Business-type activities:									
Food service	234,865	209,932	217,395	215,906	219,056	235,493	216,743	191,152	131,278
After school program	10,536	26,400	30,000	35,069	-	-	-	-	55,382
Total business-type activities expense	245,401	236,332	247,395	250,975	219,056	235,493	216,743	191,152	186,660
Total district expenses	6,792,682	6,389,123	6,142,185	5,907,213	5,015,959	5,278,513	4,897,022	3,796,960	3,104,760
Program Revenues									
Governmental activities:									
Charges for services:									
Operating grants and contributions	2,636,469	2,268,073	1,903,390	1,154,770	356,720	429,363	331,342	393,932	336,414
Total governmental activities program revenues	2,636,469	2,268,073	1,903,390	1,154,770	356,720	429,363	331,342	393,932	336,414
Business-type activities:									
Charges for services									
Food service	9,028	6,554	5,426	8,636	6,227	6,409	6,685	12,033	8,357
After school program	14,961	25,229	28,438	38,007	-	-	-	-	13,580
Operating grants and contributions	203,915	202,608	219,590	219,074	180,507	174,554	169,848	121,673	20,000
Capital grants and contributions	-	-	-	-	-	-	-	-	144,723
Total business-type activities program revenues	227,904	234,391	253,454	265,717	186,734	180,963	176,533	133,706	186,660
Total district program revenues	2,864,373	2,502,464	2,156,844	1,420,487	543,454	610,326	507,875	527,638	523,074
Net (Expense)/Revenue									
Governmental activities	(3,910,812)	(3,884,718)	(3,991,400)	(4,501,468)	(4,440,183)	(4,613,657)	(4,348,937)	(3,211,876)	(2,581,686)
Business-type activities	(17,497)	(1,941)	6,059	14,742	(32,322)	(54,530)	(40,210)	(57,446)	-
Total district-wide net expense	(3,928,309)	(3,886,659)	(3,985,341)	(4,486,726)	(4,472,505)	(4,668,187)	(4,389,147)	(3,269,322)	(2,581,686)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Property taxes levied for general purposes, net	523,159	483,367	524,141	650,324	597,236	540,389	507,155	412,851	322,545
Grants and contributions	3,451,355	3,450,063	3,392,740	4,275,178	4,140,500	3,951,123	3,782,891	2,931,804	2,293,962
Miscellaneous income	25,878	938	6,762	13,761	19,122	144,869	24,637	91,074	184,202
Transfers	-	-	-	-	(59,145)	(62,842)	(45,000)	(59,000)	(144,723)
Total governmental activities	4,000,392	3,934,368	3,923,643	4,939,263	4,697,713	4,573,539	4,269,683	3,376,729	2,655,986
Business-type activities:									
Miscellaneous Income	-	-	-	-	43	42	-	1	-
Transfers	-	-	-	-	59,145	62,842	45,000	59,000	-
Total business-type activities	-	-	-	-	59,188	62,884	45,000	59,001	-
Total district-wide	4,000,392	3,934,368	3,923,643	4,939,263	4,756,901	4,636,423	4,314,683	3,435,730	2,655,986
Changes in Net Position									
Governmental activities	89,580	49,650	(67,757)	437,795	257,530	(40,118)	(79,254)	164,853	74,300
Business-type activities	(17,497)	(1,941)	6,059	14,742	26,866	8,354	4,790	1,555	-
Total district	\$ 72,083	\$ 47,709	\$ (61,698)	\$ 452,537	\$ 284,396	\$ (31,764)	\$ (74,464)	\$ 166,408	\$ 74,300

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

FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years (1)

(Modified accrual basis of accounting)

	Fiscal Year Ending June 30,								
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Fund									
Assigned	\$ -	\$ 30,250	\$ 10,398	\$ 10,398	\$ 36,787	\$ 15,863	\$ 41,600	\$ 112,354	\$ 31,723
Unassigned	701,583	666,816	660,636	745,587	344,679	115,594	109,580	106,080	19,420
Total General fund	<u>\$ 701,583</u>	<u>\$ 697,066</u>	<u>\$ 671,034</u>	<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	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues									
Local Sources:									
Local tax levy	\$ 523,159	\$ 483,367	\$ 524,141	\$ 650,324	\$ 597,236	\$ 540,389	\$ 507,155	\$ 412,851	\$ 322,545
Miscellaneous	25,878	938	43,203	205,186	51,533	249,771	77,313	91,493	205,752
State sources	4,103,619	4,094,193	4,402,450	4,674,619	4,140,500	3,951,123	3,782,891	3,130,516	2,293,962
Federal sources	<u>334,669</u>	<u>280,372</u>	<u>302,594</u>	<u>285,117</u>	<u>324,309</u>	<u>324,461</u>	<u>276,065</u>	<u>183,242</u>	<u>314,864</u>
Total Revenues	<u>4,987,325</u>	<u>4,858,870</u>	<u>5,272,388</u>	<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>
Current expense									
Instruction	2,014,947	1,980,601	2,077,148	2,357,994	2,120,019	2,003,741	1,956,881	1,492,033	1,225,362
Administrative cost	1,117,984	1,144,705	1,122,222	1,301,692	1,391,457	1,597,850	1,365,741	935,908	661,260
Support services	1,760,502	1,623,959	1,671,286	1,375,662	1,289,264	1,421,034	1,345,656	1,163,451	1,060,259
Capital outlay	7,880	-	18,853	4,278	376,529	-	-	-	24,376
TPAF - FICA Reimbursement	80,228	81,513	120,974	142,658	-	-	-	-	-
TPAF - On-behalf payments	1,268	2,061	346,855	258,443	-	-	-	-	-
Total Expenditures	<u>4,982,809</u>	<u>4,832,839</u>	<u>5,357,338</u>	<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>
Excess (Deficiency) of Revenues									
Over Expenditures	4,516	26,031	(84,950)	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>-</u>	<u>-</u>	<u>-</u>	<u>313,700</u>	<u>(62,842)</u>	<u>(42,400)</u>	<u>(59,838)</u>	<u>(144,723)</u>
Net change in fund balances	<u>\$ 4,516</u>	<u>\$ 26,031</u>	<u>\$ (84,950)</u>	<u>\$ 374,519</u>	<u>\$ 250,009</u>	<u>\$ (19,723)</u>	<u>\$ (67,254)</u>	<u>\$ 166,872</u>	<u>\$ 21,143</u>
Debt service as a percentage of noncapital expenditures	0.00%	0.00%	0.00%	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
2018	\$ 2,967	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,911	\$ 25,878
2017	933	-	-	-	-	-	4	937
2016	636	-	-	-	-	-	8,567	9,203
2015	585	-	-	-	-	-	14,436	15,021
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				Business-Type Activities	Total Charter School
	General Obligation Bonds	Certificates of Participation	Capital Leases	Bond Anticipation Notes (BANs)	Capital Leases	
2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	-	-	77,676	-	-	77,676
2016	-	-	155,352	-	-	155,352
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 ^a</u>	<u>Personal Income ^b</u>	<u>Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2017	**	**	**	**
2016	281,764	**	**	7.90%
2015	281,944	\$ 16,925,098,320	\$ 60,030	8.80%
2014	280,579	16,363,086,701	58,319	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%

** Data not available

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2010-2016 reflect county population estimates available as of March 2017

^d 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	2017		2012	
	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>	

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)**

Function/Program	2018	2017	2016	2015	2014	2013	2012	2011	2010
Instruction	37	37	34	28	28	28	26	20	16
Administrative	7	7	6	6	6	7	7	6	6
Support Services	5	5	2	2	2	2	2	2	2
Food Service	1	1	1	1	1	1	1	1	1
Total	50	50	43	37	37	38	36	29	25

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 ^a	Cost Per Pupil	Percentage Change	Teaching Staff ^b	Pupil/Teacher Ratio	Average Daily Enrollment (ADE) ^c	Average Daily Attendance (ADA) ^c	% Change in Average Daily Enrollment	Student Attendance Percentage
						Elementary				
2018	204	\$ 5,387,056	\$ 26,407	49.31%	37	7.92 : 1	294.5	288.6	-0.34%	98.00%
2017	295	5,217,235	17,686	-3.60%	37	7.92 : 1	286.0	280.3	-3.21%	98.00%
2016	291	5,338,485	18,345	4.61%	34	8.55 : 1	295.5	289.6	-5.44%	98.00%
2015	310	5,436,449	17,537	1.19%	26	11.92 : 1	312.5	306.3	12.82%	98.00%
2014	277	4,800,740	17,331	-0.07%	26	10.65 : 1	277.0	272.0	1.17%	98.19%
2013	278	4,821,491	17,343	5.64%	26	10.69 : 1	273.8	255.0	-1.86%	93.13%
2012	279	4,580,558	16,418	26.44%	24	11.63 : 1	279.0	262.0	12.96%	93.91%
2011	249	3,233,239	12,985	1.52%	18	13.83 : 1	247.0	234.0	28.98%	94.74%
2010	194	2,481,361	12,791	N/A	15	12.93 : 1	191.5	188.0	N/A	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>2018</u>	<u>2017</u>	<u>2016</u>	<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	58,000	58,000	58,000	28,000	28,000	28,000	28,000
Capacity (students)	450	450	450	450	450	300	300	300	300
Enrollment	294	295	291	310	277	278	279	249	194
Number of Schools	1	1	1	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, 2018
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
Commercial property and general liability:		
Property^(a)		
Building	\$ 13,350,600	\$ -
Business Personal Property	250,000	1,000
Electronic Data Processing	100,000	1,000
Equipment Breakdown	100,000,000	1,000
Flood Annual NJSIG Aggregate	75,000,000	10,000
Earthquake Annual NJSIG Aggregate	50,000	
Liability^(a)		
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	
Crime^(a)		
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		
Automobile^(a)		
Non Owned & Hired Auto Liability	11,000,000	
Bonds^(a)		
Board Secretary	183,508	
Workers Compensation^(a)		
Employers Liability		
Each Accident	2,000,000	
Each Employee	2,000,000	
Aggregate Limit	2,000,000	
Errors & Omissions^(a)		
Coverage A - Limit per policy period	11,000,000	10,000 each claim
Coverage B - Limit each claim	100,000	
Limit each policy period	300,000	10,000 each claim
Supplemental Indemnity^(b)		
Maximum Benefit Period	52 weeks	
Maximum Weekly Benefit	2,500	
Elimination period	7 days	
Student Accident^(c)		
Limit	1,000,000	
Group Catastrophic Policy^(d)		
Limit each occurrence	50,000,000	
Annual Aggregate	100,000,000	

Source: Charter School's Records

^(a) New Jersey Schools Insurance Group

^(b) Federal Insurance Co (Chubb)

^(c) Zurich American (Bollinger)

^(d) Firemans Fund Indemnity (Allianz)

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

CHARTER SCHOOL PERFORMANCE FRAMEWORK
FINANCIAL PERFORMANCE
FISCAL RATIOS

Multi-Year Information
(Unaudited)

	2016 Audit	2017 Audit	2018 Audit	Source
Cash	\$ 548,412	\$ 534,457	\$ 50,510	Audit: Exhibit A-1
Current Assets	849,330	937,618	954,743	Audit: Exhibit A-1
Total Assets	1,020,761	1,034,505	982,884	Audit: Exhibit A-1
Current Liabilities	116,753	180,478	210,231	Audit: Exhibit A-1
Total Liabilities	2,156,557	2,887,898	2,174,309	Audit: Exhibit A-1
Net Assets	(1,587,241)	(1,539,532)	(1,475,329)	Audit: Exhibit A-1
Total Revenue	6,052,049	6,436,832	6,864,765	Audit: Exhibit A-2
Total Expenses	6,153,413	6,389,123	6,800,562	Audit: Exhibit A-2
Change in Net Assets	(101,364)	47,709	64,203	Audit: Exhibit A-2
Depreciation Expense	78,386	77,137	76,791	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers
Final Average Daily Enrollment	296	293	294	DOE Enrollment Reports
March 30th Budgeted Enrollment	295	295	295	Charter School Budget

ATIOS ANALYSIS							Source:	Target
Near Term Indicators	2016	2017	2018	3 YR CUM				
1a. Current Ratio	7.27	5.20	4.54	5.40	Current Assets/Current Liabilities	> 1.1		
1b. Unrestricted Days Cash	32.53	30.53	2.71	23.21474	Cash/(Total Expenses/365)	30-60		
1c. Enrollment Variance	100%	99%	100%	100.50%	Average Daily Enrollment/Budgeted Enrollment	>95%		
1d. Default	No	No	No	No	Audit	not in default		
Sustainability Indicators								
2a. Total Margin	-2%	1%	1%	2%	Change in Net Assets/Total Revenue	positive		
2b. Debt to Asset	2.11	2.79	2.21	2.29	Total Liabilities/Total Assets	<.9		
2c. Cash Flow	75,820	(13,955)	(483,947)	(279,493)	Net change in cash flow from prior years	3 yr cum positive		
2d. Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	(Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)	>1.10		

SINGLE AUDIT SECTION



EXHIBIT K-1

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 and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, 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, 2018, 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 February 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter High 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 High School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter High 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 Office of School 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 February 27, 2019.

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
Public School Accountant
PSA No. 20CS00239400



GALLEROS KOH LLP
Certified Public Accountants

February 27, 2019
Cream Ridge, New Jersey

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR LETTER 15-08

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 State Program

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 *New Jersey State Aid Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the fiscal year ended June 30, 2018. The Charter School's major state program is identified in the summary of auditors' 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 state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major state 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 Office of School Finance, Department of Education, State of New Jersey and New Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB Circular Letter 15-08, 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 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 EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR LETTER 15-08

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 state programs.

Opinion on Each Major State Program

In our opinion, the Newark Educators' Community Charter School 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 state program for the fiscal year ended June 30, 2018.

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 state program 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 state program and to test and report on internal control over compliance in accordance with the New Jersey OMB Letter Circular 15-08-OMB, 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 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 state 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 state 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 EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY NEW JERSEY OMB CIRCULAR LETTER 15-08

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.

Purpose of the Report

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 New Jersey OMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.



Leonora Galleros, CPA
Public School Accountant
PSA No. 20CS00239400



GALLEROS KOH LLP
Certified Public Accountants

February 27, 2019
Cream Ridge, 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, 2018

Federal Grant/ Pass-Through Grantor/ Program Title	Federal CFDA No.	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2018			
					From	To						(Accounts Receivable)	Deferred Revenue	Due to Grantor	
U.S. Department of Education:															
Passed-through New Jersey State Department Education															
Special Revenue Fund:															
Title I Part A Grants to Local Educational Agencies	84.010	S010A170030	NCLB - 6029 - 18	\$ 253,586	7/1/2017	6/30/2018	\$ -	\$ -	\$ -	\$ (253,586)	\$ -	\$ (253,586)	\$ -	\$ -	
Title I Part A Grants to Local Educational Agencies	84.010	S010A160030	NCLB - 6029 - 17	242,982	7/1/2016	6/30/2017	(85,788)	-	85,788	-	-	-	-	-	
Improving Teacher Quality State Grants (Title II Part A) SEA	84.367	S367A170029	NCLB - 6029 - 18	242,982	7/1/2017	6/30/2018	-	-	-	(18,060)	-	(18,060)	-	-	
Individuals with Disabilities - States Grant	84.027	H027A170100	IDEA - 6029 - 18	51,169	7/1/2017	6/30/2018	-	-	45,232	(51,169)	-	(5,937)	-	-	
Individuals with Disabilities - States Grant	84.027	H027A160100	IDEA - 6029 - 17	59,671	7/1/2016	6/30/2017	(27,870)	-	27,870	-	-	-	-	-	
Individuals with Disabilities - States Grant (Preschool)	84.173	H173A170114	IDEA - 6029 - 18	1,854	7/1/2017	6/30/2018	-	-	1,854	(1,854)	-	-	-	-	
Title IV Part A - Student Support and Academic Enrichment Grants	84.424	S424A170031	NCLB - 6029 - 18	10,000	7/1/2017	6/30/2018	-	-	-	(10,000)	-	(10,000)	-	-	
Total U.S. Department of Education							(113,658)	-	160,744	(334,669)	-	(287,583)	-	-	
U.S. Department of Agriculture															
Passed-through New Jersey State Department of Agriculture															
Enterprise Fund:															
National School Lunch Program	10.555	181NJ304N1099	N/A	139,773	7/1/2017	6/30/2018	-	-	129,502	(139,773)	-	(10,271)	-	-	
National School Lunch Program	10.555	171NJ304N1099	N/A	137,980	7/1/2016	6/30/2017	(9,213)	-	9,213	-	-	-	-	-	
National School Breakfast Program	10.553	181NJ304N1099	N/A	47,741	7/1/2017	6/30/2018	-	-	44,070	(47,741)	-	(3,671)	-	-	
National School Breakfast Program	10.553	171NJ304N1099	N/A	46,587	7/1/2016	6/30/2017	(2,929)	-	2,929	-	-	-	-	-	
Fresh Fruits and Vegetables Program	10.582	181NJ304L1603	N/A	14,039	7/1/2017	6/30/2018	-	-	13,189	(14,039)	-	(850)	-	-	
Fresh Fruits and Vegetables Program	10.582	171NJ304L1603	N/A	15,750	7/1/2016	6/30/2017	(1,082)	-	1,082	-	-	-	-	-	
Total U.S. Department of Agriculture							(13,224)	-	199,985	(201,553)	-	(14,792)	-	-	
Total Expenditures of Federal Awards							\$ (126,882)	\$ -	\$ 360,729	\$ (536,222)	\$ -	\$ (302,375)	\$ -	\$ -	

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

EXHIBIT K-4
SCHEDULE B

SCHEDULE OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2018

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2017			Cash Received	Budgetary Expenditures Pass-through Funds	Adjustments Repayment Prior Year's Balances	Balance at June 30, 2018			MEMO	
				Deferred Revenue (Accounts Receivable)	Due to Grantor	Carryover/ (Walkover) Amount				Intergovernmental (Accounts Receivable)	Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditure
New Jersey State Department of Education														
General Fund:														
Equalization Aid	17-495-034-5120-078	7/1/17-6/30/18	\$ 2,956,091	\$ -	\$ -	\$ -	\$ 2,646,141	\$ (2,956,091)	\$ -	\$ (309,950)	\$ -	\$ 309,950	\$ -	\$ 2,956,091
Equalization Aid	17-495-034-5120-078	7/1/15-6/30/16	2,877,963	(449)	45,844	-	-	(45,395)	-	-	-	-	-	-
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	3,969,387	(11,193)	-	-	11,193	-	-	-	-	-	-	-
Equalization Aid	14-495-034-5120-078	7/1/13-6/30/14	3,611,227	-	422	-	-	-	-	-	-	422	-	-
Special Education														
Categorical Aid														
Security Aid	18-495-034-5120-084	7/1/17-6/30/18	114,941	-	-	-	113,723	(114,941)	-	(1,218)	-	-	1,218	114,941
Security Aid	17-495-034-5120-084	7/1/16-6/30/17	114,074	(29)	3,521	-	-	-	(3,492)	-	-	-	-	-
Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	287,531	-	-	-	359,003	(287,531)	-	-	-	71,472	-	287,531
Adjustment Aid	17-495-034-5120-085	7/1/16-6/30/17	403,435	(44,145)	-	-	44,145	-	-	-	-	-	-	-
Reimbursed Social Security Tax														
Security Tax	18-495-034-5094-003	7/1/17-6/30/18	80,228	-	-	-	80,228	(80,228)	-	-	-	-	-	80,228
Reimbursed Social Security Tax														
Security Tax	17-495-034-5094-003	7/1/16-6/30/17	81,513	(4,094)	-	-	4,094	-	-	-	-	-	-	-
On-Behalf Teachers' Pension and Annuity Fund														
On Behalf-Teachers' Pension and Annuity Fund –	18-495-034-5094-002	7/1/17-6/30/18	250,400	-	-	-	250,400	(250,400)	-	-	-	-	-	250,400
Post Retirement Medical	18-495-034-5094-001	7/1/17-6/30/18	161,727	-	-	-	161,727	(161,727)	-	-	-	-	-	161,727
On-Behalf- Teachers' Pension & Annuity Fund – Non-contributory Insurance														
On-Behalf- Teachers' Pension & Annuity Fund – Non-contributory Insurance	18-495-034-5094-004	7/1/17-6/30/18	1,268	-	-	-	1,268	(1,268)	-	-	-	-	-	1,268
Total General Fund				(59,910)	49,787	-	3,761,853	(3,944,978)	(48,887)	(314,029)	-	71,894	311,168	3,944,978
Special Revenue Fund:														
Preschool Education Aid	18-495-034-5120-086	7/1/17-6/30/18	570,768	-	-	60,270	453,824	(570,768)	-	(116,944)	60,270	-	116,944	570,768
Preschool Education Aid	17-495-034-5120-086	7/1/16-6/30/17	587,786	(66,326)	-	(60,270)	126,596	-	-	-	-	-	-	-
Total Special Revenue Fund				(66,326)	-	-	580,420	(570,768)	-	(116,944)	60,270	-	116,944	570,768
Enterprise Fund:														
State School Lunch Program	18-100-010-3350-023	7/1/17-6/30/18	2,362	-	-	-	2,186	(2,362)	-	(176)	-	-	176	2,362
State School Lunch Program	17-100-010-3350-023	7/1/16-6/30/17	2,291	(152)	-	-	152	-	-	-	-	-	-	-
Total Enterprise Fund				(152)	-	-	2,338	(2,362)	-	(176)	-	-	176	2,362
Total Expenditures of State Financial Assistance				\$ (126,388)	\$ 49,787	\$ -	\$ 4,344,611	(4,518,108)	\$ (48,887)	\$ (431,149)	\$ 60,270	\$ 71,894	\$ 428,288	\$ 4,518,108
Less: On-Behalf TPAF Pension System Contributions														
On-Behalf Teachers' Pension and Annuity Fund														
On Behalf-Teachers' Pension and Annuity Fund –	17-495-034-5094-002							250,400						
Post Retirement Medical	17-495-034-5094-001							161,727						
On-Behalf- Teachers' Pension & Annuity Fund – Non-contributory Insurance														
On-Behalf- Teachers' Pension & Annuity Fund – Non-contributory Insurance	17-495-034-5094-004							1,268						
								413,395						
Total for State Financial Assistance-Major Program Determination								\$ (4,104,713)						

**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, 2018****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 for Newark Educators Community 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 Charter School's basic financial statements. The information in these schedules is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and New Jersey OMB Circular Letter 15-08, *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 Charter School'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 Charter School'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	\$ -	\$ 3,531,583	\$ 3,531,583
Special Revenue Fund	334,669	570,769	905,438
Enterprise Fund	201,553	2,362	203,915
Total	<u>\$ 536,222</u>	<u>\$ 4,104,714</u>	<u>\$ 4,640,936</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 \$80,228 by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2018. The State had also made on-behalf TPAF payments for pension contributions, post-retirement medical benefits and long-term disability insurance contributions totaling \$413,395.

NOTE 6 ON BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF pension contributions, post-retirement medical benefits contributions and long-term disability insurance are not subject to a State Single Audit and, therefore, are excluded from major program determination. The Schedule of State Financial Assistance provides a reconciliation of State financial assistance reported in the Charter School's financial statements and the amount subject to State Single Audit and major program determination.

NOTE 7 DE MINIMIS INDIRECT COST

The Charter School has not elected to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statement Section

Type of auditors' report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified? reported	_____ Yes <input checked="" type="checkbox"/> None
Significant deficiency(ies) identified not considered to be material weaknesses?	_____ Yes <input checked="" type="checkbox"/> No
Noncompliance material to financial statements noted?	_____ Yes <input checked="" type="checkbox"/> No

Federal Awards – Not Applicable

Dollar threshold used to determine Type A and B programs:	<u>N/A</u>
Auditee qualified as low-risk auditee?	_____ Yes _____ No
Type of auditors' report on compliance for major programs:	<u>N/A</u>
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 Uniform Guidance?	_____ Yes _____ No

Identification of Major Programs:

<u> CFDA No. </u>	<u> Name of Federal Program </u>
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Not applicable

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

FISCAL YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS - CONTINUED

State Financial Assistance

Dollar threshold used to determine Type A and B programs: \$750,000

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 Circular Letter 15-08? Yes No

Identification of Major Programs:

<u>State or Project No.</u>	<u>Name of State Program</u>
State Aid Public Cluster:	
18-495-034-5120-078	Equalization Aid
18-495-034-5120-084	Security Aid
18-495-034-5120-089	Special Education Aid
18-495-034-5120-085	Adjustment 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.

SECTION III STATE FINANCIAL ASSISTANCE

None noted.

**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, 2018

There was no prior year finding.