

***East Orange Community Charter
School***

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**

PREPARED BY

EAST ORANGE COMMUNITY CHARTER SCHOOL

EAST ORANGE COMMUNITY CHARTER SCHOOL

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East Orange Community Charter School

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December 3, 2019

The Commissioner
New Jersey Department of Education
Riverview Executive Plaza – Bldg. 100
P. O. Box 500
Trenton, New Jersey 08625-0500

Dear Commissioner:

We hereby submit the Comprehensive Annual Financial Report of the East Orange Community Charter School (the “Charter School” or “EOCCS”) for the fiscal year ended June 30, 2019.

Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Charter School. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and are reported in a manner designed to fairly present the financial position and result of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School’s financial activities have been included.

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. East Orange Community Charter School’s MD&A can be found immediately following the Independent Auditor’s Report.

The Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, the Charter School’s organizational chart and a list of principal officials. The financial section includes the independent auditor’s report, management’s discussion and analysis (MD&S) and the basic financial statements including the Charter School-wide financial statements presented in conformity with Governmental Accounting Standards Board Statement No. 34. The basic financial statements also include individual fund financial statements and required supplemental information (RSI). The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

New Jersey Department of Education
The Commissioner
Page 2

The Charter School is required to undergo an annual single audit in conformity with the provisions of the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the New Jersey OMB's Circular 15-08, "*Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*". Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

Information related to this single audit, including the auditor's report on internal control and compliance with applicable *laws and regulations* and findings and recommendations are included in the single audit section of this report.

1) Reporting Entity and Its Services

The East Orange Community Charter School (EOCCS) is an independent reporting entity within the criteria adopted by the Government Accounting Standards Board (GASB) as established by National Council on Governmental Accounting (NCGA) Statement No. 3. All funds and account groups of the Charter School are included in this report.

The overarching mission of the EOCCS is to inspire and empower its students, families and staff with opportunities to successfully shape and transform their lives by becoming successful, lifelong learners who possess the critical-thinking, academic, advocacy, and leadership skills required to continuously open new doors in their lives and the lives of others.

EOCCS is open to all East Orange students on a space available basis and does not discriminate in its admission policies or practices on the basis of intellectual or athletic ability, measures of achievement or aptitude, status as a handicapped person, proficiency in the English language, or any other basis that would be illegal if used by a charter school.

By the end of 2018-2019 school year, the Charter School had a student enrollment of 491.

2) Economic Outlook

The East Orange Community Charter School is located in the City of East Orange, (the City), in the County of Essex within the State of New Jersey. The City has grown from a farmland region to a stable urban-suburban community since becoming an independent municipality in 1863. In 1909 East Orange was incorporated as a City. It measures approximately four-square miles and the District is the second largest school District in Essex County, based on enrollment.

2) **Economic Outlook** - *continued*

The City has maintained a strong commercial and industrial base, in part, because of its strategic location at the intersection of the Garden State Parkway and Interstate Route 280, which connects with the nearby New Jersey Turnpike. Also, the City is part of a varied transportation network with several rail-road stops along the New Jersey Transit rail route and approximately 21 bus routes, and convenient access to Newark International Airport, Port Newark and Port Elizabeth, New York City, and the New Jersey Meadowlands Sports Complex.

Located within the City are six secondary schools (three high schools and four middle schools), 12 elementary schools, two early Childhood Centers for Preschool and Kindergarten and an Adult School, as well as an alternative high school now housed in the old Bishop Francis Essex Catholic Boys High School. In and around the City are several technical, secretarial, and health care schools, which annually produce qualified, specialized office workers and health aides. Essex County College, located near the City's eastern border is a co-educational two-year public college. Also, the East Orange General Hospital operates an established accredited nursing school. Additionally, Seton Hall University, Rutgers University, Montclair State University, the New Jersey Institute of Technology and the College of Medicine and Dentistry of New Jersey are all located in communities adjacent to the City.

The East Orange Public Library system serves as a Federal book depository and area reference center for suburban Essex County. More than 350,000 volumes are available at the main library and in several neighborhood branches.

The City offers a labor force of over 38,000 white and blue-collar workers. The largest employers are the federal and local governments; Veterans Administration Medical Center; East Orange General Hospital and the Kessler Institute. However, the City continues to offer an ample supply of modern office space for new and expanding businesses.

The East Orange Chamber of Commerce along with the City Council and administration are exploring ways to revitalize and jumpstart the economic climate of the town. Additionally, tax incentives are offered to businesses to relocate to the East Orange area to increase employment levels that would result in an increased tax base. This revitalization process is expected to be ongoing – which suggests that that East Orange area will continue to prosper.

3) **Charter School Enrollment, Demographics and Other Highlights**

During the 2018-2019 School Year, East Orange Community Charter School (EOCCS) enrolled students from the following school districts: *City of East Orange School District (resident district), Belleville, Bloomfield, Orange Township, Irvington Township, City of Newark, West Orange, New Brunswick and Union.*

East Orange Community Charter School was established in order to meet the academic, educational and social development needs of the residents in the City of East Orange and subsequently approved to serve students in all Districts.

We accept our families on a first-come, first-served basis. We work diligently with the families in order to assist them in completing the application and medication information, as well as providing pertinent contact information. The Charter School has ensured compliance with N.J.S.A. 18A:3 6A-7 and 18A:36A-8 through random selection, based upon the applicant's completion of the application process. We do not discriminate against any student or family. We openly recruit and provide the community with information via our web site, hold open houses at the school, etc. The Lottery process is not conducted because initially we do not have more applicants than slots available. However, we make every effort to inundate the community with enrollment information. Furthermore, although the City of East Orange is our resident district, in order to maintain our approved enrollment, EOCCS also accepts students from other districts.

To this end, EOCCS provides special needs services to students in accordance with their approved IEP's. Additionally, we provide Speech Therapy for students that have been identified as needing this service. And, to further help students meet and/or reach their academic grade levels, we responded by providing additional resources that include scientifically-researched Math Programs (i.e., AIMSweb,) and Reading/Writing programs after-school tutoring, other activities that help to enrich the students that attend EOCCS, i.e., Boys and Girl Scout troops and related activities.

Since its inception, East Orange Community Charter School has implemented many programs to meet the needs of all of our students, their families and the community-at-large. During the 2018-2019 school-year programs and special services that were conducted included: Family Math Nights, Reading Nights, Academic Support periods, Child Study Team and Intervention and Referral Services (I&RS) for our at-risk students.

Each classroom has a Smart Board, 4 computers, several rolling laptops, etc. Our computer lab has enough computers for Technology instruction.

Additionally, student assemblies were sponsored for the Week of Respect and Anti-Bullying, as well as other classroom activities to thwart bullying.

Our Title I Resource Teachers also provide support programs that include the Title I Push-In services, math and literacy remedial and enrichment programs, which are all resources to provide more services that meet the needs of our students so that they can reach their maximum potential.

3) **Charter School Enrollment, Demographics and Other Highlights** *continued*

During the 2018-2019 school year over 80% of our students received free lunch and reduced-priced lunch. Our students are provided nutritious meals daily because students cannot learn successfully if they are hungry.

It is of primary importance, in our RTI framework, that we continue to refine the identification of at-risk students and use frequent progress monitoring of special needs and at-risk students and interventions to accelerate their rate of progress. In order to optimize the utilization of all data, we will continue our focus on enabling staff members to develop and increase their proficiencies in analyzing student data to identify strengths and weaknesses. We will increase our use of vertical and horizontal articulation meetings throughout the grade levels, in order to create teams of professionals responsible for examining the assessments and planning for increasing the performance outcomes of each child. Assessments will further be utilized to provide timely and relevant feedback to students and the students' ability to self-assess will be augmented, through increasing use of checklists and rubrics.

4) Internal Accounting Controls

Management of the Charter School is responsible for establishing and maintaining internal control designed to ensure 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). The system of 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 awards and state financial assistance, the Charter School also is responsible for ensuring that adequate system of internal controls is in place to ensure compliance with applicable laws and regulations related to those programs. This system of 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 the system of internal controls, including that portion related to federal awards and state financial assistance programs, as well as to determine that the Charter School has complied with applicable laws and regulations.

5) 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 the statutory requirements of charter school budgets. Annual appropriated budgets are adopted for general and special revenue funds. 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 canceled or are included as re-appropriations of fund balance in the subsequent year.

During the 2018-2019 fiscal school, the Charter School continued its efforts to improve its audit status and operational processes and procedures, correcting deficiencies identified in previous audits and reviews and on maintaining general compliance with sound fiscal practices.

6) **Accounting System and Report**

The Charter School’s accounting records reflect generally accepted accounting principles (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB). The accounting records also reflect New Jersey State Statute (N.J.S.A 18:4-14) that requires a uniform system of double-entry bookkeeping consistent with the GAAP established by GASB for us in all school districts and charter school. The accounting system is organized on the basis of funds in accordance with the Uniform Charter of Accounts (Handbook 2R2) for New Jersey Public Schools. These funds are explained in “Notes to the Financial Statements”, Note 1.

7) **Financial Statement Information at Fiscal Year-End**

As demonstrated by the various statements and schedules included in the financial section of this report, the Charter School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General Fund, and Special revenue funds for the fiscal year ended June 30, 2019 fiscal year:

**Summary of the General Fund
and Special Revenue Fund Revenues**

Revenue	2019	2018	Increase/ (decrease)	% Change
Local sources	\$ 993,542	\$ 810,714	\$ 182,828	22.55%
State sources	7,322,510	6,550,004	772,506	11.79%
Federal sources	481,289	473,799	7,490	1.58%
	<u>\$ 8,797,341</u>	<u>\$ 7,834,517</u>	<u>\$ 962,824</u>	<u>12.29%</u>

The Charter School experienced a significant increase in revenue of 12.29% which was due to a significant increase in state funding during 2019.

7) **Financial Statement Information at Fiscal Year-End** *continued*

The following schedule presents a summary of general fund and special revenue expenditures for the fiscal year ended June 30, 2019:

**Summary of the General Fund
and Special Revenue Fund Expenditures**

Expenditures	2019	2018	Increase/ (decrease)	% Change
Instruction	\$ 2,828,170	\$ 2,638,091	\$ 190,079	7.21%
Administrative	3,334,258	2,954,659	379,599	12.85%
Support	1,876,837	1,810,334	66,503	3.67%
Capital outlay	63,785	61,409	2,376	3.87%
	<u>\$ 8,103,050</u>	<u>\$ 7,464,493</u>	<u>\$ 638,557</u>	<u>8.55%</u>

The Charter School’s expenditures increased by about 8.55% over last year’s while enrollment was relatively at the same level as last year’s.

8) **Cash Management**

The investment policy of the Charter School is guided in large part by state statute as detailed in “Notes to the Financial Statements”. The Charter School has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provision of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect Governmental Units from loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) **Risk Management**

The Board carries various forms of insurance, including but not limited to general liability and comprehensive/collision, hazard and theft insurance on property and contents, fidelity bonds and worker’s compensation.

10) **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 Olugbenga Olabintan, CPA.

In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, 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*”.

The auditor’s report on the basic financial statements is included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in the single audit section of this report.

The 2018-2019 school-year was one of great strides in terms of academic achievement at the East Orange Community Charter School. In addition, it continues to enjoy a fairly reasonable financial position through careful stewardship of its resources. The next school year promises to be one that builds upon these successes with additional progress in all areas of the School’s operations, and particularly in the area of student achievement.

11) **Acknowledgments**

A note of appreciation is extended to the Finance Committee of the Charter School for their ongoing support and commitment to fiscal integrity and to the East Orange Community Charter School Board of Trustees for their selfless dedication to improving student achievement.

A special note of appreciation is extended to the Business Office and to all of the business operations staff members for their untiring efforts to improve processes, procedures and audit outcomes. Their contributions in support of the students and staff of the East Orange Community Charter School are truly noteworthy. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial, accounting and administrative staff.

Respectfully submitted,

Joel Julien

Joel Julien, CPA
Board Secretary/School Business Administrator

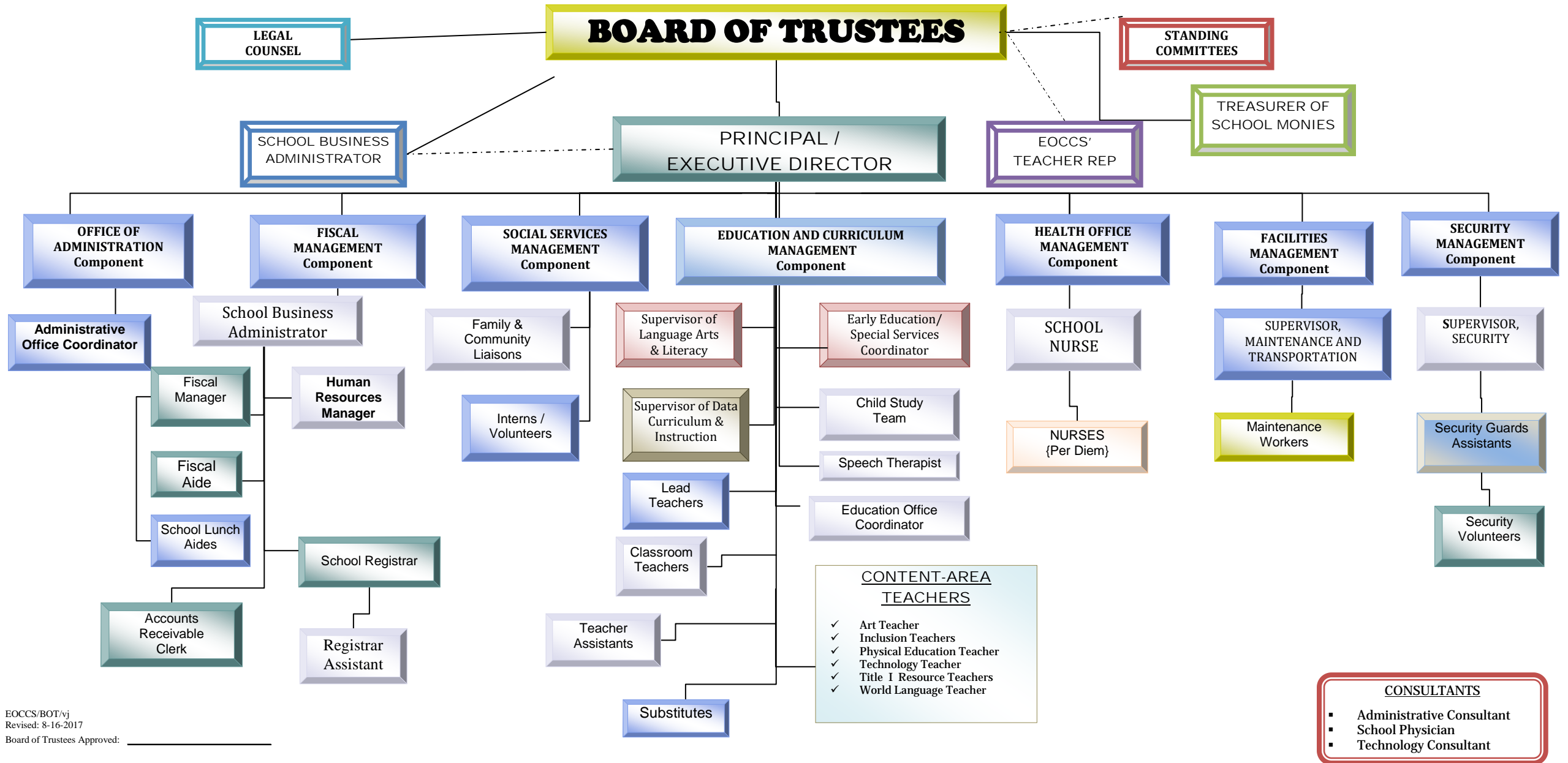


East Orange Community Charter School

99 Washington Street ----- East Orange, New Jersey 07017

CHART OF ORGANIZATION

2018---2019 School Year



EAST ORANGE COMMUNITY CHARTER SCHOOL

Roster of Trustees and Officers

June 30, 2019

Members of Board of Trustees

Nancy Bartolo, Board Chair

Hadren W. Simmons, Vice Chairman

Virginia Fisher, Member

Brenda Thurmond, Member

Nakeeyah Lambert, Member

Emerson Crooks, Member

Administration

Amy Yarbrough, Interim Executive Lead

Eileen Schwebel, Interim Education Lead

Joel Julien, CPA, School Business Administrator/Board Secretary

Raymond L. Scott, Treasurer of School Monies

Rosa Vetterlein, Teacher Representative

EAST ORANGE COMMUNITY CHARTER SCHOOL

Consultants and Advisor

Independent Auditors

Olugbenga Olabintan
Certified Public Accountant/Consultant
137 Camden Street
Newark, NJ 07103

Attorney

Robert Taylor, Esq.
Attorney At Law
60 Evergreen Place, Suite # 305
East Orange, NJ 07018

Official Depository

Investors Saving Bank
101 JFK Parkway
Short Hills, NJ 07078

Wells Fargo Bank
679 Park Avenue
East Orange, NJ 07111

Valley national Bank
Wayne, NJ 07474

Financial Section

Olugbenga Olabintan

Certified Public Accountant/Consultant

137 Camden Street, Suite #3
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Independent Auditors' Report

The Honorable President and
Members of the Board of Trustees
East Orange Community Charter School
East Orange, New Jersey
County of Essex

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 East Orange Community Charter School, in the County of Essex, State of New Jersey (the "Charter School") as of and for the fiscal year ended June 30, 2019, 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 an opinion 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 from material misstatement.

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

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

Opinion

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter School as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows, thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis and Budgetary Comparison Information, and Pension Information* as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The accompanying supplementary information, which consists of the introductory section, combining and individual nonmajor fund financial statements, financial schedules and statistical tables are 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 are presented for purposes of additional analysis as required by the *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statement, schedule of expenditures of federal awards and schedule of state financial assistance are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 information is fairly presented, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, financial schedules and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 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 and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School’s internal control over financial reporting and compliance.

Olugbenga Olabintan, CPA

December 3, 2019
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

Required Supplementary Information

Part I

Management's Discussion and Analysis

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2019
(Unaudited)

Introduction

This section of the East Orange Community 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, 2019. 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.

Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis- for State and Local Governments*. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in the MD&A.

Financial Highlights

Key financial highlights for fiscal year 2019 are as follows:

- Net position of governmental activities ended the fiscal year with \$(2,070,619). Net position of business-type activities, which represent food service operations ended the fiscal year with \$117,015.
- General revenues accounted for \$8,316,052 in revenue or 90 percent of total revenues of \$9,263,900. Program specific revenues, in the form of charges for services, grants, and contributions accounted for \$947,848 or 10 percent of total revenues.
- The Charter School had \$7,888,925 in expenses related to governmental activities; \$481,289 of these expenses is offset by operating grants and contributions. General revenues (primarily State aid) of \$8,316,052 helped to provide for the balance of these programs.
- The General Fund reported fund surplus at June 30, 2019, of \$1,893,206 of which \$1,000,000 was designated by a resolution of the Board of the Charter School for future Capital expenditures. *The Charter School has been operating in four (4) remote locations since it has reached the fourth grade and has been exploring the feasibility of consolidating all school operations in a single building ever since. Funds have been expended in this pursuit, and it has been estimated through investigation that the cost of developing a building facility that could house all operations would require an equity investment of at least \$1,000,000.00. Accordingly, with the 2018-2019 audited financial statements showing a Fund Balance of \$1,893,206 the Board of Trustees has designated (by a Board Resolution on December 3, 2019) \$1,000,000 of the Fund Balance for future capital projects and the remaining balance will be used to balance the budget whenever the student enrollment count is low.*

EAST ORANGE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2019
(Unaudited)

Using the 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 East Orange 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. 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 East Orange 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 others, 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.

Reporting the Charter School as a Whole

Statement of Net Position and Statements of Activities

While this report contains the fund 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 2019?" The statements 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. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

EAST ORANGE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2019
(Unaudited)

Statement of Net Position and Statement of Activities-continued

These two statements report the Charter School's net position and changes in those assets. 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. The cause of this change may be the result of many factors some financial, some not. Non-financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

Governmental Activities – Most of the Charter School's programs and services are reported here including instructions, 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 operations/after care programs enterprise fund is reported as a business activity.

Reporting the 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 more or less 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.

EAST ORANGE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2019
(Unaudited)

Enterprise Fund

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

The Charter School as a Whole

The perspective of the Statement of Net Position is of the Charter School as a whole. Net position may serve over time as useful indicator of a government's financial position. In the case of the Charter School, liabilities exceeded assets by \$2,070,619 at the close of 2019. The following table provides a summary of net position relating to the Charter School's governmental and business type activities:

	Governmental Activities		Business Type Acvtivities		Total	
	2019	2018	2019	2018	2019	2018
Assets and deferred outflows of resources						
Current assets	\$ 2,348,199	\$ 1,666,906	\$ 244,233	\$ 75,218	\$ 2,592,432	\$ 1,742,124
Capital assets, net	509,828	540,364	-	-	509,828	540,364
Deferred outflows of resources	632,171	1,047,248	-	-	632,171	1,047,248
Total assets and deferred outflows of resources	3,490,198	3,254,518	244,233	75,218	3,734,431	3,329,736
Liabilities and deferred outflows of resources:						
Current liabilities	521,679	532,147	127,218	39,495	648,897	571,642
Long term liabilites	3,262,695	4,371,993	-	-	3,262,695	4,371,993
Deferred outflows of resources	1,893,458	1,446,428	-	-	1,893,458	1,446,428
Total liabilities and deferred inflows of resources	5,677,832	6,350,568	127,218	39,495	5,805,050	6,390,063
Net position						
Invested in Capital assets (net of related debt)	509,828	540,364	-	-	509,828	540,364
Unrestricted, designated	1,000,000	-			1,000,000	-
Unrestricted, undesignated	(3,697,462)	(3,636,414)	117,015	35,723	(3,580,447)	(3,600,691)
Total net position	\$ (2,187,634)	\$ (3,096,050)	\$ 117,015	\$ 35,723	\$ (2,070,619)	\$ (3,060,327)

EAST ORANGE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2019
(Unaudited)

The largest portion of the Charter School's net position is its current assets. The Charter School uses these current assets to provide services.

The total net position of the Charter School increased by \$989,708 during the current fiscal year ended June 30, 2019. The majority of the increase is attributable to a surplus of \$908,416 in the General Fund.

The table that follows reflects the change in net position for fiscal year 2019.

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charge for services			\$202,925	\$187,186	\$202,925	\$187,186
Operating grants and contributions	\$481,289	\$473,799	263,634	268,082	744,923	741,881
Total program revenues	481,289	473,799	466,559	455,268	947,848	929,067
General revenues:						
Local aid	983,910	804,729	-	-	983,910	804,729
Federal and state aid	7,322,510	6,550,004	-	-	7,322,510	6,550,004
Miscellaneous	9,632	5,985	-	-	9,632	5,985
Transfers	-	(45,191)	-	45,191	-	-
Total general revenues	8,316,052	7,315,527	-	45,191	8,316,052	7,360,718
Total revenues	8,797,341	7,789,326	466,559	500,459	9,263,900	8,289,785
Expenses:						
Instructions	2,828,170	2,638,091	-	-	2,828,170	2,638,091
Administrative & support services	5,030,219	4,739,422	-	-	5,030,219	4,739,422
Unallocated depreciation	30,536	30,536	-	-	30,536	30,536
Food service			293,363	314,491	293,363	314,491
Aftercare/summer program	-	-	91,904	162,524	91,904	162,524
Total expenses	7,888,925	7,408,049	385,267	477,015	8,274,192	7,885,064
Change in net position	\$ 908,416	\$ 381,277	\$ 81,292	\$ 23,444	\$ 989,708	\$ 404,721

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, 2019.

EAST ORANGE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2019
(Unaudited)

Governmental Activities - *continued*

	Total Cost of Services	Net Cost of Services
Instruction	\$ 2,828,170	\$ 2,478,490
Administrative & Support Services	5,030,219	4,898,610
Unallocated Depreciation	30,536	30,536
Total Expenses	<u>\$ 7,888,925</u>	<u>\$ 7,407,636</u>

Business-Type Activity

The business-type activity of the Charter School consists of the food service operation and the after-school/summer programs. These programs had revenues of \$466,559 (including board contributions of \$-0-) and operating expenses of \$385,267 for fiscal year 2019. The Charter School intended to have food services be self-operating without assistance from the General Fund.

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 \$8,797,341 and expenditures of \$8,103,050. The positive change in fund balance for the year was \$694,291.

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 2019, 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's management teams.

For the General Fund, final budgeted revenues were \$7,686,074, which included a local tax levy of \$983,910. Expenditures and other financing uses were budgeted at \$6,991,783. The Charter School anticipated budgeted fund balance of \$1,063,403 in its 2018-2019 budget year.

The State of New Jersey reimbursed the Charter School \$171,054 during the year ended June 30, 2019 for the employer's share of social security contributions for TPAF members. The State also paid \$629,978 into the TPAF pension - representing on-behalf employer's portion of the Pension System Contributions, Post-Retirement Medical Benefits Contributions and Long-Term Disability Insurance Premium Contributions. The unbudgeted amounts were included in both revenues and expenditures.

EAST ORANGE COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
Year Ended June 30, 2019
(Unaudited)

Capital Assets

At the end of fiscal year 2019, the Charter School had \$509,828 invested in capital assets in its governmental activities. The Charter School's 2019-2020 budget does not anticipate any spending on capital projects. However, by a Board Resolution, \$1,000,000 of the June 30, 2019 fund balance was designated for future capital expenditures.

Long-term debt

At June 30, 2019, the Charter School had \$111,863 in long-term debt (\$66,686 of which was due within a year) – mortgage on one of the school buildings. The Charter School had \$3,217,518 and \$4,260,501 at June 30, 2019 and 2018, respectively, in net pension liability regarding the Public Employees Retirement System. More detailed information about the Charter School's long term obligations is presented in the notes to the financial statements.

Economic Factors and Next Year's Budget

The State of New Jersey and indeed the entire United States continue to face serious budgetary constraints and a result of the sharp downturn in the economy. These impact the amount of state and federal aids allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2019-2020. 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. The budget was adopted with a redirection of funds to maintain the quality of the regular school day.

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:

EAST ORANGE COMMUNITY CHARTER SCHOOL
Business Office, 99 Washington Street
East Orange, New Jersey 07017
Tel: (973) 996-0400 * Fax: (973) 996-0398

Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide a financial overview of the Charter School's operations. These financial statements present the financial position and operating results of all governmental activities and business-type activities as of and for the Year Ended June 30, 2019.

Statement of Net Position

June 30, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 747,491	\$ 30,752	\$ 778,243
Restricted cash and cash equivalents	75,000	-	75,000
Accounts receivable	1,520,708	79,016	1,599,724
Other current assets	5,000	-	5,000
Interfund receivables	-	134,465	134,465
Capital assets (net of accum deprec of \$1,060,108)	509,828	-	509,828
Total assets	<u>2,858,027</u>	<u>244,233</u>	<u>3,102,260</u>
Deferred outflows of resources			
Pension deferred outflows	632,171	-	632,171
Total assets and deferred outflows of resources	<u>\$ 3,490,198</u>	<u>\$ 244,233</u>	<u>\$ 3,734,431</u>
Liabilities			
Accounts payable	\$ 398,997	\$ 27,164	\$ 426,161
Intergovernmental payables - state	26,139	-	26,139
Interfunds payables	29,148	100,054	129,202
Deferred revenue	709	-	709
Current portion of long term obligations	66,686	-	66,686
Noncurrent portion of long term obligations	45,177	-	45,177
Net pension liability	3,217,518	-	3,217,518
Total liabilities	<u>3,784,374</u>	<u>127,218</u>	<u>3,911,592</u>
Deferred inflows of resources			
Pension deferred inflows	1,893,458	-	1,893,458
Total liabilities and deferred inflows of resources	<u>5,677,832</u>	<u>127,218</u>	<u>5,805,050</u>
Net position			
Invested in capital assets	509,828	-	509,828
Unrestricted, designated for future capital expenditures	1,000,000	-	1,000,000
Unrestricted, undesignated	<u>(3,697,462)</u>	<u>117,015</u>	<u>(3,580,447)</u>
Total net position	<u>(2,187,634)</u>	<u>117,015</u>	<u>(2,070,619)</u>
Total liabilities, deferred inflows of resources & net position	<u>\$ 3,490,198</u>	<u>\$ 244,233</u>	<u>\$ 3,734,431</u>

See independent auditor's report and accompanying notes to basic financial statements.

EAST ORANGE COMMUNITY CHARTER SCHOOL

A-2

Statement of Activities

Year ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction:						
Regular	\$ 2,828,170	\$ -	\$ 349,680	\$ (2,478,490)	\$ -	\$ (2,478,490)
Administrative & Support services:						
General administration	2,352,350	-	-	(2,352,350)	-	(2,352,350)
Support services	2,677,869	-	131,609	(2,546,260)	-	(2,546,260)
Capital outlay	-	-	-	-	-	-
Unallocated depreciation	30,536	-	-	(30,536)	-	(30,536)
Total governmental activities	<u>7,888,925</u>	<u>-</u>	<u>481,289</u>	<u>(7,407,636)</u>	<u>-</u>	<u>(7,407,636)</u>
Business-type activities:						
Food service	293,363	-	263,634	-	(29,729)	(29,729)
After care/summer programs	91,904	202,925	-	-	111,021	111,021
Total business-type activities	<u>385,267</u>	<u>202,925</u>	<u>263,634</u>	<u>-</u>	<u>81,292</u>	<u>81,292</u>
Total primary government	<u>\$ 8,274,192</u>	<u>\$ 202,925</u>	<u>\$ 744,923</u>	<u>(7,407,636)</u>	<u>81,292</u>	<u>(7,326,344)</u>
General revenues and transfers:						
Local sources				983,910	-	983,910
Federal and state sources				7,322,510	-	7,322,510
Miscellaneous				9,632	-	9,632
Transfers				-	-	-
Total general revenues and transfers				<u>8,316,052</u>	<u>-</u>	<u>8,316,052</u>
Change in net position				908,416	81,292	989,708
Net position - beginning				(3,096,050)	35,723	(3,060,327)
Net position - ending				<u>\$ (2,187,634)</u>	<u>\$ 117,015</u>	<u>\$ (2,070,619)</u>

See independent auditor's report and accompanying notes to basic financial statements.

Funds Financial Statements

Governmental Funds

EAST ORANGE COMMUNITY CHARTER SCHOOL
Governmental Funds

B-1

Balance Sheet

June 30, 2019

	General Fund	Special Revenue Fund	Totals Governmental Funds
Assets			
Cash and cash equivalents	\$ 735,012	\$ 12,479	\$ 747,491
Resticted cash and cash equivalents	75,000	-	75,000
Accounts receivable:	-	-	-
State	15,696	-	15,696
Federal	-	264,134	264,134
Other	1,240,878	-	1,240,878
Other current assets	5,000	-	5,000
Interfund receivable	166,628	-	166,628
Total assets	\$ 2,238,214	\$ 276,613	\$ 2,514,827
Liabilities and Fund Balances			
Interfund accounts payables	\$ -	\$ 195,776	\$ 195,776
Accounts payable	318,869	80,128	398,997
Intergovernmental payables - federal	-	-	-
Intergovernmental payables - state	26,139	-	26,139
Deferred revenue	-	709	709
Total liabilities	345,008	276,613	621,621
Fund balances:			
Unreserved:			
Designated for future capital expneditures	1,000,000	-	1,000,000
Undesignated	893,206	-	893,206
Total fund balances	1,893,206	-	1,893,206
Total liabilities and fund balances	\$ 2,238,214	\$ 276,613	-

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	\$ 1,600,472	
Accumulated depreciation	(1,090,644)	
	\$ 509,828	509,828

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.

(111,863)

Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore are not reported in the fund statements. (See Note 7)

632,171

Deferred Inflows related to pension actuarial gains from experience and differences in actual return and assumed returns and other deferred items are not reported as liabilities in the fund statements. (See Note 7)

(1,893,458)

Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds (see Note 7)

(3,217,518)

Net position of governmental activities - A-1

\$ (2,187,634)

See independent auditor's report and accompanying notes to basic financial statements.

EAST ORANGE COMMUNITY CHARTER SCHOOL
Governmental Funds

B-2

Statement of Revenues, Expenditures and Changes in Fund Balances
Year ended June 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Revenues:			
Local sources:			
Local tax levy	\$ 983,910	\$ -	\$ 983,910
Miscellaneous	9,632		9,632
Total revenues - local sources	<u>993,542</u>	<u>-</u>	<u>993,542</u>
Federal sources	-	481,289	481,289
State sources	6,521,478		6,521,478
Reimbursed TPAF-Social Security (non-budgeted)	171,054	-	171,054
TPAF pension and post retirement medical and long-term disability premium benefits on-behalf payments (non-budgeted)	<u>629,978</u>	<u>-</u>	<u>629,978</u>
Total revenues	<u>8,316,052</u>	<u>481,289</u>	<u>8,797,341</u>
Current expense:			
Instruction	2,478,490	349,680	2,828,170
Administrative	2,533,226	-	2,533,226
Support services	1,745,228	131,609	1,876,837
Capital outlay	63,785	-	63,785
Reimbursed and on-behalf payments:			
Reimbursed TPAF-Social Security (non-budgeted)	171,054	-	171,054
TPAF pension and post retirement medical and long-term disability premium benefits on-behalf payments (non-budgeted)	<u>629,978</u>	<u>-</u>	<u>629,978</u>
Total expenditures	<u>7,621,761</u>	<u>481,289</u>	<u>8,103,050</u>
Excess (deficiency) of revenues over (under) expenditures, before other financing sources	694,291	-	694,291
Other financing sources:			
Transfer to cover food deficit	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures, after other financing sources	694,291	-	694,291
Fund balances, beginning of year	<u>1,198,915</u>	<u>-</u>	<u>1,198,915</u>
Fund balances, end of year	<u>\$ 1,893,206</u>	<u>\$ -</u>	<u>\$ 1,893,206</u>

See independent auditor's report and accompanying notes to basic financial statements.

EAST ORANGE COMMUNITY CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures
And Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year ended June 30, 2019

B-3

Total net change in fund balances - governmental funds (B-2) \$ 694,291

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 capital outlays exceeded depreciation expenses in the period. Additionally, in the Statement of Activities gains or (losses) are recognized upon disposition.

Depreciation expense	\$	(30,536)	
Capital outlays		-	
		(30,536)	(30,536)

Repayment of long term loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position and it is not reported in the Statement of Activities.

Repayment of long term loan principal		63,785	63,785
---------------------------------------	--	--------	--------

Pension contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.

180,876

Change in net position of governmental activities (A-2) \$ 908,416

See independent auditor's report and accompanying notes to basic financial statements.

Proprietary Funds

**EAST ORANGE COMMUNITY CHARTER SCHOOL
Proprietary Funds**

B-4

Statement of Net Position

June 30, 2019

Assets	
Current assets:	
Cash and cash equivalents	\$ 30,752
Accounts receivable:	-
Federal	73,680
State	1,139
Other	4,197
Interfund receivable - general fund	134,465
Total current assets	<u>\$ 244,233</u>
Liabilities	
Current liabilities:	
Interfund payable - general fund	\$ 100,054
Accounts payable	27,164
Total current liabilities	<u>\$ 127,218</u>
Net position	
Unrestricted	117,015
Total net position	<u><u>\$ 117,015</u></u>

See independent auditor's report and accompanying notes to basic financial statements.

**EAST ORANGE COMMUNITY CHARTER SCHOOL
Proprietary Funds**

B-5

Statement of Revenues, Expenditures and Changes in Net Assets

Year ended June 30, 2019

Operating revenues:	
Charges for services:	
Daily sales - reimbursable programs	\$ -
Daily sales - nonreimbursable programs	-
Summer/after care programs revenue	201,816
Miscellaneous revenue	1,109
Total Operating revenues	<u>202,925</u>
Operating expenses:	
Cost of sales, reimbursable programs	293,363
Cost of sales, nonreimbursable programs	-
Salaries	57,915
Employee benefits	-
Professional /technical service	-
Supplies and materials	5,489
Depreciation	-
Miscellaneous	28,500
Total operating expenses	<u>385,267</u>
Operating income/(loss)	<u>(182,342)</u>
Nonoperating revenues:	
State sources:	
State school lunch program	3,919
State school breakfast program	-
Federal sources:	
National school lunch program	174,764
National school breakfast program	73,859
Summer lunch program	11,092
Total nonoperating revenues	<u>263,634</u>
Net income/(loss) before contributions & transfers	81,292
Other financing sources:	
Transfer	-
	<u>-</u>
Change in net position	81,292
Total net position-beginning of year	<u>35,723</u>
Total net position-end of year	<u>\$ 117,015</u>

See independent auditor's report and accompanying notes to basic financial statements.

**EAST ORANGE COMMUNITY CHARTER SCHOOL
Proprietary Fund**

B-6

Statement of Cash Flows

Year ended June 30, 2019

Cash flows from operating activities

Operating loss	\$ (182,342)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Accounts receivable	(25,527)
Other current assets	(134,465)
Due to general fund	65,795
Accounts payable	21,928
Net cash used in operating activities	<u>(254,611)</u>

Cash flows from noncapital financing activities:

Cash received from state reimbursements	3,919
Cash received from federal reimbursements	259,715
Operating subsidies and transfers	-
Net cash provided by noncapital financing activities	<u>263,634</u>

Cash flows from investing activities

Net change in cash and cash equivalents	9,023
Cash and cash equivalents, beginning	21,729
Cash and cash equivalents, ending	<u>\$ 30,752</u>

See independent auditor's report and accompanying notes to basic financial statements.

Fiduciary Funds

**EAST ORANGE COMMUNITY CHARTER SCHOOL
Fiduciary Funds**

B-7

Statement of Fiduciary Net Position

June 30, 2019

	Unemployment Compensation	Student Activity Fund	Agency Fund Payroll	Total
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 32,466	\$ 32,466
Total assets	\$ -	\$ -	\$ 32,466	\$ 32,466
Liabilities				
Payroll deductions and withholdings	\$ -	\$ -	27,203	27,203
Interfund payables	-	-	5,263	5,263
Due to students group	-	-	-	-
Total liabilities	-	\$ -	\$ 32,466	\$ 32,466
Net position				
Total liabilities and net position	-			
	\$ -			

See independent auditor's report and accompanying notes to basic financial statements.

**EAST ORANGE COMMUNITY CHARTER SCHOOL
Fiduciary Funds**

B-8

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2019

	Unemployment Compensation
Revenues:	
General fund appropriation	\$ 31,572
Total revenues	31,572
Expenditures:	
Payments to NJ Unemployment Compensation Fund	31,572
Total expenditures	31,572
Excess(deficiency) of revenue over(under) expenditures	-
Net position, beginning	-
Net position, ending	\$ -

See independent auditor's report and accompanying notes to basic financial statements.

Notes to Basic Financial Statements

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

1 Description of the Charter School and Reporting Entity

East Orange Community Charter School (the “Charter School” was incorporated in the State of New Jersey in January 1998 as a non-for-profit corporation for the purpose of operating and maintaining a public school under a charter granted by the State of New Jersey, which promotes comprehensive educational reform by infusing innovation into the public education system. It is an instrumentality of the State of New Jersey, established to function as an education institution. The Charter School’s Board of Trustees (the Board) is responsible for the fiscal control of the Charter School. A Principal/Chief School Administrator is appointed by Board and is responsible for the administrative control of the Charter School. Under the existing the statutes, the Charter School’s duties and powers include, but not limited to the development and adoption of a school program; the establishment, organization and operation of schools; and the acquisition, maintenance and disposition of school property.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Charter School are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Charter School. For the Charter School, this includes general operations, food service and student related activities of the Charter School.

The primary criterion for including activities within the Charter School’s reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. 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 of the Charter School over which the Board exercises operating control. Based on the aforementioned criteria, the Charter School has no component units to be included in the reporting entity. Further, the Charter School is not includable in any other reporting entity on the basis of such criteria.

The East Orange Community Charter School Board of Trustees also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

Its mission is to establish a character school to serve as a neighborhood resource and as a model for other similar schools. The East Orange Community Charter School is committed to achieving the New Jersey Core Curriculum Content Standards and producing high academic achievement by all students. The Charter School will integrate a holistic curriculum, utilize learner center techniques, family and care giver centered approaches, comprehensive community involvement, cutting edge technology and an intimate nurturing environment that will enhance positive self-images.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

2 Summary of Significant Accounting Policies

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

The financial statements of the East Orange Community Charter School (the "Charter School") have been prepared in conformity with generally accepted accounting principles (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:

A Basis of Presentation

The Charter School's basic financial statements consist of 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.

Charter School 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 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. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Charter School, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Charter School.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

2 Summary of Significant Accounting Policies - *continued*

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.

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 New Jersey Department of Education (NJDOE) requires that all funds be reported as major, as it is considered important for public interest and to promote consistency among Charter Schools financial reporting in the State of New Jersey.

B Fund Accounting

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.

Governmental Funds

Governmental funds are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the Charter Schools' major governmental funds:

General Fund - The General Fund is the primary operating fund of the Charter School. 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.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

2 Summary of Significant Accounting Policies - *continued*

As required by the New Jersey Department of Education, the Charter School included budgeted capital outlay in this fund. Generally accepted accounting principles as they pertain to governmental entities state that General Fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenues.

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.

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, 2019 there was no Capital Projects Fund.

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 is 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.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

2 Summary of Significant Accounting Policies - *continued*

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 non-current, 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.

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:

Trust Funds - Expendable Trust Funds (unemployment compensation) are accounted for in essentially the same manner as the governmental funds. The unemployment compensation trust fund is used to account for contributions from employees and the employer (the Charter School) and interest earned on the balance as well as payments to the State for reimbursements of unemployment claims.

Agency Funds – Agency funds (*Payroll, Health Benefits and Student Activity Fund*) are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involved measurement of results of operations.

C Measurement Focus and Basis of Accounting

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.

Measurement Focus

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.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

2 Summary of Significant Accounting Policies - *continued*

All proprietary funds are accounted for on a flow economic resources measurement focus. With this measurement focus, the accounting objectives 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 non-current, associated with their activities are included on the balance sheet. Fund equity (i.e., net total assets) is classified as net position.

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 determine 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 funds revenues.

D Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue fund. The budgets are submitted to the County Office and the Education Commissioner for approval. Budgets except for the special revenue fund which is prepared using a non-GAAP budgetary basis, are 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. Transfers of appropriations may be made by Charter School Board resolution at any time during the fiscal year subject to the limitation of P.L. 2004 c73 (S1701). The Board of Trustees did not make any material supplemental budgetary appropriations during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the Special Revenue Fund as noted below.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

2 Summary of Significant Accounting Policies - *continued*

Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental funds types. Unencumbered appropriations lapse at fiscal year-end.

The accounting records of the 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 revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow of the presentation of GAAP basis financial reports.

E Cash, Cash Equivalent and Investments

Cash and cash equivalents include petty cash, change funds, cash in banks and all highly liquid investment with a maturity of three months or less at the time of purchases and are stated at cost plus accrued interest. US Treasury and agency obligations and certificates of deposit with maturities of one year or less when purchases are stated at cost. All other investments are stated at fair value.

New Jersey Charter Schools are limited as to the types of the investments and types of financial institution they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investment that may be purchased by New Jersey Charter Schools.

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

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

2 Summary of Significant Accounting Policies - *continued*

F Short-Term Interfund Receivables/Payables

On the fund financial statement, receivable and payables resulting from short-term (due within one year) interfund loans are classified as interfund receivables/payables. Interfund balances within governmental activities and within business-type activities are eliminated on the Government Wide Statements of Net Position.

G Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are recorded as expenditure during the year of purchase. Inventories in the proprietary funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

H Capital Assets

Capital assets, which include leasehold improvements, equipment, furniture & fixtures and vehicles are reported in the applicable governmental or business-type activities columns of the Government-wide financial statements. Capital assets are defined by the Charter School as assets with initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or through estimation procedures performed by an independent appraisal company.

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

<u>Description of Capital Asset</u>	<u>Estimated Lives (Years)</u>
Building and improvements	30
Leasehold improvements	15
Equipment	5
Furniture and fixtures	5
Vehicles	5

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

2 Summary of Significant Accounting Policies - *continued*

I Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on specific event that is outside the control of the Charter School and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on specific event that is outside the control of the Charter School and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

For governmental fund financial statements, the current portion of unpaid compensated absences is in the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The entire sick leave and vacation leave liabilities are reported on the school-wide financial statements.

The Charter School had no compensated absences as of June 30, 2019.

J Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide 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, the non-current portion of compensated absences and mortgage payable (if any) that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

K Deferred Revenue

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

2 Summary of Significant Accounting Policies - *continued*

L Fund Balance and Equity

In February 2009, the GASB issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (“GASB 54”). GASB 54 is effective for periods beginning after June 15, 2010 and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

1. Non-spendable – includes amounts that cannot be spent because they either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Assets included in this fund balance category include prepaid assets, inventories, long-term receivables, and corpus of any permanent funds.
2. Restricted – includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority.
4. Assigned – amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned – includes all spendable amounts not contained in the other classifications.

When both restricted and unrestricted resources are available for use, it is the Charter School’s policy to use restricted resources first, then unrestricted resources as they are needed. For the unrestricted fund balance, the Charter School first spends committed funds, then assigned funds, and finally, unassigned funds.

The Charter School has been operating in four (4) remote locations since it has reached the fourth grade and has been exploring the feasibility of consolidating all school operations in a single building ever since. Funds have been expended in this pursuit, and it has been estimated through investigation that the cost of developing a building facility that could house all operations would require an equity investment of at least \$1,000,000.00. Accordingly, with the 2018-2019 audited financial statements showing a Fund Balance of \$1,893,206 the Board of Trustees has designated (by a Board Resolution on December 3, 2019) \$1,000,000 of the Fund Balance for future capital projects and the remaining balance will be used to balance the budget whenever the student enrollment count is low.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

2 Summary of Significant Accounting Policies - *continued*

L Fund Balance and Equity - *continued*

Also, several years ago, the Charter School funded a restricted cash escrow account in the amount of \$75,000 as required by an agreement with the New Jersey Department of Education.

M Net Position

Net Position represent the difference between assets and liabilities in the Government-wide financial statements. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position are reported as restricted in the Government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

N Management 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.

O 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. The amounts are not required to be included in the Charter School's annual budget.

P GASB Pronouncements

GASBS Implemented in the Prior Fiscal Year 2018

The GASB issued Statement No. 75, *Accounting and Financial Reporting/or Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

2 Summary of Significant Accounting Policies - *continued*

P GASB Pronouncements - *continued*

The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2017. The District has adopted GASB Statement No. 75 during the year ended June 30, 2018, which resulted in the recording of full accrual revenues and expenses and additional financial statement disclosures. In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this Statement are effective for periods beginning after June 15, 2017. The District has adopted GASB Statement No. 85 during the year ended June 30, 2018 and it did not have a significant impact on the financial statements.

Recently Issued and Adopted Accounting Principles

The GASB issued Statement No. 84, *Fiduciary Activities in January 2017*. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018. Management has not yet determined the impact of this statement on the financial statements. **The GASB issued Statement No. 87, *Leases in June 2017*.** This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management has not yet determined the impact of this statement on the financial statements.

3 Deposits and Investments

New Jersey statutes require that Charter Schools deposit public funds in public depositories located in New Jersey that 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 (NJCMF), the New Jersey Arbitrage Rebate Management Fund (NJARM) and the M.B.I.A Class.

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 5% of the average daily balance of collected funds on deposit.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

3 Deposits and Investments

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.

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, 2019, the Charter School’s carrying amount of deposits and investments are as follows:

	General Fund	Special Revenue	Enterprise Funds	Agency Funds	Total
Operating A/C	\$ 735,012	\$ 12,479	\$ 30,752	\$ 32,466	\$ 810,709
Restricted-Escrow	75,000	-	-	-	75,000
Total	\$ 810,012	\$ 12,479	\$ 30,752	\$ 32,466	\$ 885,709

Operating cash accounts are held in the Charter School’s name by several banking institutions. At June 30, 2019, the Charter School’s carrying amount of deposits was \$885,709 and the bank balance was \$1,040,027. Of the bank balance, up to a maximum of \$338,175 of the Charter School’s cash deposits on June 30, 2019 were secured by federal deposit insurance and \$701,852 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”).

Establishment of an Escrow Account

Several years back, the Charter School established and funded a portion of an Escrow Account pursuant to an agreement signed with the New Jersey Department of Education. The required maximum is \$75,000. The Charter School has fully funded the required \$75,000. 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.”

GASB Statement No. 40 requires that the Charter School disclose whether its deposits are exposed to custodial risk (risk that in the event of failure of the counterparty, the Charter School would not be able to recover the value of its deposit or investment). In general deposits are considered to be exposed to custodial risk by three categories described below:

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

3 Deposits and Investments - *continued*

Category 1 - Insured or collateralized with securities held by the Charter School or by its agent in the Charter School's name. **Category 2** - Collateralized with securities held by the pledging public depository's trust department or agent in the Charter School's name. **Category 3** - Uncollateralized, including any deposits that are collateralized with securities held by the pledging public depository, or by its trust department or agent, but not in the Charter School's name.

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.

Investments

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

1. Bonds or other obligations of the United States or obligations guaranteed by the United States.
2. 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.
3. Bonds or other obligations of the Charter School.
4. New Jersey Cash Management Fund, New Jersey Arbitrage Rebate Management Fund and MBIA CLASS.

As of June 30, 2019, the Charter School did not hold any investments.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

4 Capital Assets

The following schedule is a summarization of the governmental activities changes in capital assets for the year ended June 30, 2019:

Governmental activities	Beginning Balance	Net Additions (Deletions)	Ending Balance
Capital assets not depreciated:			
Land	\$ 50,000	\$ -	\$ 50,000
Capital assets, being depreciated:			
Buildings	916,085	-	916,085
Leasehold improvements	155,910	-	155,910
Vehicles	55,300	-	55,300
Machinery and equipment	423,177	-	423,177
	<u>1,550,472</u>	<u>-</u>	<u>1,550,472</u>
Less accumulated depreciation	<u>1,060,108</u>	<u>30,536</u>	<u>1,090,644</u>
Total capital assets net	<u>\$ 540,364</u>	<u>\$ (30,536)</u>	<u>\$ 509,828</u>

Depreciation expense of \$30,536 was charged to an unallocated function.

5 Lease Obligations

Facilities Leases

The Charter School leases its facilities under several operating lease agreements:

682 Park Avenue and 106 Washington Street, East Orange, New Jersey – a six-year lease which commenced on January 1, 2013 through December 31, 2018. The basic annual rent for the six year term was \$396,000. The lease was renewed on January 1, 2019 for a five-year period – September 1, 2018 through August 31, 2023 at an annual rent of \$408,000 (or monthly rent of \$34,000). The renewed lease monthly payment covers the parking lot on Park Avenue in East Orange, New Jersey. The amount paid under this lease for the year ended June 30, 2019 was \$402,000.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

5 Lease Obligations - continued

44 Glenwood Avenue, East Orange, New Jersey – a ten-year lease which commenced on September 1, 2006 through August 31, 2016 covering 7,000 square foot space. The lease was renewed on March 1, 2017 for a four-year term commencing September 1, 2016 through August 31, 2020. The basic annual rent amounts for the four-year term are as follows: Year 1 = \$122,013, Years 2 to 4 = \$128,113 annually. The total amount paid under this lease for the year ended June 30, 2019 was \$128,383.

Equipment Leases

The Charter School leases office equipment under several operating lease agreements. For the year ended June 30, 2019, the Charter School incurred \$53,450 in equipment lease expenditures.

Future minimum lease payments required under the operating leases are as follows:

Year ending June 30:	682 Park Ave & 106 Washington Leases	44 Glenwood Avenue Lease	Equipment Leases	Total
2020	\$ 408,000	\$ 128,113	\$ 1,977	\$ 538,090
2021	408,000	21,352	1,977	431,330
2022	408,000	-	1,977	409,977
2023	408,000	-	494	408,494
2024	68,000	-	-	68,000
Thereafter	-	-	-	-
	<u>\$ 1,700,000</u>	<u>\$ 149,465</u>	<u>\$ 6,426</u>	<u>\$ 1,855,892</u>

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

6 Pension Plans

Description of Plans

Substantially all of the employees of the Charter School are covered by either the Public Employee's Retirement System or the Teacher's Pension and Annuity Fund (both of which are contributory defined benefits plans). Both were 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 Public Employees Retirements System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF)

The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements 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.

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.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

6 Pension Plans - *continued*

Defined Contribution Retirement Program (DCRP)

The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials, effective July 1, 2007. Membership is mandatory for such individuals with vesting occurring after one year of membership.

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 TPAF and PERS 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.

Significant Legislation

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the TPAF and the PERS systems.

Pension Plan Design Changes

Effective June 28, 2011, P.L. 2011, c. 78, new members of TPAF and PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

6 Pension Plans - *continued*

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2019 for PERS), the UAAL will be amortized over a closed 30-year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2001, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for TPAF and PERS.

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 adjustments, non-contributory death benefits, and post-retirement medical premiums. Under current statute the charter school is a non-contributing employer of TPAF (i.e., the State of New Jersey makes the employer contribution on behalf of public school districts and charter school).

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

6 Pension Plans - *continued*

Annual Pension Costs (APC) - *continued*

PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

The Charter School's contribution to PERS for the year ended June 30, 2019 was \$171,807.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$171,054 during the year ended June 30, 2019 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. Also, the State paid \$629,978 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long Term Disability Insurance Premium Contributions for the Charter School. These amounts have been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

7 Pension Plans – GASB 68 Disclosures

Teachers' Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

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.

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

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity.

Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$16,726,936 as measured on June 30, 2018 and \$18,464,633 as measured on June 30, 2017, respectively.

For the year ended June 30, 2019, the Charter School recognized pension expense of \$975,122 and revenue of \$975,122 for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2019 is based upon changes in the collective net pension liability with a measurement period of June 30, 2017 through June 30, 2018. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2017 and June 30, 2018.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

7 Pension Plans – GASB 68 Disclosures - *continued*

Teachers’ Pension and Annuity Fund (TPAF) - *continued*

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

Although the Charter School does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the Charter School. The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	June 30, 2018	June 30, 2017
Collective deferred outflows of resources	\$ 12,473,998,870	\$ 14,160,879,257
Collective deferred inflows of resources	\$ 16,180,773,643	\$ 11,800,239,661
Collective net pension liability (non-employer State of New Jersey)	\$ 63,617,852,031	\$ 67,423,605,859
State's portion of the net pension liability that was associated with the Charter School	\$ 16,726,936	\$ 18,464,633
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	0.026293%	0.027386%

Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.25%
Salary increases: 2011-2026	1.55 - 1.55%
Salary increases: thereafter	2.00 - 5.45%
Investment rate of return	7.00%

Pre-retirement mortality rates were based on the RP-2006 Employee White Collar Mortality Tables, set-back for 3 years for males and 5 years for females, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

7 Pension Plans – GASB 68 Disclosures - *continued*

Teachers' Pension and Annuity Fund (TPAF) - *continued*

Actuarial Assumptions - continued

Post-retirement mortality rates were based on the RP-2006 Healthy Annuitant White Collar Mortality Tables, with adjustments as described in the latest experience study, projected on a generational basis from a base year of 2006 using a 60-year average of improvement rates based on Social Security data from 1953 to 2013. Disability mortality rates were based on the RP-2006 Disabled Retiree Mortality Tables with rates adjusted by 90%. No mortality improvement is assumed for disabled retiree mortality.

The actuarial assumptions used in the July 1, 2017 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 State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. 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 weighting 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, 2018 are summarized in the following table:

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

7 Pension Plans – GASB 68 Disclosures - continued

Teachers' Pension and Annuity Fund (TPAF) - continued

Long-Term Expected Rate of Return - continued

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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 Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
US Equity	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the State's total pension liability was 4.86% and 4.25% as of June 30, 2018 and 2017, respectively. This 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 3.87% and 3.58% as of June 30, 2018 and 2017, respectively, 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 contributions from employers (State of New Jersey) will be made based on the contributions rate in the most recent fiscal year. The State contributed 50% of the actuarially determined contributions.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

7 Pension Plans – GASB 68 Disclosures - *continued*

Teachers' Pension and Annuity Fund (TPAF) - *continued*

Discount Rate - continued

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 Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Since the Charter School's has no proportionate share of the net pension liability because of the special funding situation, the Charter School would not be sensitive to any changes in the discount rate. Detailed information about the pension plan's sensitivity of the collective net pension liability to changes in the discount rate is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <https://www.nj.gov/treasury/pensions/documents/financial/gasb/gasb68-tpaf19.pdf>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <https://www.nj.gov/treasury/pensions/gasb-notices.shtml>

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees' Retirement System (PERS)

Summary of Significant Accounting Policies

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.

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

At June 30, 2019, the Charter School reported a liability of \$3,217,518 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2017. The Charter School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2018 and 2017. At June 30, 2018, the Charter School's proportion was 0.0163412860% which was a decrease of 0.0019610936% from its proportion measured as of June 30, 2017 which was 0.0183023796%.

For the year ended June 30, 2019, the Charter School recognized pension expense of \$171,807. At June 30, 2019, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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(County of Essex)
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7 Pension Plans – GASB 68 Disclosures - continued

Public Employees’ Retirement System (PERS) - continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 61,359	\$ 16,591
Changes in assumptions	530,194	1,028,791
Net difference between projected and actual earnings on pension plan investments	-	30,180
Changes in proportion and differences between Charter School's contributions and proportionate share of contributions	40,618	817,896
Subtotal	632,171	1,893,458
Charter School's contributions subsequent to the measurement date	171,807	-
Total	\$ 803,978	\$ 1,893,458

\$171,807 reported as deferred outflows of resources related to pensions resulting from school Charter School contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2019, the plan measurement date is June 30, 2018) will be recognized as a reduction of the net pension liability measured as of June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	Pension Expense
2019	\$ 58,193
2020	(80,569)
2021	(577,747)
2022	(500,800)
2023	(160,363)
Thereafter	-
	\$ (1,261,287)

EAST ORANGE COMMUNITY CHARTER SCHOOL
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Notes to the Basic Financial Statements
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7 Pension Plans – GASB 68 Disclosures - continued

Public Employees’ Retirement System (PERS) - continued

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

	June 30, 2018	June 30, 2017
Collective deferred outflows of resources	\$ 4,684,852,302	\$ 6,424,455,842
Collective deferred inflows of resources	\$ 7,646,736,226	\$ 5,700,625,981
Collective net pension liability (Non-State Local Group)	\$ 19,689,501,539	\$ 23,278,401,588
Charter School's portion of the net pension liability	\$ 3,217,518	\$ 4,260,501
Charter School's proportion (percentage)	0.01634129%	0.01830238%

Actuarial Assumptions

The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions:

Inflation rate	2.25%
Salary increases: through 2026	1.65-4.15% based on age
Salary increases: thereafter	2.65-5.15% based on age
Investment rate of return	7.00%

Preretirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. 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 Conduent modified 2014 projection scale.

Postretirement 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. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from 2012 to 2013 using Projection Scale AA and using a generational approach based on the Conduent 2014 projection scale thereafter. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

7 Pension Plans – GASB 68 Disclosures - *continued*

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

Long-Term Expected Rate of Return

The actuarial assumptions used in the July 1, 2017 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. In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2018) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. 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 weighting 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:

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
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Year Ended June 30, 2019

7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees’ Retirement System (PERS) – *continued*

Long-Term Expected Rate of Return– continued

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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 Estate	2.50%	11.83%
Equity Related Real Estate	6.25%	9.23%
US Equity	30.00%	8.19%
Non-US Developed Markets Equity	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%

Discount Rate

The discount rate used to measure the total pension liability was 5.66% as of June 30, 2018. This 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 3.87% as of June 30, 2018 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 contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 50% 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 2046.

EAST ORANGE COMMUNITY CHARTER SCHOOL
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Notes to the Basic Financial Statements
Year Ended June 30, 2019

7 Pension Plans – GASB 68 Disclosures - *continued*

Public Employees’ Retirement System (PERS) - *continued*

Discount Rate - continued

Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Charter School’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 measured as of June 30, 2018 and 2017, respectively, calculated using the discount rate of 5.66% and 5.00%, respectively, as well as what the Charter School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	2018		
	1% Decrease (4.66%)	Current Discount Rate (5.66%)	1% Increase (6.66%)
Charter School's proportionate share of the pension liability	\$ 4,045,658	\$ 3,217,518	\$ 2,522,761
	2017		
	1% Decrease (4.00%)	Current Discount Rate (5.00%)	1% Increase (6.00%)
Charter School's proportionate share of the pension liability	\$ 5,285,441	\$ 4,260,501	\$ 3,406,600

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of New Jersey Divisions of Pensions and Benefits financial report at: <http://www.nj.gov/treasury/pensions/financial-rprts-home.shtml>

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
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8 Post Retirement Benefits

Plan Description and Benefits Provided

The Charter School is in a "special funding situation", as described in GASB Statement No. 75, in that OPEB contributions and expenses are legally required to be made by and are the sole responsibility of the State of New Jersey, not the Charter School.

The State of New Jersey reports a liability as a result of its statutory requirements to pay other post-employment (health) benefits for the State Health Benefit Local Education Retired Education Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The State Health Benefits Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A. 52:14-17.32f. According to N.J.S.A. 52: 14-17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 years or more of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

The total non-employer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits, if any, is the responsibility of the individual education employers.

Employees Covered by Benefit Terms.

At June 30, 2018, the following employees were covered by the benefit terms:

Active plan member = 217,131

Inactive plan members entitled to but not yet receiving benefits = 145,050

Inactive plan members or beneficiaries currently receiving benefits = -0-

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

8 Post Retirement Benefits – continued

Total Nonemployer 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. Accordingly, the following OPEB liability note information is reported at the State’s level and is not specific to the board of education/board of trustees. Note that actual numbers will be published in the [NJ State’s CAFR \(https://www.nj.gov/treasury/omb/publications/archives.shtml\)](https://www.nj.gov/treasury/omb/publications/archives.shtml)

The total nonemployer OPEB liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions and Other Inputs

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%**

	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary increases: through 2026	1.55% to 4.55% based on years of service	2.15% to 4.15% based on age	2.10% to 8.98% based on age
Salary increases: thereafter	2.00% to 5.45% based on years of service	3.15% to 5.15% based on age	3.10% to 9.98% based on age

Preretirement mortality rates were based on the RP-2006 Headcount-Weighted Healthy Employee Male/Female Mortality Table with fully generational mortality improvement projections from the central year using MP-2017 scale. Postretirement mortality rates were based on the RP-2006 Headcount-Weighted Health Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

8 Post Retirement Benefits – *continued*

Actuarial Assumptions and Other Inputs - *continued*

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 - June 30, 2015, July 1, 2011 - June 30, 2014, and July 1, 2010 - June 30, 2013 for TPAF, PFRS and PERS, respectively.

100% of all retirees who currently have healthcare coverage are assumed to continue with that coverage. 100% of active members are considered to participate in the Plan upon retirement, having a coverage blend of 85% and 15% in PPO and HMO, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) and health maintenance organization (HMO) medical benefits, the trend rate is initially 5.8% and decreases to a 5.0% long-term trend rate after eight years. For self-insured post-65 PPO and HMO medical benefits, the trend is 4.5%. For prescription drug benefits, the initial trend rate is 8.0% decreasing to a 5.0% long-term trend rate after seven 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.

Discount Rate

The discount rate for June 30, 2018 was 3.58%. This represents the municipal bond return rate as chosen by the State of New Jersey Division of Pensions and Benefits. 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.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

8 Post Retirement Benefits – continued

Changes in the Total OPEB Liability Reported by the State of New Jersey

	Increase/(Decrease)
	Total OPEB Liability
Balance at June 30, 2017 measurement date	\$ 53,639,841,858
Changes recognized for the fiscal year:	
Service Cost	1,984,642,729
Interest on total OPEB liability	1,970,236,232
Difference between expected and actual experiences	(5,002,065,740)
Effect of changes of assumptions	(5,291,448,855)
Gross benefits paid by the State	(1,232,987,247)
Contributions from the member	42,614,005
Net changes	(7,529,008,876)
Balance at June 30, 2018 measurement date	\$ 46,110,832,982

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Discount Rate

The following presents the total nonemployer OPEB Liability attributable to the Charter School as of June 30, 2018 and 2017, respectively, calculated using the discount rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the Charter School 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:

	June 30, 2018		
	At 1% Decrease (2.87%)	At 1% Discount Rate (3.87%)	At 1% Increase (4.87%)
Total OPEB liability attributable to the Charter School	\$ 10,021,947	\$ 8,477,345	\$ 7,249,546
	June 30, 2017		
	At 1% Decrease (2.58%)	At 1% Discount Rate (3.58%)	At 1% Increase (4.58%)
Total OPEB liability attributable to the Charter School	\$ 12,224,970	\$ 10,298,422	\$ 8,770,266

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

8 Post Retirement Benefits – continued

Sensitivity of Total Nonemployer OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the total nonemployer OPEB Liability attributable to the Charter School as of June 30, 2018 and 2017, respectively, calculated using the healthcare trend rate as disclosed in this note, as well as what the total nonemployer OPEB liability attributable to the Charter School would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2018		
	At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
Total OPEB liability attributable to the Charter School	\$ 7,007,019	\$ 8,477,345	\$ 10,421,907
	June 30, 2017		
	At 1% Decrease	Healthcare Cost Trend Rate	At 1% Increase
Total OPEB liability attributable to the Charter School	\$ 8,469,457	\$ 10,298,422	\$ 12,727,267

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

For the fiscal year ended June 30, 2019 the Charter School recognized OPEB expense of \$727,862 as determined by the State of New Jersey Division of Pensions and Benefits. This expense and the related offsetting revenue are for benefits provided by the State through a defined benefit OPEB plan that meets the criteria in GASB Statement 75, in which there is a special funding situation.

In accordance with GASB Statement 75, as the Charter School's proportionate share of the OPEB liability is \$-0, there is no recognition of the allocation of the proportionate share of the deferred inflows and outflows of resources. At June 30, 2018 the State had deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

8 Post Retirement Benefits – continued

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected Experience	\$ -	\$ (4,476,086,167)
Net difference between expected and actual earnings on OPEB plan investments	-	-
Assumption changes	-	(10,335,978,867)
Sub total	-	(14,812,065,034)
Contributions made in fiscal year 2018 after June 30, 2017 measurement date	TBD	N/A
Total	\$ -	\$ (14,812,065,034)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Period - Fiscal Year Ending June 30:	Total
2019	\$ (1,825,218,593)
2020	(1,825,218,593)
2021	(1,825,218,593)
2022	(1,825,218,593)
2023	(1,825,218,593)
Thereafter	(5,685,972,069)
	\$ (14,812,065,034)

9 Deferred Compensation

The Charter School offers its employees a deferred compensation plan created in accordance with the IRS code 403(b). The plan which is administered by American Skandia Advisor Funds, Inc. and Primerica Financial Services permits participants to defer a portion of their salaries until future years.

10 Economic Dependency

The Charter School receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if it were to occur, could have an effect on the Charter School's programs and activities.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

11 Fund Balance Appropriated – General Fund (Exhibit B- 1)

Of the \$1,893,206 General Fund balance at June 30, 2019, \$75,000 is reserved for a cash escrow account as required by an agreement with New Jersey Department of Education. Further, by its resolution on December 3, 2019, the Board of the Charter School designated \$1,000,000 of the fund balance for future capital expenditures. \$818,206 is unreserved and undesignated.

The Charter School has been operating in four (4) remote locations since it has reached the fourth grade and has been exploring the feasibility of consolidating all school operations in a single building ever since. Funds have been expended in this pursuit, and it has been estimated through investigation that the cost of developing a building facility that could house all operations would require an equity investment of at least \$1,000,000.00. Accordingly, with the 2018-2019 audited financial statements showing a Fund Balance of \$1,893,206 the Board of Trustees has designated (by a Board Resolution on December 3, 2019) \$1,000,000 of the Fund Balance for future capital projects and the remaining balance will be used to balance the budget whenever the student enrollment count is low.

12 Contingent Liabilities

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2019, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

The Charter School's attorney's letter advises of the following:

- a. A former employee filed a civil action which remains pending before the New Jersey Commissioner of Education (the venue is the New Jersey Office of Administrative Law). The alleged basis of the claim is breach of contract due to wrongful suspension without pay. The attorney estimates the economic value of the claim at \$140,000.
- b. The Charter School is a defendant in a lawsuit filed by the American Civil Liberties Union of New Jersey ACLU in the Superior Court of New Jersey. The alleged basis of the lawsuit which was filed in 2018 was discrimination. The attorney disclosed that the litigation was settled in February 2019, for a nominal amount.
- c. The Charter School has become the subject of a claim by a prior vendor, Verizon XO, for telephone and internet services. The settlement of the claim is currently under negotiations. The amount claimed ranges between \$44,000 and \$125,000.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

13 Risk Management

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

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.

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. The following table is a summary of Charter School contributions, employee contributions, reimbursements to the State for benefits paid and ending balance of the Charter School’s expendable trust fund for the current and previous two years:

<u>Fiscal Year</u>	<u>Charter School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance</u>
2018-2019	\$ 11,618	\$ 19,954	\$ 31,572	\$ -
2017-2018	50,970	18,673	69,643	-
2016-2017	79,990	18,680	98,670	-

14 Interfund Receivables, Payables and Transfers

The composition of interfund balances as of June 30, 2019 is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 166,628	\$ -
Special Revenue Fund	-	195,776
Enterprise Fund	34,411	-
Trust and Agency Fund	-	5,263
	<u>\$ 201,039</u>	<u>\$ 201,039</u>

The above balances are the results of revenues earned or other financing sources received in one fund which are due to another fund and/or expenditures paid by one fund on behalf of another fund and/or to cover cash balances which were in negative position. Liquidation of this interfund balances is expected within the next fiscal year.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

15 Receivables

Receivables as of June 30, 2019 consisted of accounts, intergovernmental, grants and miscellaneous. All receivables are considered collectible in full. A summary of the principal items of receivables are as follows:

State aid	\$ 16,835
Federal aid	337,814
Other	1,245,075
Total receivables	<u>\$ 1,599,724</u>

16 Subsequent Events

The Charter School has evaluated all subsequent events occurring through the date of the independent auditor's report which is the date the financial statements were available to be issued. Based on this evaluation, the Charter School has determined that no subsequent events require disclosure in the financial statements.

17 Mortgage Payable

The Charter School has an outstanding balance on a mortgage held by Valley National Bank. The original loan amount of \$748,000 was refinanced on January 31, 2006 at a variable interest rate. The current rate is 3.75% per annum and adjusts every five years. It is scheduled to mature on February 1, 2021. Future minimum payments are as follows:

Year ending June 30:	Mortgage Payments
2020	\$ 66,686
2021	45,177
Thereafter	-
	<u>\$ 111,863</u>

18 Line of Credit

The Charter School has a line of credit in the amount of \$300,000 with Wells Fargo Bank. The facility was utilized during the year ended June 30, 2019 to assist the Charter School in managing its cash flows during the months of July through September 2018. All outstanding balances were paid during the year and there was no outstanding balance as of June 30, 2019. Interest accrued on the unpaid balance at Wells Fargo Bank's Prime Rate Plus 1% and the rate changes from time to time in accordance with changes in the Bank's Prime Rate. Interest expense (on the amount of the Line of Credit utilized) during the year was \$-0-.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to the Basic Financial Statements
Year Ended June 30, 2019

19 Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet (B-1) and the Government-wide Statement of Net Position (A-1).

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position - governmental activities as reported in the Government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including deferred pension liability are not due and payable in the current period and therefore are not reported in the funds. The reconciliation is as follows:

Fund balance per B-1 as of June 30, 2019	\$ 1,893,206
Cost of capital assets net accumulated depreciation	509,828
Long term liabilities - the mortgage	(111,863)
Pension deferred outflows	632,171
Pension deferred inflows	(1,893,458)
Deferred pension liability as of June 30, 2019	<u>(3,217,518)</u>
Net position (per A-1) as of June 30, 2019	<u><u>\$ (2,187,634)</u></u>

Required Supplementary Information

Part II

Budgetary Comparison

**EAST ORANGE COMMUNITY CHARTER SCHOOL
General Fund**

C-1

Budget Comparison Schedule

Year ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues					
Local Sources:					
Local tax levy	\$ 862,643	\$ 121,267	\$ 983,910	\$ 983,910	\$ -
Miscellaneous	9,632	-	9,632	9,632	-
Total revenues -local sources	<u>872,275</u>	<u>121,267</u>	<u>993,542</u>	<u>993,542</u>	<u>-</u>
State sources:					
State sources	5,739,907	781,571	6,521,478	6,521,478	-
Reimbursed TPAF-Social Security (non-budgeted)	-	171,054	171,054	171,054	-
TPAF pension and post retirement medical and long-term disability premium benefits on-behalf payments (non-budgeted)	-	-	-	629,978	629,978
Total -state sources	<u>5,739,907</u>	<u>952,625</u>	<u>6,692,532</u>	<u>7,322,510</u>	<u>629,978</u>
Total revenues	<u>6,612,182</u>	<u>1,073,892</u>	<u>7,686,074</u>	<u>8,316,052</u>	<u>629,978</u>
Expenditures					
Current expense:					
Instruction					
Salaries of teachers	1,716,554	(69,574)	1,646,980	1,646,980	-
Other salaries for instruction	579,648	36,973	616,621	616,621	-
Purchased profesional technical services	21,000	(14,821)	6,179	6,179	-
Other purchased services	42,612	(11,762)	30,850	30,850	-
General educational supplies	92,500	30,831	123,331	123,331	-
Textbooks	59,000	(8,604)	50,396	50,396	-
Miscellaneous expenses	17,735	(13,602)	4,133	4,133	-
	<u>2,529,049</u>	<u>(50,559)</u>	<u>2,478,490</u>	<u>2,478,490</u>	<u>-</u>

**EAST ORANGE COMMUNITY CHARTER SCHOOL
General Fund**

C-1

Budget Comparison Schedule

Year ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Administrative cost:					
Salaries	857,101	(34,899)	822,202	822,202	-
Total benefit costs	931,481	(251,311)	680,170	680,170	-
Professional /Technical service	310,086	64,557	374,643	374,643	-
Other purchased services	64,000	73,376	137,376	137,376	-
Communications and Telephones	94,948	385,034	479,982	479,982	-
Supplies and materials	55,500	(22,683)	32,817	32,817	-
Interest on current loans	-	-	-	-	-
Mortgage interest	5,575	-	5,575	5,575	-
Miscellaneous expenses	1,000	(539)	461	461	-
	<u>2,319,691</u>	<u>213,535</u>	<u>2,533,226</u>	<u>2,533,226</u>	<u>-</u>
Support services:					
Salaries	847,946	(43,104)	804,842	804,842	-
Purchased prof/tech service	7,000	(7,000)	-	-	-
Other purchased services	117,750	72,514	190,264	190,264	-
Rent on land and buildings	544,512	(12,427)	532,085	532,085	-
Insurance-fidelity, liability property	58,000	(9,732)	48,268	48,268	-
Supplies and materials	66,000	(28,202)	37,798	37,798	-
Energy & Utilities	152,500	(29,771)	122,729	122,729	-
Miscellaneous expenses	2,000	(2,000)	-	-	-
Transportation other than to/from school	3,000	6,242	9,242	9,242	-
Total support services	<u>1,798,708</u>	<u>(53,480)</u>	<u>1,745,228</u>	<u>1,745,228</u>	<u>-</u>

**EAST ORANGE COMMUNITY CHARTER SCHOOL
General Fund**

C-1

Budget Comparison Schedule

Year ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Capital outlay:					
Instructional equipment	-	-	-	-	-
Non-instructional equipment	-	-	-	-	-
Purchase land/improvements	63,785	-	63,785	63,785	-
Total capital outlay	<u>63,785</u>	<u>-</u>	<u>63,785</u>	<u>63,785</u>	<u>-</u>
Reimbursed TPAF-Social Security (non-budgeted)	-	171,054	171,054	171,054	-
TPAF pension and post retirement medical and long-term disability premium benefits on-behalf payments (non-budgeted)	-	-	-	629,978	(629,978)
Total expenditures	<u>6,711,233</u>	<u>280,550</u>	<u>6,991,783</u>	<u>7,621,761</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures, before other financing sources	(99,051)	793,342	694,291	694,291	629,978
Other financing sources:					
Transfer to cover food deficit	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures, after other financing sources	(99,051)	793,342	694,291	694,291	629,978
Fund balances, beginning of year	<u>1,162,454</u>	<u>36,461</u>	<u>1,198,915</u>	<u>1,198,915</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,063,403</u>	<u>\$ 829,803</u>	<u>\$ 1,893,206</u>	<u>\$ 1,893,206</u>	<u>\$ 629,978</u>

**EAST ORANGE COMMUNITY CHARTER SCHOOL
Special Revenue Fund**

C-2

Budget Comparison Schedule

Year ended June 30, 2019

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues					
Federal sources	\$ 655,143	\$ -	\$ 655,143	\$ 481,289	\$ 173,854
Total revenues -all sources	<u>\$ 655,143</u>	<u>\$ -</u>	<u>\$ 655,143</u>	<u>\$ 481,289</u>	<u>\$ 173,854</u>
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	\$ 349,577	\$ -	\$ 349,577	\$ 243,383	\$ 106,194
Purchased Prof. and technical services	1,320	-	1,320	-	1,320
Other purchased services	-	-	-	-	-
General supplies	129,568	-	129,568	106,297	23,271
Miscellaneous expenditures	-	-	-	-	-
Total instruction	<u>480,465</u>	<u>-</u>	<u>480,465</u>	<u>349,680</u>	<u>130,785</u>
Support services					
Support services salaries	8,323	-	8,323	-	8,323
Employee benefits	107,838	-	107,838	74,210	33,628
Purchased professional services	57,399	-	57,399	57,399	-
Other purchased services	-	-	-	-	-
Supplies	1,118	-	1,118	-	1,118
Miscellaneous expenditures	-	-	-	-	-
Total support services	<u>174,678</u>	<u>-</u>	<u>174,678</u>	<u>131,609</u>	<u>43,069</u>
Capital Outlay:					
Facilities acquisition and construction services					
Instructional equipment	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-
Construction services	-	-	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 655,143</u>	<u>\$ -</u>	<u>\$ 655,143</u>	<u>\$ 481,289</u>	<u>\$ 173,854</u>

Notes to Required Supplementary Information

EAST ORANGE COMMUNITY CHARTER SCHOOL
Note to Required Supplementary Information
Budget to GAAP Reconciliation

C-3

Year ended June 30, 2019

		General Fund	Special Revenue Fund
Sources/inflows of resources			
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] [C-2]	\$ 8,316,052	\$ 481,289
Difference - budget to GAAP: Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2]	\$ 8,316,052	\$ 481,289
Note 1			
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] [C-2]	\$ 7,621,761	\$ 481,289
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]	\$ 7,621,761	\$ 481,289

Note 1) The general fund budget basis of the use/outflow of resources is GAAP, therefore no reconciliation is required.

EAST ORANGE COMMUNITY CHARTER SCHOOL

L-1

Schedule of the Charter School's Proportionate Share of the Net Pension Liability - PERS
Last Six Fiscal Years

	Fiscal Year Ended June 30,		Fiscal Year Ended June 30,		2014	2013
	2018	2017	2016	2015		
Charter School's proportion of the net pension liability (assets)	0.0163412860%	0.0183023796%	0.0214207631%	0.0210902981%	0.0214773287%	0.0212356121%
Charter School's proportionate share of the net pension liability (assets)	\$ 3,217,518	\$ 4,260,501	\$ 6,344,216	\$ 4,734,349	\$ 4,021,143	\$ 4,058,547
Charter School's covered employee payroll	\$ 1,126,244	\$ 1,147,179	\$ 1,335,973	\$ 1,486,956	\$ 1,445,562	\$ 1,490,887
Charter School's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll	285.69%	371.39%	474.88%	318.39%	278.17%	272.22%
Plan fiduciary net position as a percentage of the total pension liability - local	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

Note

Until a full ten year trend is compiled, information will be presented for those years for which information is available.

EAST ORANGE COMMUNITY CHARTER SCHOOL

Schedule of the Charter School's Contributions - PERS
Last Six Fiscal Years

	<u>Fiscal Year Ended June 30,</u>					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 184,296	\$ 184,296	\$ 206,395	\$ 181,320	\$ 177,056	\$ 160,006
Contribution in relation to the contractually required contribution	<u>(184,296)</u>	<u>(184,296)</u>	<u>(206,395)</u>	<u>(181,320)</u>	<u>(177,056)</u>	<u>(160,006)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered employee payroll	\$ 1,126,244	\$ 1,147,179	\$ 1,335,973	\$ 1,486,956	\$ 1,445,562	\$ 1,490,887
Contributions as a percentage of covered employee payroll	16.36%	16.07%	15.45%	12.19%	12.25%	10.73%

Note

Until a full ten year trend is compiled, information will be presented for those years for which information is available.

EAST ORANGE COMMUNITY CHARTER SCHOOL

Schedule of the Charter School's Proportionate Share of the Net Pension Liability - TPAF
Last Six Fiscal Years

	Fiscal Year Ended June 30,					
	2018	2017	2016	2015	2014	2013
Charter School's proportion of the net pension liability (assets)**	N/A	N/A	N/A	N/A	N/A	N/A
Charter School's proportionate share of the net pension liability (assets)**	N/A	N/A	N/A	N/A	N/A	N/A
State's proportionate share of the net pension liability (assets) associated with the Charter School	\$ 16,726,936	\$ 18,464,633	\$ 21,410,935	\$ 15,135,498	\$ 12,348,063	\$ 11,358,796
Total	\$ 16,726,936	\$ 18,464,633	\$ 21,410,935	\$ 15,135,498	\$ 12,348,063	\$ 11,358,796
Charter School's covered employee payroll	\$ 2,309,989	\$ 2,238,797	\$ 2,718,709	\$ 2,776,086	\$ 2,660,306	\$ 2,270,525
Charter School's proportionate share of the net pension liability (assets) as a percentage of its covered employee payroll**	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	26.49%	25.41%	22.33%	28.71%	33.64%	33.76%

**Note

TPAF is a special funding situation as defined by GASB Statement No. 68 in which the State of New Jersey is 100% responsible for contributions to the plan. Since the Charter School (employer) does not contribute directly to the plan there is no net pension liability to report in the financial statements of the Charter School.

EAST ORANGE COMMUNITY CHARTER SCHOOL

M-1

Schedule of the State's Proportionate Share of the Net OPEB Liability Associated with the Charter School
and Changes in the Total OPEB Liability and Related Ratios
Public Employee's Retirement System and Teachers' Pension and Annuity Fund
Last Three Fiscal Years

	Fiscal Year Ended		
	2018	2017	2016
Total OPEB Liability			
Service cost	\$ 732,292	\$ 879,690	**
Interest cost	391,017	332,015	**
Differences between expected and actual experiences	(1,752,721)	-	**
Changes of assumptions	(972,818)	(1,567,573)	**
Member contributions	7,834	8,783	**
Gross benefit payments	(226,681)	(238,533)	**
Net change in total OPEB liability	(1,821,077)	(585,618)	**
Total OPEB liability - beginning	10,298,422	10,884,040	**
Total OPEB liability, ending	<u>\$ 8,477,345</u>	<u>\$ 10,298,422</u>	<u>\$ 10,884,040</u>
Covered employee payroll - PERS and TPAF	\$ 2,507,726	\$ 2,590,625	**
Total OPEB liability as a percentage of covered employee payroll	338%	398%	0.00%
State's proportionate share of the net OPEB liability (asset) associated with the Charter School	0.02%	0.02%	0.02%
Charter School's contributions	\$ -	\$ -	\$ -

** Information not available.

Until a full ten year trend is compiled, information will be presented for those years for which information is available.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to Required Supplementary Information
Year Ended June 30, 2019

1. Pension – Public Employees’ Retirement System (PERS)

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.00% as of June 30, 2017 to 5.66% as of June 30, 2018.

2. Pension – Teachers’ Pension and Annuity Fund (TPAF)

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.25% as of June 30, 2017 to 4.86% as of June 30, 2018.

3. Other Post-Retirement Benefit Plan – Public Employees’ Retirement System (PERS) and Teachers’ Pension and Annuity Fund (TPAF)

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018.

Other Supplementary Information

School Level Schedules

Special Revenue Fund

**EAST ORANGE COMMUNITY CHARTER SCHOOL
Special Revenue Fund**

E-1

**Combining Schedule of Program, Revenue and Expenditures
Budgetary Basis**

Year ended June 30, 2019

	<u>Title IA 2018-2019</u>	<u>Title I SIA 2018-2019</u>	<u>I.D.E.A. 2018-2019</u>	<u>Title IIA 2018-2019</u>	<u>Title IV 2018-2019</u>	<u>Total</u>
Revenues						
Federal sources	\$ 197,189	\$ 109,370	\$ 101,626	\$ 57,399	\$ 15,705	\$ 481,289
Total revenues -all sources	<u>\$ 197,189</u>	<u>\$ 109,370</u>	<u>\$ 101,626</u>	<u>\$ 57,399</u>	<u>\$ 15,705</u>	<u>\$ 481,289</u>
Expenditures						
Instruction						
Salaries of teachers	\$ 147,946	\$ 5,860	\$ 77,577	\$ -	\$ 12,000	\$ 243,383
Purchased Prof. and technical services	-	-	-	-	-	-
Other purchased services	-	-	-	-	-	-
General supplies	-	103,510	-	-	2,787	106,297
Miscellaneous expenditures	-	-	-	-	-	-
Total instruction	<u>147,946</u>	<u>109,370</u>	<u>77,577</u>	<u>-</u>	<u>14,787</u>	<u>349,680</u>
Support services						
Support services salaries	-	-	-	-	-	-
Employee benefits	49,243	-	24,049	-	918	74,210
Purchased professional services	-	-	-	57,399	-	57,399
Other purchased services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Miscellaneous expenditures	-	-	-	-	-	-
Total support services	<u>49,243</u>	<u>-</u>	<u>24,049</u>	<u>57,399</u>	<u>918</u>	<u>131,609</u>
Facilities acquisition and construction services						
Instructional equipment	-	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-	-
Construction services	-	-	-	-	-	-
Total facilities acquisition and construction services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>\$ 197,189</u>	<u>\$ 109,370</u>	<u>\$ 101,626</u>	<u>\$ 57,399</u>	<u>\$ 15,705</u>	<u>\$ 481,289</u>

Capital Projects Fund
At June 30, 2019, there was no capital project fund.

Enterprise Fund

EAST ORANGE COMMUNITY CHARTER SCHOOL
Enterprise Funds

G-1

Combining Statement of Net Position

June 30, 2019

	<u>Food Services</u>	<u>Summer/ After-Care Program</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 30,752	\$ -	\$ 30,752
Accounts receivable:	-	-	-
Federal	73,680	-	73,680
State	1,139	-	1,139
Other	4,197	-	4,197
Interfund receivable - general fund		134,465	134,465
Total current assets	<u>\$ 109,768</u>	<u>\$ 134,465</u>	<u>\$244,233</u>
 Liabilities			
Current liabilities:			
Interfund payable - general fund	100,054	-	100,054
Accounts payable	27,164	-	27,164
Total current liabilities	<u>\$ 127,218</u>	<u>\$ -</u>	<u>\$127,218</u>
 Net position			
Unrestricted	(17,450)	134,465	117,015
Total net position	<u>\$ (17,450)</u>	<u>\$ 134,465</u>	<u>\$117,015</u>

EAST ORANGE COMMUNITY CHARTER SCHOOL
Enterprise Fund

G-2

Combining Statement of Revenues, Expenditures and Changes in Net Position

Year ended June 30, 2019

	Food Services	Summer/ After-Care Program	Total
Operating revenues:			
Charges for services:			
Daily sales - reimbursable programs	\$ -	\$ -	\$ -
Daily sales - nonreimbursable programs	-	-	-
Summer/after care programs revenue		201,816	201,816
Miscellaneous revenue	-	1,109	1,109
Total Operating revenues	-	202,925	202,925
Operating expenses:			
Cost of sales, reimbursable programs	293,363	-	293,363
Cost of sales, nonreimbursable programs	-	-	-
Salaries	-	57,915	57,915
Employee benefits	-	-	-
Professional /technical service	-	-	-
Supplies and materials	-	5,489	5,489
Depreciation	-	-	-
Miscellaneous	-	28,500	28,500
Total operating expenses	293,363	91,904	385,267
Operating income/(loss)	(293,363)	111,021	(182,342)
Nonoperating revenues:			
State sources:			
State school lunch program	3,919	-	3,919
State school breakfast program	-	-	-
Federal sources:			
National school lunch program	174,764	-	174,764
National school breakfast program	73,859	-	73,859
Summer lunch program	11,092	-	11,092
Total nonoperating revenues	263,634	-	263,634
Net income/(loss) before contributions & transfers	(29,729)	111,021	81,292
Other financing sources:			
Transfer	-	-	-
	-	-	-
Change in net position	(29,729)	111,021	81,292
Total net position-beginning of year	12,279	23,444	35,723
Total net position-end of year	\$ (17,450)	\$ 134,465	\$ 117,015

EAST ORANGE COMMUNITY CHARTER SCHOOL
Enterprise Fund

G-3

Statement of Cash Flows

Year ended June 30, 2019

	<u>Food Services</u>	<u>Summer/ After-Care Program</u>	<u>Total</u>
Cash flows from operating activities			
Operating loss	\$ (293,363)	\$ 111,021	\$ (182,342)
Adjustment to reconcile operating loss to net cash used in operating activities:			
Changes in assets and liabilities:			
Accounts receivable	(25,527)	-	(25,527)
Other current assets	-	(134,465)	(134,465)
Due to general fund	42,351	23,444	65,795
Accounts payable	21,928	-	21,928
Net cash used in operating activities	<u>(254,611)</u>	<u>-</u>	<u>(254,611)</u>
Cash flows from noncapital financing activities:			
Cash received from state reimbursements	3,919	-	3,919
Cash received from federal reimbursements	259,715	-	259,715
Operating subsidies and transfers	-	-	-
Net cash provided by noncapital financing activities	<u>263,634</u>	<u>-</u>	<u>263,634</u>
Cash flows from investing activities			
	-	-	-
Net change in cash and cash equivalents	9,023	-	9,023
Cash and cash equivalents, beginning	21,729	-	21,729
Cash and cash equivalents, ending	<u>\$ 30,752</u>	<u>\$ -</u>	<u>\$ 30,752</u>

Fiduciary Fund

**EAST ORANGE COMMUNITY CHARTER SCHOOL
Fiduciary Funds**

H-1

Combining Statement of Fiduciary Net Position

June 30, 2019

	<u>Unemployment Insurance Fund</u>	<u>Student Activity Fund</u>	<u>Agency Fund Payroll</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 32,466	\$ 32,466
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,466</u>	<u>\$ 32,466</u>
Liabilities and fund balances				
Liabilities:				
Payroll deductions and withholdings	\$ -	\$ -	\$ 27,203	\$ 27,203
Interfund payables	-	-	5,263	5,263
Account payable - due to students group	-	-	-	-
Total liabilities	<u>-</u>	<u>\$ -</u>	<u>\$ 32,466</u>	<u>\$ 32,466</u>
Net position				
Total liabilities and net position	<u>-</u>	<u>\$ -</u>		

**EAST ORANGE COMMUNITY CHARTER SCHOOL
Fiduciary Funds**

H-2

**Combining Statement of Changes in Fiduciary Net Position
Unemployment Compensation Insurance Trust Fund**

Year ended June 30, 2019

	<u>Unemployment Compensation</u>
Revenues:	
General fund appropriation	\$ 31,572
Total revenues	<u>31,572</u>
Expenditures:	
Payments to NJ Unemployment Compensation Fund	31,572
Total expenditures	<u>31,572</u>
Excess(deficiency) of revenue over(under) expenditures	-
Net position, beginning	<u>-</u>
Net position, ending	<u><u>\$ -</u></u>

EAST ORANGE COMMUNITY CHARTER SCHOOL
Student Activity Agency Fund
Schedule of Receipts and Disbursements

Year ended June 30, 2019

	Balance June 30, 2018	Cash Receipts	Cash Disbursements	Balance June 30, 2019
Assets				
Parent council fund	\$ -	\$ -	\$ -	\$ -
Total assets	\$ -	\$ -	\$ -	\$ -

EAST ORANGE COMMUNITY CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements

H-4

Year ended June 30, 2019

	<u>Balance June 30, 2018</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Balance June 30, 2019</u>
Assets				
Cash and cash equivalents	\$ 98,133	\$ 4,825,085	\$ 4,890,752	\$ 32,466
Total assets	<u>\$ 98,133</u>	<u>\$ 4,825,085</u>	<u>\$ 4,890,752</u>	<u>\$ 32,466</u>
Liabilities				
Payroll deductions and withholdings	\$ 9,807	\$ 4,819,822	\$ 4,802,426	\$ 27,203
Interfund payable	88,326	5,263	88,326	5,263
Total liabilities	<u>\$ 98,133</u>	<u>\$ 4,825,085</u>	<u>\$ 4,890,752</u>	<u>\$ 32,466</u>

Long Term Debt

EAST ORANGE COMMUNITY CHARTER SCHOOL
Long-Term Debt
Schedule of Obligations Under Renovation Loan

I-2

Year ended June 30, 2019

	<u>Variable Interest Rate Payable</u>	<u>Amount of Original Issue</u>	<u>Amount Outstanding June 30, 2018</u>	<u>Acquired Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding June 30, 2019</u>
Valley National Bank Refinanced Loan 99 Washington Street, East Orange, New Jersey	3.75%	\$ 748,000	\$ 175,648	\$ -	\$ 63,785	\$ 111,863
			<u>\$ 175,648</u>	<u>\$ -</u>	<u>\$ 63,785</u>	<u>\$ 111,863</u>

Statistical Section

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-1

NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	<u>2019</u>		<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>Fiscal Year Ended June 30,</u>		<u>2013</u>		<u>2012</u>		<u>2011</u>		<u>2010</u>			
Governmental activities																				
Invested in capital assets, net of related debt	\$	509,828	\$	540,364	\$	570,900	\$	601,436	\$	631,972	\$	662,508	\$	710,995	\$	759,482	\$	249,230	\$	255,621
Restricted		-		-		-		-		-		-		-		-		-		-
Unrestricted		(3,697,462)		(3,636,414)		(4,048,227)		(4,253,240)		(4,137,190)		172,969		247,702		267,498		539,217		598,318
Total governmental activities net position	\$	<u>(3,187,634)</u>	\$	<u>(3,096,050)</u>	\$	<u>(3,477,327)</u>	\$	<u>(3,651,804)</u>	\$	<u>(3,505,218)</u>	\$	<u>835,477</u>	\$	<u>958,697</u>	\$	<u>1,026,980</u>	\$	<u>788,447</u>	\$	<u>853,939</u>
Business-type activities																				
Invested in capital assets, net of related debt	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Restricted		-		-		-		-		-		-		-		-		-		-
Unrestricted		117,015		35,723		12,279		-		-		-		-		-		-		-
Total business-type activities	\$	<u>117,015</u>	\$	<u>35,723</u>	\$	<u>12,279</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>	\$	<u>-</u>
School-wide																				
Invested in capital assets, net of related debt	\$	509,828	\$	540,364	\$	570,900	\$	601,436	\$	631,972	\$	662,508	\$	710,995	\$	759,482	\$	249,230	\$	255,621
Restricted		-		-		-		-		-		-		-		-		-		-
Unrestricted		(3,580,447)		(3,600,691)		(4,035,948)		(4,253,240)		(4,137,190)		172,969		247,702		267,498		539,217		598,318
Total charter school net position	\$	<u>(3,070,619)</u>	\$	<u>(3,060,327)</u>	\$	<u>(3,465,048)</u>	\$	<u>(3,651,804)</u>	\$	<u>(3,505,218)</u>	\$	<u>835,477</u>	\$	<u>958,697</u>	\$	<u>1,026,980</u>	\$	<u>788,447</u>	\$	<u>853,939</u>

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-2

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Expenses										
Governmental activities										
Instruction										
Regular	\$ 2,828,170	\$ 2,638,091	\$ 2,408,484	\$ 2,739,659	\$ 3,021,998	\$ 3,210,465	\$ 3,201,009	\$ 3,152,450	\$ 3,041,473	\$ 3,281,991
Support services:										
School administrative services	2,555,140	2,485,661	2,305,419	2,399,383	2,527,810	2,466,864	1,859,053	2,035,618	1,497,453	1,450,976
General administration	2,346,775	2,127,772	2,703,295	2,262,535	2,233,944	1,873,738	2,221,651	1,922,912	2,570,145	2,292,655
Plant operations and maintenance	122,729	117,994	111,151	106,365	115,920	199,192	169,550	210,584	125,382	163,997
Interest on long term debt	5,575	7,995	11,150	16,440	19,139	15,647	18,987	20,988	38,723	36,530
Unallocated depreciation	30,536	30,536	30,536	30,536	30,536	48,487	48,487	48,487	48,487	48,487
Total governmental activities expenses	<u>7,888,925</u>	<u>7,408,049</u>	<u>7,570,035</u>	<u>7,554,918</u>	<u>7,949,347</u>	<u>7,814,393</u>	<u>7,518,737</u>	<u>7,391,039</u>	<u>7,321,663</u>	<u>7,226,149</u>
Business-type activities:										
Food service	293,363	314,491	330,552	342,075	328,878	295,665	379,515	392,454	418,910	390,066
Child Care	91,904	162,524	97,247	170,103	163,754	152,438	142,147	190,685	161,540	231,973
Total business-type activities expense	<u>385,267</u>	<u>477,015</u>	<u>427,799</u>	<u>512,178</u>	<u>492,632</u>	<u>448,103</u>	<u>521,662</u>	<u>583,139</u>	<u>580,450</u>	<u>622,039</u>
Total charter school expenses	<u>\$ 8,274,192</u>	<u>\$ 7,885,064</u>	<u>\$ 7,997,834</u>	<u>\$ 8,067,096</u>	<u>\$ 8,441,979</u>	<u>\$ 8,262,496</u>	<u>\$ 8,040,399</u>	<u>\$ 7,974,178</u>	<u>\$ 7,902,113</u>	<u>\$ 7,848,188</u>
Program revenues										
Governmental activities:										
Charges for services:										
Operating grants and contributions	\$ 481,289	\$ 473,799	\$ 470,902	\$ 470,902	\$ 494,289	\$ 489,550	\$ 503,247	\$ 683,517	\$ 663,580	\$ 694,808
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>481,289</u>	<u>473,799</u>	<u>470,902</u>	<u>470,902</u>	<u>494,289</u>	<u>489,550</u>	<u>503,247</u>	<u>683,517</u>	<u>663,580</u>	<u>694,808</u>
Business-type activities:										
Charges for services:										
Food service	-	1,218	2,168	1,663	1,941	2,708	3,342	3,659	1,226	833
Child care	202,925	185,968	182,928	205,119	190,644	138,933	120,029	197,796	219,826	207,831
Operating grants and contributions	263,634	268,082	254,982	235,019	263,251	251,516	270,089	289,585	256,090	277,479
Capital grants and contributions										
Total business type activities program revenues	<u>466,559</u>	<u>455,268</u>	<u>440,078</u>	<u>441,801</u>	<u>455,836</u>	<u>393,157</u>	<u>393,460</u>	<u>491,040</u>	<u>477,142</u>	<u>486,143</u>
Total charter school program revenues	<u>\$ 947,848</u>	<u>\$ 929,067</u>	<u>\$ 910,980</u>	<u>\$ 912,703</u>	<u>\$ 950,125</u>	<u>\$ 882,707</u>	<u>\$ 896,707</u>	<u>\$ 1,174,557</u>	<u>\$ 1,140,722</u>	<u>\$ 1,180,951</u>
Net (expense)/revenue										
Governmental activities	\$ (7,407,636)	\$ (6,934,250)	\$ (7,099,133)	\$ (7,084,016)	\$ (7,455,058)	\$ (7,324,843)	\$ (7,015,490)	\$ (6,707,522)	\$ (6,658,083)	\$ (6,531,341)
Business-type activities	81,292	(21,747)	12,279	(70,377)	(36,796)	(54,946)	(128,202)	(92,099)	(103,308)	(135,896)
Total charter school-wide net expense	<u>\$ (7,326,344)</u>	<u>\$ (6,955,997)</u>	<u>\$ (7,086,854)</u>	<u>\$ (7,154,393)</u>	<u>\$ (7,491,854)</u>	<u>\$ (7,379,789)</u>	<u>\$ (7,143,692)</u>	<u>\$ (6,799,621)</u>	<u>\$ (6,761,391)</u>	<u>\$ (6,667,237)</u>

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-2

CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General revenues and other changes in net position										
Governmental activities:										
Property taxes levied for general purposes, net	\$ 983,910	\$ 804,729	\$ 812,754	\$ 796,448	\$ 813,999	\$ 798,677	\$ 834,196	\$ 812,342	\$ 751,886	\$ 845,154
Grants and contributions	7,322,510	6,550,004	6,450,581	6,197,291	6,334,163	6,266,997	6,231,526	6,189,656	5,755,224	5,880,536
Miscellaneous income	9,632	5,985	10,275	14,068	24,140	190,895	9,687	36,156	58,563	64,774
Transfers	-	(45,191)	-	(70,377)	(36,796)	(54,946)	(128,202)	(92,099)	(103,308)	(135,885)
Total governmental activities	8,316,052	7,315,527	7,273,610	6,937,430	7,135,506	7,201,623	6,947,207	6,946,055	6,462,365	6,654,579
Business-type activities:										
Transfers	-	45,191	-	70,377	36,796	54,946	128,202	92,099	103,308	135,885
Total business-type activities	-	45,191	-	70,377	36,796	54,946	128,202	92,099	103,308	135,885
Total charter school-wide	\$ 8,316,052	\$ 7,360,718	\$ 7,273,610	\$ 7,007,807	\$ 7,172,302	\$ 7,256,569	\$ 7,075,409	\$ 7,038,154	\$ 6,565,673	\$ 6,790,464
Change in net position										
Governmental activities	\$ 908,416	\$ 426,468	\$ 174,477	\$ (76,209)	\$ (282,756)	\$ (68,274)	\$ 59,919	\$ 330,632	\$ (92,410)	\$ 259,123
Business-type activities	81,292	(21,747)	12,279	(70,377)	(36,796)	(54,946)	(128,202)	(92,099)	(103,308)	(135,896)
Total charter school	\$ 989,708	\$ 404,721	\$ 186,756	\$ (146,586)	\$ (319,552)	\$ (123,220)	\$ (68,283)	\$ 238,533	\$ (195,718)	\$ 123,227

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-3

Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Fund										
Unreserved	\$ 1,893,206	\$ 1,198,915	\$ 828,891	\$ 80,563	\$ 133,960	\$ 580,404	\$ 703,268	\$ 777,648	\$ 788,447	\$ 853,939
Total general fund	<u>\$ 1,893,206</u>	<u>\$ 1,198,915</u>	<u>\$ 828,891</u>	<u>\$ 80,563</u>	<u>\$ 133,960</u>	<u>\$ 580,404</u>	<u>\$ 703,268</u>	<u>\$ 777,648</u>	<u>\$ 788,447</u>	<u>\$ 853,939</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue fund	-	-	-	-	-	-	-	-	-	-
Capital projects fund	-	-	-	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-4

Changes in Fund Balances - Governmental Funds
Last Ten Fiscal Years
(Unaudited)

Function	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Revenues										
Local tax levy	\$ 983,910	\$ 804,729	\$ 812,754	\$ 796,448	\$ 813,999	\$ 798,677	\$ 834,196	\$ 812,342	\$ 751,886	\$ 845,154
Miscellaneous	9,632	5,985	10,275	14,068	24,140	190,895	9,687	36,156	65,133	62,774
State sources	7,322,510	6,550,004	6,450,581	6,197,291	6,334,163	6,266,997	6,231,526	6,189,656	5,755,224	5,880,536
Federal sources	481,289	473,799	470,902	470,902	494,289	489,550	503,247	683,517	657,010	784,561
Total revenue	<u>8,797,341</u>	<u>7,834,517</u>	<u>7,744,512</u>	<u>7,478,709</u>	<u>7,666,591</u>	<u>7,746,119</u>	<u>7,578,656</u>	<u>7,721,671</u>	<u>7,229,253</u>	<u>7,573,025</u>
Expenditures										
Instruction	2,828,170	2,638,091	2,408,484	2,739,659	3,021,998	3,210,465	3,201,009	3,152,450	3,041,473	3,281,991
Administration	2,533,226	2,116,147	2,112,008	2,159,606	2,355,970	1,889,385	2,240,638	2,103,069	2,563,117	2,240,705
Support Services	2,677,869	2,603,655	2,416,570	2,505,748	2,643,730	2,666,056	2,032,598	2,338,301	1,511,443	1,578,886
Capital Outlay	63,785	61,409	59,122	56,716	54,541	48,131	50,589	48,588	42,096	40,443
Total expenditures	<u>8,103,050</u>	<u>7,419,302</u>	<u>6,996,184</u>	<u>7,461,729</u>	<u>8,076,239</u>	<u>7,814,037</u>	<u>7,524,834</u>	<u>7,642,408</u>	<u>7,158,128</u>	<u>7,142,025</u>
Net change in fund balances	<u>\$ 694,291</u>	<u>\$ 415,215</u>	<u>\$ 748,328</u>	<u>\$ 16,980</u>	<u>\$ (409,648)</u>	<u>\$ (67,918)</u>	<u>\$ 53,822</u>	<u>\$ 79,263</u>	<u>\$ 71,125</u>	<u>\$ 431,000</u>

Source: Charter School's Records

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-5

General Fund Other Local Revenue by Source
Last Ten Fiscal Years
(Unaudited)

Function	Fiscal Year Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Other local revenues										
Miscellaneous	\$ 9,632	\$ 5,985	\$ 10,275	\$ 14,068	\$ 24,140	\$ 190,895	\$ 9,687	\$ 36,156	\$ 58,563	\$ 64,774
Total other local revenue	<u>\$ 9,632</u>	<u>\$ 5,985</u>	<u>\$ 10,275</u>	<u>\$ 14,068</u>	<u>\$ 24,140</u>	<u>\$ 190,895</u>	<u>\$ 9,687</u>	<u>\$ 36,156</u>	<u>\$ 58,563</u>	<u>\$ 64,774</u>

Source: Charter School's Records

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-10

Ratio of Outstanding Debt By Type
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total Charter School	Percentage of Personal Income *	Per Capita *
	General Obligation Bonds ^b	Certificates of Participation	Capital Leases	Anticipation Notes (BANs)	Capital Leases				
2009	\$ 600,834	\$ -	\$ -	\$ -	\$ -	\$ 600,834	0.02%	11	
2011	558,738	-	-	-	-	558,738	0.02%	10	
2012	510,150	-	-	-	-	510,150	0.01%	9	
2013	455,566	-	-	-	-	455,566	0.01%	8	
2014	407,435	-	-	-	-	407,435	0.01%	7	
2015	352,894	-	-	-	-	352,894	0.01%	6	
2016	296,178	-	-	-	-	296,178	0.01%	5	
2017	237,057	-	-	-	-	237,057	0.01%	4	
2018	175,648	-	-	-	-	175,648	0.00%	3	
2019	111,863	-	-	-	-	111,863	0.00%	2	

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

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-14

Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)

<u>Year</u>	<u>Population ^a</u>	<u>Personal Income ^b</u>	<u>County Per Capita Personal Income ^c</u>	<u>Unemployment Rate ^d</u>
2010	65,120	\$ 3,355,328,824	\$ 52,324	12.50%
2011	64,391	3,542,406,474	55,014	12.50%
2012	64,329	3,564,083,916	55,404	12.50%
2013	64,515	3,592,969,380	55,692	12.50%
2014	64,718	3,774,289,042	58,319	12.50%
2015	64,949	3,898,888,470	60,030	12.50%
2016	64,789	3,889,283,670	60,030	7.70%
2017	64,789	3,889,283,670	60,030	7.70%
2018	64,789	3,889,283,670	60,030	7.70%
2019	64,789	3,889,283,670	60,030	7.70%

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 Personal capital income by municipality estimated based upon the 2000 Cesus published by the US Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-15

Principal Employers
Current Year
(Unaudited)

<u>Employer</u>	2019		
	Employees	Rank	Percentage of Total
	Employees	[Optional]	Municipal
Federal and Local Governments	6,187	N/A	22.58%
Veteran's Administration Medical Center	N/A	N/A	N/A
East Orange General Hospital	N/A	N/A	N/A
Kessler Institute	N/A	N/A	N/A
Louis Berger & Associates	N/A	N/A	N/A
	6,187		22.58%

a Information not available.

Source: Web Site: <http://www.city-data.com/us-cities/The-Northeast/Eastorange-Economy.html>

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-16

Full-Time Equivalent Charter School Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)

<u>Function/Program</u>	<u>Fiscal Year Ending June 30,</u>									
	<u>2019</u>	<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>
Instruction										
Regular	54	54	63	64	55	55	54	53	53	53
Special education	5	5	5	5	6	6	5	4	4	4
Vocational	-	-	-	-	-	-	-	-	-	-
Other instruction	-	-	-	-	-	-	-	-	-	-
Support Services:										
Student & instruction related services	7	7	7	7	7	7	10	-	-	-
General administration	8	8	7	9	9	9	7	9	9	9
School administrative services	4	4	4	4	4	4	6	5	5	5
Other administrative services	-	-	-	-	-	-	-	1	1	1
Central services	-	-	-	-	-	-	-	3	3	3
Administrative Information Technology	-	-	-	-	-	-	-	-	-	-
Plant operations and maintenance	3	3	3	3	9	9	11	4	4	4
Pupil transportation	-	-	-	-	2	2	2	1	1	1
Other support services	-	-	-	-	-	-	-	7	7	7
Special Schools	-	-	-	-	-	-	-	-	-	-
Food Service	-	-	-	-	3	3	3	-	-	-
Total	81	81	89	92	95	95	98	87	87	87

Source: Charter School Personnel Records

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-17

Operating Statistics

**Last Ten Fiscal Years
(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
						Kindergarten	Elementary				
2009	495	\$ 7,054,840	\$ 14,252	6.55%	57	1:12	1:12	482.0	465	0.00%	96.47%
2011	482	7,072,908	14,674	2.96%	57	1:12	1:12	482.0	458	-1.51%	95.02%
2012	482	7,072,908	14,674	0.00%	57	1:12	1:12	482.0	458	0.00%	95.02%
2013	492	7,474,245	15,192	3.53%	59	1:12	1:12	482.0	473	3.28%	98.13%
2014	490	7,765,906	15,849	4.33%	61	1:12	1:12	476.0	454	-4.02%	95.38%
2015	490	8,021,698	16,371	3.29%	61	1:12	1:12	476.0	454	0.00%	95.38%
2016	486	7,404,735	15,236	-6.93%	69	1:12	1:12	480.0	464	2.20%	96.67%
2017	482	6,937,062	14,392	-5.54%	68	1:12	1:12	482.0	464	0.00%	96.27%
2018	482	7,357,893	15,265	6.07%	59	1:12	1:12	482.0	464	0.00%	96.27%
2019	482	8,039,265	16,679	9.26%	59	1:12	1:12	482.0	464	0.00%	96.27%

Sources: Charter School records

Note: Enrollment based on annual June 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

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

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School Building Information
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year Ending June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Square Feet	49,500	49,500	49,500	49,500	49,500	49,500	49,500	49,500	49,500	49,500
Capacity (students)	500	500	500	500	500	500	500	500	500	500
Enrollment	482	482	486	486	490	490	492	482	482	489

Source: School Records

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

J-19

Schedule of Required Maintenance Expenditures
By School Facility
Last Ten Fiscal Years
(Unaudited)

2010	\$ 920,693
2011	999,549
2012	1,055,688
2013	1,033,408
2014	1,089,702
2015	987,395
2016	894,593
2017	855,207
2018	911,798
2019	931,144
Total	<u>\$ 9,679,177</u>

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: Charter School records

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

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Insurance Schedule

June 30, 2019
(Unaudited)

	Coverage
Commercial property and general liability:	
Property:	
Building and Contents	\$ 3,936,000
Electronic Data Processing	1,055,000
Boiler & Machinery	100,000,000
 Crime Coverage:	
Blanket Faithful Performance	25,000
Money & Securities	5,000
Money Orders/Counterfeit	5,000
Depositors' Forgery	25,000
Bond Board Secretary	168,000
Bond Board Treasurer	168,000
 Comprehensive General Liability:	
Single Limit for Bodily Injury/Property Damage	5,000,000
Products/Completed Operations Aggregate	5,000,000
Annual Aggregate for Child Molestations/Sexual Abuse	17,000,000
Each Occurrence for Personal Injury/Advert Injury	5,000,000
Each Claim for Employee Benefits Liability	5,000,000
Premise Medical Payments Per Person	1,000
Premise Medical Payments Per Accident	10,000
 Automobile Liability	 5,000,000
 Supplemental Indemnity - 7-day waiting period	 Statutory
 School Leaders Errors & Omissions:	
Coverage A - Limit of Liability	1,000,000
Coverage A - Deductible	5,000
Coverage B - Limit of Liability	100,000
Coverage B - Each Policy Period	300,000
Coverage B - Deductible	300,000
 Workman's Compensation	
(Each Accident, Each Employee, Policy Limit)	1,000,000
 Student Accident - Gold Plan	 1,000,000

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

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Charter School Performance Framework Financial Indicators
New Term Indicators

June 30, 2019
(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 778,243	\$ 900,674	\$ 483,042
Current assets	1,739,189	766,450	781,042
Capital assets, net	509,828	540,364	570,900
Total assets	<u>3,027,260</u>	<u>2,207,488</u>	<u>1,834,984</u>
Current liabilities	648,188	571,642	559,635
Long term liabilities	45,177	111,492	175,336
Total liabilities	<u>693,365</u>	<u>683,134</u>	<u>734,971</u>
Net position	<u>\$ 2,333,895</u>	<u>\$ 1,524,354</u>	<u>\$ 1,100,013</u>
Total revenue	\$ 9,263,900	\$ 8,289,785	\$ 8,184,590
Total expenses	<u>(8,274,192)</u>	<u>(7,885,064)</u>	<u>(7,997,834)</u>
Change in net position	<u>\$ 989,708</u>	<u>\$ 404,721</u>	<u>\$ 186,756</u>
Depreciation expense	\$ 30,536	\$ 30,536	\$ 30,536
Interest expense	5,575	7,995	11,150
Principal payments	63,785	61,409	59,121
Interest payments	5,575	7,995	11,150
Final average daily enrollment	482	482	482
March 30th budgeted enrollment	500	500	500

	<u>2019</u>	<u>2018</u>	<u>2017</u>	Three Year Cumulative
NEAR TERM INDICATORS:				
Current ratio	3.88	2.92	2.26	9.06
Unrestricted days cash	34.33	41.69	22.04	98.07
Enrollment variance	96%	96%	96%	96%
Default	No	No	No	No

Source: Charter School Records

EAST ORANGE COMMUNITY CHARTER SCHOOL
County of Essex New Jersey

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Charter School Performance Framework Financial Indicators
Sustainability Indicators

June 30, 2019
(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 778,243	\$ 900,674	\$ 483,042
Current assets	1,739,189	766,450	781,042
Capital assets, net	509,828	540,364	570,900
Total assets	<u>3,027,260</u>	<u>2,207,488</u>	<u>1,834,984</u>
Current liabilities	648,188	571,642	559,635
Long term liabilities	45,177	111,492	175,336
Total liabilities	<u>693,365</u>	<u>683,134</u>	<u>734,971</u>
Net position	<u>\$ 2,333,895</u>	<u>\$ 1,524,354</u>	<u>\$ 1,100,013</u>
Total revenue	\$ 9,263,900	\$ 8,289,785	\$ 8,184,590
Total expenses	(8,274,192)	(7,885,064)	(7,997,834)
Change in net position	<u>\$ 989,708</u>	<u>\$ 404,721</u>	<u>\$ 186,756</u>
Depreciation expense	\$ 30,536	\$ 30,536	\$ 30,536
Interest expense	5,575	7,995	11,150
Principal payments	63,785	61,409	59,121
Interest payments	5,575	7,995	11,150
Final average daily enrollment	482	482	482
March 30th budgeted enrollment	500	500	500

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>Three Year Cumulative</u>
SUSTAINABILITY INDICATORS:				
Total margin	10.7%	4.9%	2.3%	6.1%
Debt to asset	0.01	0.05	0.10	0.30
Cash flow	\$ (122,431)	\$ 417,632	\$ 447,257	\$ 742,458
Debt service coverage ratio	14.790	6.387	3.251	8.121

Source: Charter School Records

Single Audit Section

Olugbenga Olabintan

Certified Public Accountant/Consultant

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Newark, NJ 07103

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K-1

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Chairperson and
Members of the Board of Trustees
East Orange Community Charter School
County of Essex
East Orange, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *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, each major fund, and the aggregate remaining fund information of the East Orange Community Charter School, in the County of Essex, State of New Jersey ("the Charter School"), as of and for the year ended June 30, 2019, 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 December 3, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Olugbenga Olabintan, CPA

December 3, 2019
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant



Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

Olugbenga Olabintan

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K-2

Independent Auditor's Report on Compliance for Each Major State Program; Report on Internal Control Over Compliance Required by the State of New Jersey OMB's Circular Letter 15-08

The Honorable Chairperson and
Members of the Board of Trustees
East Orange Community Charter School
County of Essex,
East Orange, New Jersey

Compliance

We have audited the East Orange Community Charter School's in the County of Essex, State of New Jersey ("the Charter School") compliance with the types of compliance requirements described in the *State of New Jersey Department of Treasury Circular 15-08-OMB Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state programs for the year ended June 30, 2019. The Charter School's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its 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 of New Jersey Department of the Treasury Circular Letter 15-08 OMB *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*; and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*.

Those standards, State of New Jersey Department of Treasury Circular 15-08-OMB and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey* 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 a 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.

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

Opinion on Each Major State Program

In our opinion, the Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2019.

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 for each major state program and to test and report on internal control over compliance in accordance with the State of New Jersey Department of Treasury 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 the 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.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the State of New Jersey Department of Treasury Circular 15-08-OMB and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. Accordingly, this report is not suitable for any other purpose.

Olugbenga Olabintan, CPA

December 3, 2019
Newark, New Jersey

OLUGBENGA OLABINTAN
Certified Public Accountant/Consultant

A handwritten signature in black ink, appearing to read 'Olugbenga Olabintan', with a horizontal line underneath it.

Olugbenga Olabintan, CPA
Licensed Public School Accountant
No. 20CS00230200

EAST ORANGE COMMUNITY CHARTER SCHOOL

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal Grant/ Pass-Through Grantor/ Program Title	Federal C.F.D.A No.	Federal Award Identification Number	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2018	Deferred Revenue at June 30, 2018	Due to Grantor at June 30, 2018	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2019	Deferred Revenue at June 30, 2019	Due to Grantor at June 30, 2019
Special Revenue Fund:															
U.S. Department of Education:															
Passed-Through State Department of Education															
Title I Part A - FY 2018-2019	84.010A	S010A180030	7/1/18-6/30/19	\$ 337,080	\$ -	\$ -	\$ -	\$ -	\$ 123,873	\$ (197,189)	\$ -	\$ (73,316)	\$ -	\$ -	\$ -
Title I SIA - FY 2018-2019	84.010A	S010A180030	7/1/18-6/30/19	104,144	-	-	-	-	-	(109,370)	-	(109,370)	-	-	-
IDEA Part B - FY 2018-2019	84.027	H027A180100	7/1/18-6/30/19	104,144	-	-	-	-	77,577	(101,626)	-	(24,049)	-	-	-
Title II A - FY 2018-2019	84.367A	S367A180029	7/1/18-6/30/19	22,575	-	-	-	-	-	(57,399)	-	(57,399)	-	-	-
Title IV A - FY 2018-2019	84.424	S424A180031	7/1/18-6/30/19	10,000	-	-	-	-	16,414	(15,705)	-	-	709	-	-
Title I Part A - FY 2017-2018	84.010A	S010A170030	7/1/17-6/30/18	337,080	(93,590)	-	-	-	93,590	-	-	-	-	-	-
IDEA Part B - FY 2017-2018	84.027	H027A170100	7/1/17-6/30/18	104,144	(22,882)	-	-	-	22,882	-	-	-	-	-	-
Title II A - FY 2017-2018	84.367A	S367A170029	7/1/17-6/30/18	22,575	(660)	-	-	-	660	-	-	-	-	-	-
Title IV A - FY 2017-2018	84.424	S424A170031	7/1/17-6/30/18	10,000	(10,000)	-	-	-	10,000	-	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-	-
Total Special Revenue/U.S. Department of Education					(127,132)	-	-	-	-	344,996	(481,289)	-	(264,134)	709	-
Enterprise Fund:															
U.S. Department of Agriculture															
Passed-Through New Jersey Dept of Agriculture															
National school lunch program	10.555	191NJ304N1099	7/1/18-6/30/19	174,764	-	-	-	-	123,959	(174,764)	-	(50,805)	-	-	-
National school lunch program	10.555	181NJ304N1099	7/1/17-6/30/18	176,947	(37,164)	-	-	-	37,164	-	-	-	-	-	-
National school breakfast program	10.553	191NJ304N1099	7/1/18-6/30/19	73,859	-	-	-	-	50,984	(73,859)	-	(22,875)	-	-	-
National school breakfast program	10.553	181NJ304N1099	7/1/17-6/30/18	74,784	(11,385)	-	-	-	11,385	-	-	-	-	-	-
Summer lunch program	10.559	191NJ304N1099	7/1/18-6/30/19	11,092	-	-	-	-	11,092	(11,092)	-	-	-	-	-
				-	-	-	-	-	-	-	-	-	-	-	-
Total Enterprise Fund/U.S. Department of Agriculture					(48,549)	-	-	-	234,584	(259,715)	-	(73,680)	-	-	-
Total Expenditures of Federal Awards					\$ (175,681)	\$ -	\$ -	\$ -	\$ -	\$ 579,580	\$ (741,004)	\$ -	\$ (337,814)	\$ 709	\$ -

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

EAST ORANGE COMMUNITY CHARTER SCHOOL

Schedule of Expenditures of State Awards

Year ended June 30, 2019

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	(Accounts Receivable) at June 30, 2018	Deferred Revenue at June 30, 2018	Due to Grantor at June 30, 2018	Adjustments	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	(Accounts Receivable) at June 30, 2019	Deferred Revenue at June 30, 2019	Due to Grantor at June 30, 2019
State Department of Education														
General Fund:														
Equalization Aid	19-495-034-5120-078	7/1/18-6/30/19	\$ 6,726,290	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,993,307	\$ (6,726,290)	-	\$ (1,240,878)	\$ -	\$ 26,139
Equalization Aid	18-495-034-5120-078	7/1/17-6/30/18	5,479,604	(253,239)	-	53,382	-	-	253,239	-	(53,382)	-	-	-
Special Education Aid	19-495-034-5120-089	7/1/18-6/30/19	74,598	-	-	-	-	-	74,598	(74,598)	-	-	-	-
Security Aid	19-495-034-5120-084	7/1/18-6/30/19	265,705	-	-	-	-	-	265,705	(265,705)	-	-	-	-
State Adjustment Aid	19-495-034-5120-085	7/1/18-6/30/19	438,795	-	-	-	-	-	438,795	(438,795)	-	-	-	-
State Adjustment Aid	18-495-034-5120-085	7/1/17-6/30/18	782,043	(9,423)	-	-	-	-	9,423	-	-	-	-	-
TPAF/FICA Reimbursements	19-495-034-5094-003	7/1/18-6/30/19	171,054	-	-	-	-	-	155,358	(171,054)	-	(15,696)	-	-
TPAF/FICA Reimbursements	18-495-034-5094-003	7/1/17-6/30/18	185,218	(13,709)	-	-	-	-	13,709	-	-	-	-	-
TPAF Post Retirement Medical Contribution	19-495-034-5094-001	7/1/18-6/30/19	196,479	-	-	-	-	-	196,479	(196,479)	-	-	-	-
TPAF Pension Contribution - Normal & NCGI	19-495-034-5094-002	7/1/18-6/30/19	433,156	-	-	-	-	-	433,156	(433,156)	-	-	-	-
TPAF Pension Contribution - Long-Term Disability Insurance	19-495-034-5094-004	7/1/18-6/30/19	343	-	-	-	-	-	343	(343)	-	-	-	-
Total General Fund/State Department of Education				<u>(276,371)</u>	<u>-</u>	<u>53,382</u>	<u>-</u>	<u>-</u>	<u>9,834,112</u>	<u>(8,306,420)</u>	<u>(53,382)</u>	<u>(1,256,574)</u>	<u>-</u>	<u>26,139</u>
State Department of Agriculture														
Enterprise Fund:														
State school lunch program	19-100-010-3350-023	7/1/18-6/30/19	3,919	-	-	-	-	-	2,780	(3,919)	-	(1,139)	-	-
State school lunch program	18-100-010-3350-023	7/1/17-6/30/18	3,665	(743)	-	-	-	-	743	-	-	-	-	-
Total Enterprise Fund/State Department of Agriculture				<u>(743)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,523</u>	<u>(3,919)</u>	<u>-</u>	<u>(1,139)</u>	<u>-</u>	<u>-</u>
Total State Financial Assistance				<u>\$ (277,114)</u>	<u>\$ -</u>	<u>\$ 53,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,837,635</u>	<u>(8,310,339)</u>	<u>\$ (53,382)</u>	<u>\$ (1,257,713)</u>	<u>\$ -</u>	<u>\$ 26,139</u>
Less Amounts Not Subject to Single Audit:														
TPAF Post Retirement Medical Contribution										196,479				
TPAF Pension Contribution - Normal & NCGI										433,156				
TPAF Pension Contribution - Long-Term Disability Insurance										343				
Total Expenditures of State Financial Assistance Subject to Single Audit										<u>\$ (7,680,361)</u>				

The accompanying Notes to Schedules of Expenditures of Awards and Financial Assistance are an integral part of this schedule.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2019

1. General

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal awards and state financial assistance of the Charter School. 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 expenditures of federal awards and state financial assistance.

2. Basis of Accounting

The accompanying schedules of expenditures of federal awards and state financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the enterprise 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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the Charter School's basic financial statements. The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements and schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the fiscal year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or expenditures have been made. The general fund is presented in the accompanying schedules on the modified accrual 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. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0- for the general fund and \$-0- for the special revenue fund. See Note 1 (the Notes to Required Supplementary Information) for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds (C-3).

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2019

3. Relationship to Basic Financial Statements - continued

Federal awards and state financial assistance revenues are reported in the Charter School's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 8,306,420	\$ 8,306,420
Special Revenue Fund	481,289	-	481,289
Enterprise Fund	259,715	3,919	263,634
Total	<u>\$ 741,004</u>	<u>\$ 8,310,339</u>	<u>\$ 9,051,343</u>

4. Relationship to Federal and State Financial Reports

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

5. Other Information

TPAF Social Security contribution in the amount of \$171,054 represents the amount reimbursed by the State for the employer's share of social security contributions for TPAF members for the fiscal year ended June 30, 2019. The amount reported as TPAF pension representing on-behalf employer's portion of the Pension System Contributions, Post-Retirement Medical Benefits Contributions and Long-Term Disability Insurance Premium Contributions in the amount of \$629,978 represents the amount paid by the State on behalf of the Charter School for the fiscal year ended June 30, 2019.

6. On Behalf Programs Not Subject to State Single Audit

On-behalf State Programs for TPAF Pension and Post-Retirement Medical Benefits Contributions 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.

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.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Part I - Summary of Auditors' Results

Financial Statements Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? _____ Yes No

Significant deficiencies identified _____ Yes None reported

Noncompliance material to financial statements noted? _____ Yes No

Federal Awards:

In accordance with the new requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the audit threshold was raised from \$500,000 to \$750,000. Thus, for fiscal years ending after December 26, 2015, organizations that expend less than \$750,000 in federal awards during a year are exempt from the single audit requirement for that year.

For the fiscal year ended June 30, 2019, the Charter School was determined to expend less than \$750,000 in federal awards and was therefore exempt from the federal single audit requirements for 2019.

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Part I Summary of Auditors' Results

State Financial Assistance Section

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

Auditee qualifies as low-risk auditee? yes No

Type of auditor's report on compliance for major programs: Unmodified

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(cies) identified that are not
 Considered to be material weaknesses? Yes None reported

Any audit findings disclosed that are required to be reported
 in accordance with NJ OMB Circulars 15-08 as applicable? Yes No

Identification of Major Programs:

<u>State Grant/Program Number(s)</u>	<u>Name of State Program or Cluster</u>
19-495-034-5120-078	Equalization Aid
19-495-034-5120-089	Special Education Aid
19-495-034-5120-084	Security Aid
19-495-034-5120-085	State Adjustment Aid

**EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

Part II – Schedule of Financial Statement Findings

NONE

**EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2019**

Part III – Federal Awards Findings and Questioned Cost

NOT APPLICABLE FOR 2019

Part III – State Financial Assistance Findings and Questioned Cost

NONE

EAST ORANGE COMMUNITY CHARTER SCHOOL
(County of Essex)
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2019

There were no prior year's audit findings.