

**NEWARK EDUCATORS'
COMMUNITY CHARTER SCHOOL**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

JUNE 30, 2021

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

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

TABLE OF CONTENTS

PAGE NO.

INTRODUCTORY SECTION

Letter of Transmittal	1-4
Organizational Chart	5
Roster of Officials.....	6
Consultants and Advisors.....	7

FINANCIAL SECTION

Independent Auditor's Report.....	8-10
-----------------------------------	------

Required Supplementary Information – Part I

Management's Discussion and Analysis.....	11-17
---	-------

Basic Financial Statements

A. Charter School-Wide Financial Statements:

A-1 Statement of Net Position	18
A-2 Statement of Activities	19

B. Fund Financial Statements:

Governmental Funds:

B-1 Balance Sheet	20
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances	21
B-3 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22

Proprietary Funds:

B-4 Statement of Net Position	23
B-5 Statement of Revenues, Expenses and Changes in Fund Net Position	24
B-6 Statement of Cash Flows.....	25

Fiduciary Funds:

B-7 Statement of Fiduciary Net Position.....	N/A
B-8 Statement of Changes in Fiduciary Net Position	N/A

Notes to the Basic Financial Statements	26-62
--	--------------

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

TABLE OF CONTENTS

PAGE NO.

Required Supplementary Information – Part II

C. Budgetary Comparison Schedules:

C-1 Budgetary Comparison Schedule–General Fund.....	63-64
C-2 Budgetary Comparison Schedule-Special Revenue Fund	65

Notes to the Required Supplementary Information – Part II

C-3 Budget-to-GAAP Reconciliation	66
---	----

Required Supplementary Information – Part III

L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)

L-1 Schedule of the Charter School's Proportionate Share of the Net Pension Liability - PERS	67
L-2 Schedule of Charter School Contributions - PERS	68
L-3 Schedule of the Charter School's Proportionate Share of the Net Pension Liability - TPAF	69
L-4 Schedule of the Charter School's Contribution Teachers' Pension and Annuity Fund - TPAF	N/A
L-5 Notes to Required Supplementary Information	70

M. Schedules Related to Accounting and Reporting for Postemployment Benefits Other Than Pensions

M-1 Schedule of the Changes in the Total OPEB Liability and Related Ratios	71
---	----

Other Supplementary Information

D. School Based Budget Schedules	N/A
--	-----

E. Special Revenue Fund:

E-1 Combining Schedule of Program Revenues and Expenditures Special Revenue Fund – Budgetary Basis	72
E-2 Schedule(s) of Preschool Education Aid Expenditures - Preschool – All Programs – Budgetary Basis.....	73

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

TABLE OF CONTENTS

	<u>PAGE NO.</u>
F. Capital Projects Fund	N/A
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Combining Schedule of Net Position	74
G-2 Combining Schedule of Revenues, Expenses and Changes in Fund Net Position	75
G-3 Combining Schedule of Cash Flows	76
H. Fiduciary Funds	
H-1 Combining Statement of Fiduciary Net Position	N/A
H-2 Combining Statement of Changes in Fiduciary Net Position	N/A
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	N/A
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	N/A
I. Long-Term Debt	
I-1 Schedule of Serial Bonds	N/A
I-2 Schedule of Obligations under Capital Leases	N/A
I-3 Debt Service Fund Budgetary Comparison Schedule	N/A

STATISTICAL SECTION (Unaudited)

Introduction to the Statistical Section

Financial Trends

J-1 Net Position by Component	77
J-2 Changes in Net Position	78-79
J-3 Fund Balances – Governmental Funds	80
J-4 Changes in Fund Balances – Governmental Funds	81
J-5 General Fund – Other Local Revenue by Source	82

Revenue Capacity

J-6 – J-9	N/A
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Debt Capacity

J-10 Ratios of Outstanding Debt by Type	83
J11 – J-13	N/A

Demographic and Economic Information

J-14 Demographic and Economic Statistics	84
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**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)**

TABLE OF CONTENTS

	<u>PAGE NO.</u>
J-15 Principal Employers	85
Operating Information	
J-16 Full-time Equivalent Charter School Employees by Function/Program	86
J-17 Operating Statistics	87
J-18 School Building Information	88
J-19 Schedule of Allowable Required Maintenance Expenditures by School Facility ..	N/A
J-20 Insurance Schedule	89
J-21 Charter School Performance Framework, Financial Performance, Fiscal Ratios	90
SINGLE AUDIT SECTION	
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 <i>Government Auditing Standards</i>	91-92
K-2 Independent Auditor's Report on Compliance for Each Major State Program and on Internal Control Over Compliance in Accordance with New Jersey OMB Circular Letter 15-08	93-95
K-3 Schedule of Expenditures of Federal Awards, Schedule A	96
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	97
K-5 Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance	98-99
K-6 Schedule of Findings and Questioned Costs	100-102
K-7 Summary Schedule of Prior Year Audit Findings	103



March 10, 2022

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

Dear Board Members:

We are pleased to present to you the Comprehensive Annual Financial Report (CAFR) of the Newark Educators' Community Charter School (Charter School) for the fiscal year ended June 30, 2021. This CAFR includes the Charter School's Basic Financial Statements prepared in accordance with Governmental Accounting Standards Board Statement 34.

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

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

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

- The Introductory Section contains a table of contents, Letter of Transmittal, List of Principal Officials, and an Organizational Chart of the Charter School;
- The Financial Section begins with the Independent Auditor's Report and includes the Management's Discussion and Analysis, the Basic Financial Statements and Notes providing an overview of the Charter School's financial position and operating results, and other schedules providing detailed budgetary information;
- The Statistical Section includes selected economic and demographic information, financial trends, and the fiscal capacity of the Charter School, generally presented on a multi-year basis;
- The Single Audit Section — The Charter School is required to undergo an annual single audit in conformity with the provisions of the New Jersey State Office of Management and Budget (OMB) Circular Letter 15-08-OMB, "*Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*".

Information related to this single audit, including the independent auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, along with findings and questioned costs, are included in the single audit section of this report.

Charter School Organization

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

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

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

The Charter School provides a full range of educational services appropriate to grade levels Pre-K through 4. These include both regular and special education programs. As of June 30, 2021, the Charter School's final head count was 263 students.

2. **MAJOR INITIATIVES**: The following are the major initiatives successfully implemented at the Charter School for 2020-2021 school year:

- Due to the challenges of Covid-19, the Charter School gradually returned to in-person learning from remote learning:
 - The Charter School suspended in-person learning and shifted to remote learning beginning in March 2020.
 - The Charter School shifted from remote learning to hybrid learning in March 2021.
 - The Charter School returned to full in-person learning in April 2021.

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

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

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

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

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either cancelled or are included as re-appropriations of fund balance in the subsequent year. Those amounts to be re-appropriated at June 30, 2021.

4. **ACCOUNTING SYSTEM AND REPORTS:** The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by Governmental Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds each of which maintains a self-balancing set of accounts. These funds are explained in the "Notes to the Basic Financial Statements."

5. **DEBT ADMINISTRATION:** At June 30, 2021, the Charter School has no outstanding debt.

6. **CASH MANAGEMENT:** The investment policy of the Charter School is guided in large part by state statute as detailed in "Notes to the Basic Financial Statement" Notes 1 and 3. The Charter School had adopted a cash management plan which requires it to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

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

8. **OTHER INFORMATION:**

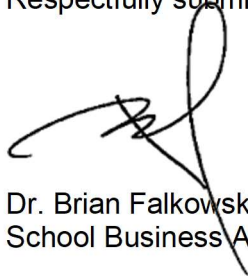
Independent Audit

State statute requires an annual audit by independent certified public accountants or registered municipal accountants. The Charter School appointed the accounting firm of Galleros Robinson CPAs, LLP. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the New Jersey Letter Circular Letter 15-08-OMB.

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

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

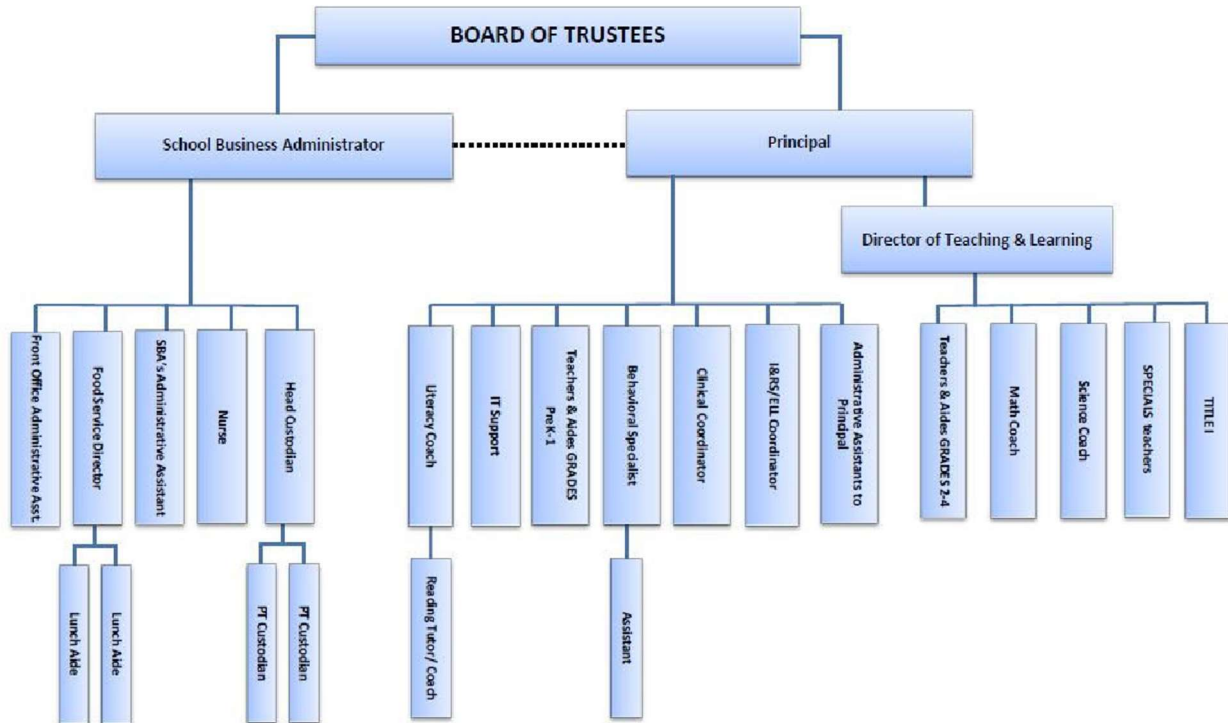
Respectfully submitted,



Dr. Brian Falkowski, Ed. D.
School Business Administrator

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

ORGANIZATIONAL CHART



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

ROSTER OF OFFICIALS

JUNE 30, 2021

Board of Trustees

MEMBERS OF THE BOARD OF TRUSTEES	TERM
Chalynda Maynard, President	April 30, 2022
Steven Lewis, Vice President	February 1, 2023
Al-Jabbar Riddle, Trustee	October 1, 2021
Torra Waynick, Trustee	February 28, 2023
Tenelle Edmundson, Trustee	July 31, 2023
Eric Thompson, Trustee	July 31, 2023
Jean-Guy Lauture, Trustee	June 30, 2023
Olivia Keith, Trustee	June 30, 2023

OTHER OFFICIALS

Katherine Martinez, Executive Director

Dr. Brian Falkowski, Board Secretary/Business Administrator

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

CONSULTANTS AND ADVISORS

Independent Auditors

Galleros Robinson Certified Public Accountants, LLP
115 Davis Station Road
Cream Ridge, NJ 08514

Attorneys

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

Official Depositories

Investors Bank
130 Washington Avenue
Carteret, NJ 07008

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Newark Educators' Community Charter School (the Charter School), in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2021, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT - CONTINUED

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Newark Educators' Community Charter School, in the County of Essex, State of New Jersey as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

We draw attention to Note 2 in the notes to the financial statements which disclose the effects of the Charter School's adoption of the provisions of Government Accounting Standards Board (GASB) Statement Nos. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 11 through 17, Budgetary Comparison Information on pages 63 through 66, and Schedules Related to Accounting and Reporting for Pensions (GASB 68) and Other Post-Employment Benefits (OPEB) on pages 67 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, 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 (Schedules) are also presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and New Jersey

INDEPENDENT AUDITOR'S REPORT - CONTINUED

OMB's Letter Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* respectively, and are not also a required part of the basic financial statements.

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

The introductory 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 March 10, 2022 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Charter School's internal control over financial reporting and compliance.



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



Galleros Robinson CPAs, LLP
Certified Public Accountants

March 10, 2022
Cream Ridge, New Jersey

REQUIRED SUPPLEMENTARY INFORMATION

PART I

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Newark Educators' Community Charter School's (the Charter School) financial performance provides an overall review of the Charter School's financial activities for the fiscal period ended June 30, 2021. The intent of this discussion and analysis is to look at the Charter School's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Charter School's financial performance.

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

Introduction

This section of the Charter School's annual financial report presents our discussion and analysis of the Charter School's financial performance and provides an overview of the Charter School's financial activities for the fiscal year ended June 30, 2021. It should be read in conjunction with the transmittal letter at the front of this report and the Charter School's financial statements, which follow this section.

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

Financial Highlights

Key Financial highlights for the fiscal year 2020-2021 are as follows:

- In total, net position decreased from \$(1.62) million, as restated, to \$(1.71) million.
- General revenues accounted for \$3.97 million or 72% of all revenues. Program specific revenues in the form of charges for services, operating grants and contributions accounted for \$2.05 million or 34% of total revenues of \$6.02 million.
- The Charter School had \$6.10 million in expenses; only \$2.05 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$3.97 million were adequate to provide for these programs.
- Among governmental funds, the General Fund had \$4.37 million in revenues and \$4.32 million in expenditures. The General Fund's fund balance increased by \$0.05 million in 2021.

Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Fund Financial Statements

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

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

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

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

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

Statement of Net Position and Statements of Activities

While this report contains the funds used by the Charter School to provide programs and activities, the view of the Charter School as a whole looks at all financial transactions and asks the question, "how did we do financially during fiscal year 2021?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all the Charter School's assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. These bases of accounting take into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the Charter School's net position and changes in the net position. This change in net position is important because it identifies whether the financial position of the Charter School has improved or diminished for the Charter School as a whole. This change is the result of many factors some financial, some not. Financial factors represent increases in federal and state funding that resulted from the increase in enrollment noted for the fiscal year ended June 30, 2021. These factors are presented in our discussions on the Charter School as a whole. Non-financial factors include the property tax base of the School District where the Charter School is located, current educational funding laws in New Jersey, facilities conditions, required educational programs, and other factors. In the Statements of Net Position and the Statements of Activities, the Charter School is divided into two distinct kinds of activities:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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

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

Reporting the School Charter School's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

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

Enterprise Fund

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

The Charter School as a Whole

The perspective of the Statement of Net Position is of the Charter School as a whole. The table below provides a summary of the Charter School's net position at June 30, 2021.

The total net position of the Charter School has decreased by \$0.1 million during the current fiscal year.

The table that follows reflects the change in net position for fiscal year 2021.

	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets	\$ 1,018,363	\$ 83,334	\$ 1,101,697
Capital Assets, net	2,827	-	2,827
Total Assets	<u>1,021,190</u>	<u>83,334</u>	<u>1,104,524</u>
Deferred Outflow of Resources			
	<u>1,258,212</u>	<u>-</u>	<u>1,258,212</u>
Liabilities			
Current Liabilities	289,954	-	289,954
Noncurrent liabilities	<u>2,641,039</u>	<u>-</u>	<u>2,641,039</u>
Total Liabilities	<u>2,930,993</u>	<u>-</u>	<u>2,930,993</u>
Deferred Inflow of Resources			
	<u>1,141,994</u>	<u>-</u>	<u>1,141,994</u>
Net Position			
Invested in Capital Assets (net of related debt)	2,827	-	2,827
Restricted	86,896	-	86,896
Unrestricted	<u>(1,883,308)</u>	<u>83,334</u>	<u>(1,799,974)</u>
Total Net Position	<u>\$ (1,793,585)</u>	<u>\$ 83,334</u>	<u>\$ (1,710,251)</u>

In 2021, total revenues increased by \$0.24 million about 4% compared to total revenues in 2020. Total expenses decreased by \$0.05 million, about 1%.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

	Governmental		Business Type		Total	
	Activities		Activities			
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues:						
Charge for Services	\$ -	\$ -	\$ 1,654	\$ 39,446	\$ 1,654	\$ 39,446
Grants and Contributions	2,050,162	1,773,587	57,379	155,467	2,107,541	1,929,054
Total Program Revenues	<u>2,050,162</u>	<u>1,773,587</u>	<u>59,033</u>	<u>194,913</u>	<u>2,109,195</u>	<u>1,968,500</u>
General Revenues:						
Local Aid	400,444	419,565	-	-	400,444	419,565
Federal and State Aid	3,545,656	3,430,814	-	-	3,545,656	3,430,814
Other	24,634	25,615	-	-	24,634	25,615
Total General Revenues	<u>3,970,734</u>	<u>3,875,994</u>	<u>-</u>	<u>-</u>	<u>3,970,734</u>	<u>3,875,994</u>
Total Revenues	<u>6,020,896</u>	<u>5,649,581</u>	<u>59,033</u>	<u>194,913</u>	<u>6,079,929</u>	<u>5,844,494</u>
Expenses:						
Instruction	2,921,711	2,818,281	-	-	2,921,711	2,818,281
Support Services:						
School Administrative Services	1,078,543	897,767	-	-	1,078,543	897,767
General and Business Administration Services	2,100,869	2,339,924	-	-	2,100,869	2,339,924
Enterprise Activities	-	-	66,523	162,506	66,523	162,506
Total Expenses	<u>6,101,123</u>	<u>6,055,972</u>	<u>66,523</u>	<u>162,506</u>	<u>6,167,646</u>	<u>6,218,478</u>
Changes in Net Position	<u>\$ (80,227)</u>	<u>\$ (406,391)</u>	<u>\$ (7,490)</u>	<u>\$ 32,407</u>	<u>\$ (87,717)</u>	<u>\$ (373,984)</u>

Governmental Activities

The Statement of Activities reflects the cost of program services and the charges for services and operating grants and contributions offsetting those services. The table below, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by unrestricted state entitlements for the fiscal year ended June 30, 2021.

	Total Cost of Services	Grants/Contributions	Net Cost of Services
Instruction	\$ 2,921,711	\$ 1,252,898	\$ (1,668,813)
Administrative	2,100,869	213,215	(1,887,654)
Support services	1,078,543	584,049	(494,494)
Unallocated:			
Capital outlay	-	-	-
Total Expenses	<u>\$ 6,101,123</u>	<u>\$ 2,050,162</u>	<u>\$ (4,050,961)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Business-Type Activity

The business-type activities of the Charter School are the food service operation and after care. These programs had revenues of \$59,033 and operating expenses of \$66,523 for fiscal year 2021.

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 \$6.02 million and expenditures of \$6.10 million.

General Fund Budgeting Highlights

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

During the course of fiscal year 2021, the Charter School amended its General Fund budget as needed. The Charter School uses state-aid and other revenue-based budget. The budgeting systems are designed to tightly control total budget, but provide flexibility for Charter School management teams.

For the General Fund, final budgeted revenues were \$3.95 million which included a local tax levy of \$0.4 million. Expenditures were budgeted at \$4.05 million. The Charter School anticipated a decrease in fund balance of \$0.1 million. In its 2020-2021, actual revenues were \$4.37 million, and expenditures were \$4.32 million.

The State of New Jersey reimbursed the Charter School \$86,535 during the year ended June 30, 2021 for the employer's share of social security contributions for TPAF members while on-behalf TPAF payments for post-retirement pensions, medical benefits and long-term disability insurance were \$312,376. These unbudgeted amounts are included in both revenues and expenditures.

Capital Assets

At the end of fiscal year 2021, the Charter School had \$2,827 invested in capital assets.

Economic Factors and Next Year's Budget

The State of New Jersey continues to face serious budgetary constraints. These impacts the amount of state aid allocated to charter schools. This reality was taken into account when adopting the general fund budget for 2020-2021 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

Contacting the Charter School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Charter School's finances and to reflect the Charter School's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to: Newark Educators' Community Charter School, Business Office, 88-108 Shipman St, Newark, NJ 07102.

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL-WIDE FINANCIAL STATEMENTS

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

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

STATEMENT OF NET POSITION

JUNE 30, 2021

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 538,731	\$ 75,399	\$ 614,130
Intergovernmental receivables:			
Federal	25,164	7,603	32,767
State	225,700	332	226,032
Other receivables	7,119	-	7,119
Prepaid expenses	76,500	-	76,500
Security deposit	91,912	-	91,912
Other current assets	<u>53,237</u>	<u>-</u>	<u>53,237</u>
Total current assets	<u>1,018,363</u>	<u>83,334</u>	<u>1,101,697</u>
Capital assets:			
Machinery and equipment	22,771	-	22,771
Buildings and improvements	<u>397,221</u>	<u>-</u>	<u>397,221</u>
	419,992	-	419,992
Less: Accumulated depreciation	<u>(417,165)</u>	<u>-</u>	<u>(417,165)</u>
Net capital assets	<u>2,827</u>	<u>-</u>	<u>2,827</u>
Total assets	<u>1,021,190</u>	<u>83,334</u>	<u>1,104,524</u>
Deferred outflow of resources	<u>1,258,212</u>	<u>-</u>	<u>1,258,212</u>
Liabilities			
Current liabilities:			
Accounts payable	25,950	-	25,950
Payroll deductions and withholdings	176,614	-	176,614
Intergovernmental payable:			
State	422	-	422
Deferred revenues	<u>86,968</u>	<u>-</u>	<u>86,968</u>
Total current liabilities	<u>289,954</u>	<u>-</u>	<u>289,954</u>
Noncurrent liabilities:			
Due within one year	137,289	-	137,289
Due in more than one year	<u>2,503,750</u>	<u>-</u>	<u>2,503,750</u>
Total noncurrent liabilities	<u>2,641,039</u>	<u>-</u>	<u>2,641,039</u>
Total liabilities	<u>2,930,993</u>	<u>-</u>	<u>2,930,993</u>
Deferred inflow of resources	<u>1,141,994</u>	<u>-</u>	<u>1,141,994</u>
Net position			
Invested in capital assets, net of related debt	2,827	-	2,827
Restricted for:			
Escrow	75,000	-	75,000
Student activities	11,896	-	11,896
Unrestricted	<u>(1,883,308)</u>	<u>83,334</u>	<u>(1,799,974)</u>
Total net position	<u>\$ (1,793,585)</u>	<u>\$ 83,334</u>	<u>\$ (1,710,251)</u>

See accompanying notes to financial statements.

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

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:						
Instruction	\$ 2,650,619	\$ -	\$ 981,806	\$ (1,668,813)	\$ -	\$ (1,668,813)
Administrative	1,078,543	-	213,215	(865,328)	-	(865,328)
Support services	1,791,627	-	274,807	(1,516,820)	-	(1,516,820)
Total governmental activities	5,520,789	-	1,469,828	(4,050,961)	-	(4,050,961)
Business-type activities:						
Food service	53,536	30	57,379	-	3,873	3,873
Afterschool program	12,987	1,624	-	-	(11,363)	(11,363)
Total primary government	\$ 5,587,312	\$ 1,654	\$ 1,527,207	\$ (4,050,961)	\$ (7,490)	\$ (4,058,451)
General revenues, transfers and special items:						
Local sources				\$ 400,444	-	\$ 400,444
State sources				3,545,656	-	3,545,656
Miscellaneous				24,634	-	24,634
Total general revenues, transfers and special items				3,970,734	-	3,970,734
Changes in net position				(80,227)	(7,490)	(87,717)
Net position at beginning of year, as reported				(1,725,254)	90,824	(1,634,430)
Prior period adjustment				11,896	-	11,896
Net position at beginning of year, as restated				(1,713,358)	90,824	(1,622,534)
Net position - ending (A-1)				\$ (1,793,585)	\$ 83,334	\$ (1,710,251)

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

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

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 532,176	\$ 6,555	\$ 538,731
Interfund receivables	-	9,387	9,387
Accounts receivables			
Federal	-	25,164	25,164
State	167,942	57,758	225,700
Other accounts receivables	7,119	-	7,119
Prepaid expenses	76,500	-	76,500
Security deposit	91,912	-	91,912
Other current assets	<u>53,237</u>	<u>-</u>	<u>53,237</u>
Total assets	<u>\$ 928,886</u>	<u>\$ 98,864</u>	<u>\$ 1,027,750</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 25,950	\$ -	\$ 25,950
Interfund payables	9,387	-	9,387
Intergovernmental payables			
State	422	-	422
Payroll deductions and withholdings	176,614	-	176,614
Deferred revenue	<u>-</u>	<u>86,968</u>	<u>86,968</u>
Total liabilities	<u>\$ 212,373</u>	<u>86,968</u>	<u>299,341</u>
Fund balances:			
Restricted:			
Charter escrow	75,000	-	75,000
Student activities	-	11,896	11,896
Unassigned	<u>641,513</u>	<u>-</u>	<u>641,513</u>
Total fund balances	<u>716,513</u>	<u>11,896</u>	<u>728,409</u>
Total liabilities and fund balances	<u>\$ 928,886</u>	<u>\$ 98,864</u>	

Amounts reported for governmental activities in the statement of net position (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	\$ 419,992
Accumulated depreciation	<u>(417,165)</u>
	<u>2,827</u>

Governmental funds do not report the effect of assets or liabilities related to net pension assets (liabilities) whereas these amounts are deferred and amortized in the statement of activities.

Deferred amounts on net pension liability	<u>116,218</u>
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Long-term liabilities, including capital leases and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Net pension liability	<u>(2,641,039)</u>
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Net position of governmental activities - A-1

\$ (1,793,585)

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

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Revenues			
Local Sources			
Local tax levy	\$ 400,444	\$ -	\$ 400,444
Other	<u>24,634</u>	<u>-</u>	<u>24,634</u>
	425,078	-	425,078
Federal sources	-	439,678	439,678
State sources	<u>3,944,567</u>	<u>580,334</u>	<u>4,524,901</u>
Total revenues	<u>4,369,645</u>	<u>1,020,012</u>	<u>5,389,657</u>
Expenditures			
Current expense:			
Regular instruction	1,173,049	647,032	1,820,081
Special education instruction	62,052	-	62,052
Support services and undistributed costs:			
Student and instruction related services	488,140	372,980	861,120
Other administrative services	178,849	-	178,849
School administrative services	548,610	-	548,610
Plant operations and maintenance	877,060	-	877,060
Personal services - employee benefits	<u>996,851</u>	<u>-</u>	<u>996,851</u>
Total Expenditures	<u>4,324,611</u>	<u>1,020,012</u>	<u>5,344,623</u>
Excess revenues over expenditures	45,034	-	45,034
Fund balances at beginning of year, as reported	671,479	-	671,479
Prior period adjustments	<u>-</u>	<u>11,896</u>	<u>11,896</u>
Fund balances at beginning of year, as restated	<u>671,479</u>	<u>11,896</u>	<u>683,375</u>
Fund balances at end of year	<u>\$ 716,513</u>	<u>\$ 11,896</u>	<u>\$ 728,409</u>

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

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

YEAR ENDED JUNE 30, 2021

Total net change in fund balances - governmental funds (B-2) \$ 45,034

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

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

Capital outlay	-
Depreciation expense	(3,055)

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

Compensated absences	15,000
Pension costs	<u>(137,206)</u>

Change in net position of governmental activities (A-2) \$ (80,227)

PROPRIETARY FUNDS

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)****PROPRIETARY FUND****STATEMENT OF NET POSITION****JUNE 30, 2021****Assets**

Current assets:

Cash and cash equivalents	\$	75,399
Accounts receivable:		
Federal		7,603
State		<u>332</u>

Total Assets \$ 83,334

Liabilities

Current liabilities

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

Unrestricted		<u>83,334</u>
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Total Liabilities and Net Position \$ 83,334

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

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

YEAR ENDED JUNE 30, 2021

Operating revenues:		
Charges for services:		
Daily sales - reimbursable programs	\$	-
Afterschool fees		1,624
Miscellaneous revenue		<u>30</u>
Total operating revenues		<u>1,654</u>
Operating expenses:		
Salaries		14,294
Supplies and materials - reimbursable programs		<u>52,229</u>
Total operating expenses		<u>66,523</u>
Operating loss		<u>(64,869)</u>
Non-operating revenues:		
State sources:		
State School Lunch Program		1,944
Federal sources:		
National School Lunch		30,151
National School Breakfast		17,662
Fresh Fruits and Vegetables		<u>7,622</u>
Total non-operating revenues		<u>57,379</u>
Change in net position		(7,490)
Total net position at beginning of year		<u>90,824</u>
Total net position at end of year	\$	<u><u>83,334</u></u>

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

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

Cash flows from operating activities

Operating loss	\$ (64,869)
Adjustment to reconcile operating loss to net cash from operating activities	
Changes in assets and liabilities:	
Accounts receivable	<u>(4,200)</u>
Net cash from operating activities	(69,069)

Cash flows from noncapital financing activities

Cash received from state and federal reimbursements	<u>57,379</u>
Net cash from noncapital financing activities	<u>57,379</u>
Net increase in cash and cash equivalents	(11,690)
Cash and cash equivalents at beginning of the year	<u>87,089</u>
Cash and cash equivalents at end of year	<u>\$ 75,399</u>

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Component Units

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

C. Basis of Presentation

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Basis of Presentation - Continued

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

The financial statements include:

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

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

D. Basic Financial Statements

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

Government-wide Financial Statements

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Basic Financial Statements - Continued

Fund Financial Statements

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

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

E. Governmental Funds

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Governmental Funds - Continued

Capital Projects Fund - The Capital Projects Fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election. As of June 30, 2021, there was no Capital Projects Fund.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of principal and interest on, bonds issued to finance major property acquisitions, construction, and improvement programs. As of June 30, 2021, there was no debt service fund.

F. Proprietary Funds

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

Enterprise Funds:

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

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

Internal Service (Self-Insurance) Fund:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Fiduciary Funds

Fiduciary funds are classified as follows:

Trust Fund. Accounts for assets held in a trustee capacity for others and therefore cannot be used to support the Charter School's own programs. Three trust fund types discussed below are used to account for resources held and administered by the Charter School when it is acting in a fiduciary capacity for individuals, private organizations or other governmental units. These funds are distinguished from custodial funds generally by the existence of a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

- a. Pension and Other Employee Benefit Trust. Accounts for resources held in trust for the members and beneficiaries of various employee benefit plans.
- b. Investment Trust Fund. Accounts for the portion of investment pools reported by the sponsoring district.
- c. Private Purpose Trust Fund. Accounts for all other trust arrangements, such as a scholarship fund to benefit individual students.

Custodial Fund. Accounts for resources held by the Charter School in a purely custodial capacity that involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Charter School must maintain the financial integrity of the individual agencies through a separate accounting of each activity for which the Charter School is acting as an agent. Custodial funds would include parent-teacher organizations.

H. Measurement Focus and Basis of Accounting

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Measurement Focus and Basis of Accounting - Continued

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

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

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

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

I. Budgets/Budgetary Control

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

I. Budgets/Budgetary Control - Continued

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

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

J. Deposits, Investments and Risk Disclosure

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Deposits, Investments and Risk Disclosure - Continued

Deposits

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

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

Investments

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

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

As of June 30, 2021, the Charter School did not hold any investments.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

J. Deposits, Investments and Risk Disclosure - Continued

Risk Category

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

As of June 30, 2021, the Board had funds invested and on deposit in checking accounts. These funds constitute "deposits with financial institutions" as defined by GASB Statement No. 3 and modified by GASB Statement No. 40, and as such, are deposits that are insured or collateralized with securities held by the Board or by its agent in the Board's name, both at year-end and throughout the year.

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

K. Prepaid Expenses

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

As of June 30, 2021, the Charter School have prepaid expenses amounting to \$76,500.

L. Interfund Assets/Liabilities

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

M. Fixed Assets

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

M. Fixed Assets - Continued

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

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

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

N. Deferred Outflows/Inflows of Resources

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

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

O. Compensated Absences

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

O. Compensated Absences - Continued

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. Upon termination, employees are paid for accrued vacation. The Charter School's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the Charter School for the unused sick leave in accordance with the Charter School's agreements with the various employee unions.

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

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. There was no liability for vested compensated absences at June 30, 2021.

P. Net Pension Liability (Asset)

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

Q. Deferred Revenue

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

R. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements. All payable, accrued liabilities, and long-term obligations payable from the enterprises fund are reported and the enterprises fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

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

R. Accrued Liabilities and Long-Term Obligations - Continued

However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payments during the current year.

S. Fund Balance and Equity

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

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

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

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

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

T. **Net Position**

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

U. Contributed Capital

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

V. Interfund Transactions

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

W. Use of Estimates

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

X. Accounting for Uncertainty in Income Taxes

The Charter School recognizes the effect of income tax positions only of those positions are more likely than not of being sustained. Management has determined that the Charter School had no uncertain tax positions that would require financial statement recognition. The Charter School is no longer subject to audits by the applicable taxing jurisdictions for tax periods prior to 2018.

Y. On-Behalf Payments

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

Z. Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 10, 2022.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 2 ACCOUNTING PRONOUNCEMENTS

A. Accounting Pronouncement Adopted During the year

On July 1, 2020, the Charter School adopted Statement No. 84, "Fiduciary Activities and Implementation Guide No. 2019-2." GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Determining whether an activity is fiduciary can be a challenge. Governmental Accounting Standards Board (GASB) recently issued Implementation Guide No. 2019-2, Fiduciary Activities. The Implementation Guide, which is an authoritative document, includes questions and answers on topics such as identifying fiduciary activities and reporting fiduciary activities: Implementation Guide No. 2019-2, Fiduciary Activities.

The adoption of the GASB No. 84, resulted to the following:

Student Activity Funds are Reported in the Special Revenue Fund effective July 1, 2020

The revenue sources for the Student Activity Fund are solely for the fees and dues collected and they are restricted for the specifically identified student activity. N.J.A.C. 6A:23A-16.12 governs the establishment and operation of the Student Activity Fund restricting expenditures within the fund and prohibiting the transfer of any unspent balances to any other fund.

This adoption resulted to a restatement of July 1, 2020 net position of governmental funds to increase total assets and restricted net position of \$11,896 in the governmental activities' Statement of Net Position.

Payroll Funds are Reported in the General Fund effective July 1, 2020

Payroll Clearing Funds do not meet the definition of fiduciary activities prescribed in GASB No. 84 paragraph 11, they are accounted for and reported in the General Fund. Any unremitted balance at year-end is reported as a liability on Schedule B-1. Assets and liabilities for the Payroll Clearing Funds were reported as assets and liabilities in the Governmental Funds Balance Sheet under General Fund. This adoption did not result to a restatement of the July 1, 2020 net position.

However, the adoption resulted to an increase in total assets and liabilities of \$145,564 in the governmental activities' Statement of Net Position as of July 1, 2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 2 ACCOUNTING PRONOUNCEMENTS - CONTINUED

A. Accounting Pronouncement Adopted During the year - Continued

Payroll Funds are Reported in the General Fund effective July 1, 2020 - Continued

GASB Statement No. 90, *Majority Equity Interests* – An Amendment of GASB Statements No. 14 and No. 61, (GASBS 90). GASBS 90 defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The Charter School do not hold an equity interest in an investment, therefore the adoption did not have an effect on the Charter School's financial statements.

B. Accounting Pronouncements Issued but not Yet Adopted

Statement No. 87 and Implementation Guide No. 2019-3, *Leases*, effective for reporting periods beginning after June 15, 2021, and all reporting periods thereafter. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Charter School is currently evaluating the impact of this Statement.

Statement No. 91, *Conduit Debt Obligations*, reporting periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Currently, the Charter School do not have conduit debt obligation and expects that the adoption of this in fiscal year 2022 will not have an impact on the Charter School's financial statements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 2 ACCOUNTING PRONOUCEMENTS- CONTINUED

B. Accounting Pronouncements Issued but not Yet Adopted - Continued

Statement No. 93, *Replacement of Interbank Offered Rates* effective for fiscal years beginning after June 15, 2021. The objective of GASB 93 is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate. The Charter School is currently assessing effect on its financial statement.

Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangement* effective for fiscal years beginning after June 15, 2022 or fiscal year 2023. The objective of GASB 94 is to improve financial reporting related to public-private and public-public partnership arrangements (PPP). It provides accounting and financial reporting guidance for availability payment arrangements (APA) and establishes definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet definitions. The Charter School is currently assessing effect on its financial statement.

Statement No. 96, *Subscription-Based Information Technology Arrangement (SBTA)* effective for fiscal year beginning after June 15, 2022. GASB No. 96 establishes uniform accounting and financial reporting requirements, improves comparability of financial statements and enhances information. It establishes that SBITA results in an intangible asset and a subscription liability and provides capitalization criteria for other than subscription payments. The Charter School is currently assessing effect on its financial statement.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Section 457 Deferred Compensation Plans* effective for fiscal years beginning after June 15, 2021. GASB 97 creates an exception, allowing defined contribution pension plans, defined contribution OPEB plans, and certain Section 457 plans who do not have a board to be excluded from consideration as a component unit. The Charter School is currently assessing effect on its financial statement.

Statement No. 98, *The Annual Comprehensive Financial Report* effective for fiscal years ending after December 15, 2021. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The Charter School will adopt this change in fiscal year 2022.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 3 CASH AND CASH EQUIVALENTS

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

As of June 30, 2021, the Charter School's deposits are summarized as follows:

	General Fund	Enterprise Fund	Trust and Agency Funds	Total
Operating Account	\$ 537,865	\$ 75,399	\$ -	\$ 613,264
Restricted cash	866	-	-	866
Total	<u>\$ 538,731</u>	<u>\$ 75,399</u>	<u>\$ -</u>	<u>\$ 614,130</u>

Operating cash accounts are held in the Charter School's name by several banking institutions. At June 30, 2021, the Charter School's carrying amount of deposits was \$607,575 and the bank balance was \$956,387. Of the bank balance, up to a maximum of \$250,000 of the Charter School's cash deposits on June 30, 2021 were secured by federal deposit insurance and \$706,387 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").

Restricted Cash

The Charter School has established and funded an Escrow Account pursuant to an agreement signed with the New Jersey Department of Education. The required minimum is \$75,000, which was recorded by the Charter School as restricted fund balance June 30, 2021. The agreement stipulates that the intended use of the escrow amount is "to pay for legal and audit expenses and any other outstanding pension benefits that would be associated with a dissolution should it occur."

NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Net Additions (Deletions)</u>	<u>Ending Balance</u>
Capital assets being depreciated:			
Machinery and equipment	\$ 22,771	\$ -	\$ 22,771
Leasehold improvements	397,221	-	397,221
Total	419,992	-	419,992
Less Accumulated depreciation	(414,110)	(3,055)	(417,165)
Capital assets net	<u>\$ 5,882</u>	<u>\$ (3,055)</u>	<u>\$ 2,827</u>
Business-Type Activities			
Machinery and equipment	\$ 2,358	\$ -	\$ 2,358
Less Accumulated depreciation	(2,358)	-	(2,358)
Capital assets net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 4 CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions/programs of the Charter School for the year ended June 30, 2021 as follows:

Depreciation expense		
Instruction	\$	1,349
Administrative		994
Support		712
	\$	<u>3,055</u>

NOTE 5 NONCURRENT LIABILITIES

Long-term debt only pertains to net pension liability :

<u>Description</u>	<u>Governmental Activities</u>
Balance at June 30, 2020	\$ 2,550,526
Additions	267,682
Reductions	<u>(177,169)</u>
Balance at June 30, 2021	<u>\$ 2,641,039</u>
 Due within one year	 <u>\$ 137,289</u>

The net pension liability classified as due within one year amounting to \$137,289 represents pension contributions for fiscal year 2021 due and payable on April 1, 2022.

Assets acquired capital leases are as follows at June 30, 2021:

<u>Description</u>	<u>Governmental Activities</u>
Equipment	\$ 419,993
Less: accumulated depreciation	<u>(417,166)</u>
Total	<u>\$ 2,827</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 6 NET POSITION (DEFICIT)

As of June 30, 2021, net position consisted of the following components:

<u>INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT</u>	<u>Governmental</u>	<u>Business Type</u>	<u>Total</u>
Capital assets, net	\$ 2,827	\$ -	\$ 2,827
Less: Long-Term obligations	<u>-</u>	<u>-</u>	<u>-</u>
(All long-term debt relates to capital assets)	2,827	-	2,827
<u>RESTRICTED</u>			
Restricted for Charter School			
Escrow requirement	75,000	-	75,000
Restricted for Student Activity	<u>11,896</u>	<u>-</u>	<u>11,896</u>
	86,896	-	86,896
<u>UNRESTRICTED</u>			
Net position (deficit) not restricted above	<u>(1,883,308)</u>	<u>83,334</u>	<u>(1,799,974)</u>
NET POSITION (DEFICIT)	<u>\$ (1,793,585)</u>	<u>\$ 83,334</u>	<u>\$ (1,710,251)</u>

The Charter School has an unrestricted deficit of \$(1,725,251) as of June 30, 2021. This deficit was mainly caused by the recognition of the share in the net pension liability of \$2,039,804 in fiscal year 2015.

NOTE 7 PENSION PLANS

A. Description of Plans

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS – CONTINUED

A. Description of Plans - Continued

i. Public Employees' Retirement System (PERS)

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

ii. Teachers Pension and Annuity Fund (TPAF)

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

Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

B. Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 4303B and N.J.S.A. 18A: for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 55 and are generally 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 benefit would begin the first day of the month after the member attains normal retirement age.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS – CONTINUED

B. Vesting and Benefit Provisions – Continued

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

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

C. Significant Legislation

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

Chapter 4, P.L. 2001 provides increased benefit to certain members of PERS who retired prior to December 29, 1989 with at least 25 years of creditable service. The maximum amount of the increase is 5 percent the retiree's final compensation. For those with 30 or more years of service, the total pension would increase from 65 to 71 percent of final compensation. Due to the enactment of 1997 legislation, Chapter 114, P.L. 1997 and Chapter 115, P.L. 1997, the State of New Jersey's portion of the unfunded accrued liability under each retirement system was eliminated. In addition, excess valuation assets were available to fund, in full or in part, the State of New Jersey's normal contribution from 1997 to 2001, excluding the contribution for post-retirement medical benefits in the PERS and TPAF.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

D. Contribution Requirement

The contribution policy is set by laws of the State of New Jersey and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation with the amount of contributions by the State of New Jersey contingent upon the Annual Appropriations Act. As defined, the retirement systems require employee contributions based on 7.06% for PERS and 7.06% for TPAF of the employee's annual compensation. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustment, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Charter School.

The Charter School's cash contribution to PERS for the year ended June 30, 2021 was \$168,606.

The State of New Jersey was required to contribute for TPAF on behalf of the Charter School, for normal cost pension and accrued liability contributions (including non-contributory group life insurance (NCGI)) and post-retirement medical contribution amounting to \$312,376.

In accordance with N.J.S.A 18A:66-66 the State of New Jersey reimbursed the Charter School \$86,535 during the year ended June 30, 2021 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. These amounts have been included in the basic financial statements.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures

i. Public Employees' Retirement System (PERS)

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

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

At June 30, 2021, the Charter School reported in the charter school-wide statement of net position a liability of \$2,641,039 for its proportionate share of the PERS net pension liability. The total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The Charter School's proportionate share of the net pension liability was based on the ratio of contributions as an individual employer to the total contributions to the PERS as of June 30, 2020 measurement date. At June 30, 2021, the Charter School's proportionate share was 0.0161953536% which is an increase from the proportionate share of 0.0141550561% at June 30, 2020 measurement date.

For the year ended June 30, 2021, the Charter School recognized pension expense of \$137,206. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 85,678	\$ 1,105,828
Net difference between projected and actual earnings on pension plan investments	90,273	-
Change in proportion and differences between Charter School contributions and proportionate share contributions	1,034,172	26,826
Net difference between expected and actual experience	48,089	9,340
	<u>\$ 1,258,212</u>	<u>\$ 1,141,994</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS – CONTINUED

E. GASB 68 Disclosures - continued

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

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

	Year Ended June 30
2022	\$ 20,042
2023	33,661
2024	28,896
2025	10,083
2026	23,536

Actuarial assumptions. The collective total pension liability for the June 30, 2020 measurement date as determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases	
Through 2026	2.00% – 6.00% based on years of service
Thereafter	3.00% – 7.00% based on years of service
Investment rate of return	7.00%

Pre-retirement mortality rates were based on Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the based year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial valuation study for the period July 1, 2014 to June 30, 2018.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS – CONTINUED

E. GASB 68 Disclosures - Continued

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

Long-term Expected Rate of Return. In accordance with the State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2020 measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%
Total	<u>100.00%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7% as of June 30, 2020 measurement date. 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 and nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions from local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of all current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

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

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 calculated using the discount rate as disclosed above, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Charter School's proportionate share of the net pension liability	<u>\$ 3,350,770</u>	<u>\$ 2,641,039</u>	<u>\$ 2,077,202</u>

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

ii. Teachers Pension and Annuity Fund (TPAF)

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

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

In accordance with N.J.S.A. 18:66-33, the employer contributions for the Charter School is legally required to be funded by the State. This is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. As such, there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

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

For the year ended June 30, 2021, the Charter School recognized pension expense and related revenue of \$393,550 in the Charter School-wide financial statements for its proportionate share in the special funding support provided by the State for its TPAF members.

The State's proportionate share of the net pension liability attributable to the Charter School was based on the ratio on the State's contribution as an employer and non-employer towards the actuarially determined contribution amount adjusted by locations who participated in the State early retirement incentives to total contributions to TPAF during the years ended June 30, 2020 and 2019 measurement dates, respectively. At June 30, 2020 and 2019 measurement dates, the State's proportion of the net pension liability attributable to Charter School was 0.0096110785% and 0.0105738984%, respectively.

Actuarial Assumptions. The total pension liability for the June 30, 2020 measurement date as determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation	
Price	2.75%
Wage	3.25%
Salary increases	
Through 2026	1.55% – 4.45% based on years of service
Thereafter	2.75% - 5.65% based on years of service
Investment rate of return	7.00%

Pre-retirement mortality were based on Pub-2010 Teachers Above-Median Income Employee mortality table with a 93.9% adjustment for males and 85.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 Teachers Above-Median Income healthy Retiree mortality table with a 114.7% adjustment for males and 99.6% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability mortality rates were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 106.3% adjustment for males and 100.3% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

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

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2018.

Long-term Expected Rate of Return. In accordance with the State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2021 measurement date, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment grade credit	8.00%	2.67%
Cash equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk mitigation strategies	3.00%	3.40%
Total	<u>100.00%</u>	

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 7 PENSION PLANS - CONTINUED

E. GASB 68 Disclosures - Continued

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

Discount rate. The discount rate used to measure the total pension liability was 5.40% June 30, 2020 measurement date. The single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.21% as of June 30, 2020, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contribution from employers will be made based on 78% of actuarially determined contributions for the State. 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 2062. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2062 and the municipal bond rate was applied to projected benefit payments after that date in determining total pension liability.

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

	1% Decrease (4.40%)	Current Discount Rate (5.40%)	1% Increase (6.40%)
State's proportionate share of the net pension liability attributable to the Charter School	<u>\$ 7,450,229</u>	<u>\$ 6,328,780</u>	<u>\$ 5,423,059</u>

NOTE 8 POST-RETIREMENT BENEFITS

General Information about the OPEB Plan

The State of New Jersey Provides post-retirement (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. In Fiscal Year 2020, the State paid PRM benefits for 143,053 State and local retirees.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS

General Information about the OPEB Plan - Continued

The State funds post-retirement medical benefits on a “pay-as-you-go” basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2020, the State contributed \$1.578 billion to pay for pay-as-you-go PRM benefit costs incurred by covered retirees. The State’s “pay as-you-go” contributions have decreased from Fiscal Year 2019 amounts. Reductions are attributable to various cost savings initiatives implemented by the State, including new Medicare Advantage contracts. The State has appropriated \$1.775 billion in Fiscal Year 2021 as the State’s contribution to fund pay-as-you-go PRM costs.

In accordance with the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The Fiscal Year 2020 total State OPEB liability to provide these benefits is \$65.5 billion, a decrease of \$10.5 billion or 13.8 percent from the \$76.0 billion liability recorded in Fiscal Year 2019.

Additional information on Pensions and OPEB can be accessed at state.nj.us/treasury/pensions/financial-reports.shtml.

Total OPEB Liability

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

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 CAFR at <https://www.nj.gov/treasury/omb/cafr.shtml>

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. 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:

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

Total OPEB Liability - Continued

Inflation rate	2.50%		
	<u>TPAF/ABP</u>	<u>PERS</u>	<u>PFRS</u>
Salary increases:			
Through 2026	1.55% - 4.45% based on years of service	2.00% - 6.00% based on years of service	3.25% - 15.25% based on years of service
Thereafter	1.55% - 4.45% based on years of service	3.00% - 7.00% based on years of service	Applied to all future years

Preretirement mortality rates were based on the Pub-2010 Healthy "Teachers" (TPAF/ABP) "General" (PERS), and "Safety" (PFRS) classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Postretirement mortality rate were based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial studies for periods July 1, 2015 – June 30, 2018, July 1, 2014 – June 30, 2018, and July 1, 2013 – June 30, 2018 for TPAF, PERS and PFRS, respectively.

(a) Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.5% long-term rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rate for fiscal year 2021 are reflected. The assumed post-65 medical trend is 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7.0% and decreases to a 4.5% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.0%.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

Total OPEB Liability - Continued

(b) Discount rate

The discount rate for June 30, 2020 was 2.21%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Changes in the Total OPEB liability of the State for Charter School retirees:

Balance at 6/30/19 Measurement date	\$	2,134,580
Changes for the year		
Service cost		420,310
Interest		96,462
Differences between expected and actual experience		(454,183)
Changes in assumptions and other inputs		31,827
Benefit payments		1,942
Contributions from the member		<u>(65,525)</u>
Net Change		30,833
Balance at 6/30/20 measurement date	\$	<u><u>2,165,413</u></u>

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

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
State's Proportionate Share of the Total OPEB Liability Attributable to the Charter School retirees	\$ 4,900,249	\$ 4,064,736	\$ 3,411,445

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

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

	<u>1% Decrease</u>	<u>Current Health Cost Trend Rate</u>	<u>1% Increase</u>
State's Proportionate Share of the Total OPEB Liability Attributable to the Charter School retirees	\$ 3,281,192	\$ 4,064,736	\$ 4,997,763

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

For the year ended June 30, 2021, the Charter School recognize OPEB revenue and expense of \$ 475,271 as determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

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

At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to retired Charter School employees' OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 681,398	\$ (463,809)
Difference between expected and actual experience	617,133	(549,720)
Changes in proportion	871,828	(544,936)
	<u>\$ 2,170,359</u>	<u>\$ (1,558,465)</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 8 POST-RETIREMENT BENEFITS - CONTINUED

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

	Year Ended June 30
2022	\$ 40,500
2023	40,500
2024	40,500
2025	40,500
2026	40,500
Thereafter	409,394

NOTE 9 RISK MANAGEMENT

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

A. Property and Liability Insurance

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

B. New Jersey Unemployment Compensation

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

NOTE 10 INTERFUND RECEIVABLES AND PAYABLES

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 10 INTERFUND RECEIVABLES AND PAYABLES - CONTINUED

At June 30, 2021, the interfund balances consisted of the following components:

	<u>RECEIVABLE (PAYABLE)</u>		
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Enterprise Fund</u>
General fund	\$ (9,387)	\$ 9,387	\$ -
GASB No 34 mandated eliminations within governmental activities	<u>9,387</u>	<u>(9,387)</u>	<u>-</u>
Net interfund balances reported as follows:			
Entity-wide (eliminated in total column)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
External (Due from Trust and Agency Funds)			

NOTE 11 CONTINGENCIES

State and Federal Aid Receipts

State and Federal awards are generally subject to review by the responsible governmental agencies for compliance with the agencies regulations governing the aid. In the opinion of the Charter School's management and legal counsel, any potential adjustments to the Federal or State aid recorded by the Charter School through June 30, 2021, resulting from a review by a responsible government agency will not have a material effect on the Charter School financial statements at June 30, 2021.

NOTE 12 RELATED PARTY TRANSACTIONS

The Friends of Newark Educators' Community Charter School (The Friends) is an affiliate organization related to the Charter School. It is a not-for-profit organization incorporated under the laws of the State of New Jersey, to become the Fundraising arm of the Charter School with the intent of making both restricted and unrestricted contributions to the Charter School from time to time. The Friends made no unrestricted contributions during 2021.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS - CONTINUED

NOTE 13 LEASE

The Charter School is currently sub-leasing its facilities at 88-108 Shipman St., Newark, New Jersey for a period of four years expiring on June 30, 2023. Rent for the year ended June 30, 2021 amounted to \$459,000. The Charter School also prepaid \$76,500 of rent as of June 30, 2021.

NOTE 14 COVID-19 PUBLIC HEALTH EMERGENCY

On June 4, 2021, Governor Murphy signed legislation (A5820/S3866) and Executive Order No. 244 ending of the COVID-19 Public Health Emergency that has been in place since March 9, 2020. Under the legislation, the majority of executive orders issued pursuant to the Public Health Emergency expired 30 days from the approval date. The legislation allows for the termination of the Public Health Emergency while also allowing the Administration to retain the tools necessary to manage the ongoing threat posed by the pandemic. Specifically, the Administration is authorized to issue orders, directives, and waivers under the authority in the Emergency Health Powers Act that are related to vaccination efforts; testing; health resource and personnel allocation; data collection, retention, sharing, and access; coordination of local health departments; and implementation of any CDC recommendations to prevent the transmission of COVID-19. This authority lasts until January 11, 2022, and can be extended for 90 days with the passage of a concurrent resolution by the Legislature.

With the end of the Public Health Emergency, full-time school operations was restored in New Jersey beginning September 2021.

REQUIRED SUPPLEMENTARY INFORMATION

PART II

BUDGETARY COMPARISON SCHEDULES

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues					
Local sources:					
Local tax levy	\$ -	\$ -	\$ -	\$ 400,444	\$ 400,444
Miscellaneous	-	-	-	24,634	24,634
Total - Local Sources	-	-	-	425,078	425,078
State Sources:					
Categorical Special Education Aid	140,677	(26,037)	114,640	114,640	-
Equalization Aid	3,173,616	(425,953)	2,747,663	2,347,219	(400,444)
Categorical Security Aid	113,669	(16,851)	96,818	96,818	-
Adjustment Aid	973,250	13,729	986,979	986,979	-
Reimbursed T.P.A.F. Social Security (Non-budgeted)	-	-	-	86,535	86,535
On-Behalf T.P.A.F. Pension Contributions - Normal Cost (Non-Budgeted)	-	-	-	237,582	237,582
On-Behalf T.P.A.F. Pension Contribution - Post-Retirement Medical (Non-Budgeted)	-	-	-	74,454	74,454
On-Behalf T.P.A.F. Pension Contribution - Long-Term Disability Insurance (Non-Budgeted)	-	-	-	340	340
Total - State Sources	4,401,212	(455,112)	3,946,100	3,944,567	(1,533)
Total Revenues	4,401,212	(455,112)	3,946,100	4,369,645	423,545
Expenditures					
Current Expense:					
Regular Programs - Instruction:					
Preschool	40,594	(34,212)	6,382	6,382	-
Kindergarten	175,917	(164,347)	11,570	11,570	-
Grade 1-5	942,676	(196,825)	745,851	745,851	-
Regular Programs - Undistributed Instruction:					
Other salaries for instruction	117,420	117,032	234,452	234,452	-
Purchased professional - educational services	150,000	(73,446)	76,554	67,088	9,466
Other purchased services (400-500 Series)	25,000	(8,023)	16,977	16,977	-
General supplies	100,000	(46,782)	53,218	53,218	-
Textbooks	50,000	(34,282)	15,718	15,718	-
Other objects	25,000	(3,207)	21,793	21,793	-
Total Regular Programs - Instruction	1,626,607	(444,092)	1,182,515	1,173,049	9,466
Resource Room/Resource Center:					
Salaries of teachers	157,461	(95,409)	62,052	62,052	-
Total Instruction	1,784,068	(539,501)	1,244,567	1,235,101	9,466
Undistributed Expenditures - Health Services:					
Salaries	70,040	2,520	72,560	72,560	-
Purchased professional and technical services	-	6,000	6,000	6,000	-
Supplies and materials	-	10,590	10,590	10,590	-
Total Undistributed Expenditures - Health Services	70,040	19,110	89,150	89,150	-
Undistributed Expenditures - Speech, OT, PT and Related Services:					
Purchased professional - education services	-	143,644	143,644	143,644	-
Undistributed Expenditures - Guidance:					
Other purchased services (400-500 Series)	-	500	500	500	-
Undistributed Expenditures - Child Study Team:					
Salaries of other professional staff	53,664	47,676	101,340	101,340	-
Undistributed Expenditures - Improvement of Instruction Services:					
Salaries of supervisors of instruction	103,100	48,886	151,986	151,986	-
Other purchased services (400-500 Series)	125,000	(123,480)	1,520	1,520	-
Total Undistributed Expenditures - Improvement of Instruction Services	228,100	(74,594)	153,506	153,506	-
Undistributed Expenditures - Support Services - General Administration:					
Legal services	25,000	(23,025)	1,975	1,975	-
Audit fees	-	23,450	23,450	23,450	-
Other purchased professional services	138,915	(115,859)	23,056	23,056	-
Communications/telephone	65,000	33,101	98,101	98,101	-
Miscellaneous purchased services (400-500)	25,000	(21,306)	3,694	3,694	-
General supplies	-	464	464	464	-
Miscellaneous	-	28,109	28,109	28,109	-
Total Undistributed Expenditures - Support Services - General Administration	253,915	(75,066)	178,849	178,849	-
Undistributed Expenditures - Support Services - School Administration:					
Salaries of principals/assistant principals	270,460	(156,480)	113,980	113,980	-
Salaries of secretarial and clerical assistants	121,156	47,616	168,772	168,772	-
Other salaries	85,674	4,715	90,389	90,389	-
Supplies and materials	10,000	23,149	33,149	33,149	-
Other objects	16,000	(16,000)	-	-	-
Total Undistributed Expenditures - Support Services - School Administration	503,290	(97,000)	406,290	406,290	-

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Central Services:					
Miscellaneous purchased services (400-500)	-	142,320	142,320	142,320	-
Undistributed Expenditures - Custodial Services:					
Salaries	6,738	36,763	43,501	43,501	-
Purchased professional/technical service	-	263,043	263,043	263,043	-
Cleaning, repair, and maintenance services	-	113,933	113,933	113,933	-
Rent on land and buildings	353,165	61,649	414,814	300,814	114,000
Insurance-fidelity, liability, property	73,434	3,153	76,587	76,587	-
Supplies and materials	20,000	(16,071)	3,929	3,929	-
Utilities	42,182	4,748	46,930	46,930	-
Total Undistributed Expenditures - Custodial Services	495,519	467,218	962,737	848,737	114,000
Undistributed Expenditures - Security					
Purchased Professional and Technical Services	-	28,323	28,323	28,323	-
Total Undistributed Expenditures - Operation and Maintenance of Plant Services	495,519	495,541	991,060	877,060	114,000
Undistributed Expenditures - Student Transportation Services:					
Contracted Services	8,000	(8,000)	-	-	-
Unallocated Benefits - Employee Benefits:					
Social Security Contributions	-	51,165	51,165	51,165	-
Other Retirement Contributions - PERS	165,000	12,169	177,169	177,169	-
Unemployment Compensation	-	35,835	35,835	35,835	-
Health Benefits	481,570	(147,799)	333,771	333,771	-
Total Unallocated Benefits - Employee Benefits	646,570	(48,630)	597,940	597,940	-
Reimbursed T.P.A.F. Social Security (Non-budgeted)	-	-	-	86,535	(86,535)
On-Behalf T.P.A.F. Pension Contributions - Normal Cost (Non-Budgeted)	-	-	-	237,582	(237,582)
On-Behalf T.P.A.F. Pension Contribution - Post-Retirement Medical (Non-Budgeted)	-	-	-	74,454	(74,454)
On-Behalf T.P.A.F. Pension Contribution - Long-Term Disability Insurance (Non-Budgeted)	-	-	-	340	(340)
Total On-Behalf Contribution	-	-	-	398,911	(398,911)
Total Personal Services - Employee Benefits	646,570	(48,630)	597,940	996,851	(398,911)
Total General Current Expense	2,259,098	545,501	2,804,599	3,089,510	(284,911)
Capital Outlay:					
Undistributed Expenditures					
Instruction	6,000	(6,000)	-	-	-
Total Expenditures	4,049,166	-	4,049,166	4,324,611	(275,445)
Excess (Deficiency) of Revenues over Expenditures	352,046	(455,112)	(103,066)	45,034	(148,100)
Fund balances at beginning of year, as reported	671,479	-	671,479	671,479	-
Prior period adjustment	-	-	-	-	-
Fund balances at beginning of year, as restated	671,479	-	671,479	671,479	-
Fund balances at end of year	\$ 1,023,525	\$ (455,112)	\$ 568,413	\$ 716,513	\$ (148,100)
Recapitulation:					
Restricted for:					
Escrow				\$ 75,000	
Unassigned				641,513	
Total Fund Balance				\$ 716,513	

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

SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2021

	Original Budget	Budget Transfers	Final Budget	Actual	Final to Actual
Revenues					
Local	\$ -	\$ -	\$ -	\$ -	\$ -
State	580,334		580,334	580,334	-
Federal	<u>537,019</u>	<u>(97,341)</u>	<u>439,678</u>	<u>439,678</u>	-
Total revenues - All sources	<u>1,117,353</u>	<u>(97,341)</u>	<u>1,020,012</u>	<u>1,020,012</u>	-
Expenditures					
Current Expenditures:					
Instruction:					
Salaries of teachers	378,056	-	378,056	378,056	-
Other salaries for instruction	100,536	-	100,536	100,536	-
Employee benefits	15,874	-	15,874	15,874	-
Supplies and materials	<u>249,907</u>	<u>(97,341)</u>	<u>152,566</u>	<u>152,566</u>	-
Total instruction	<u>744,373</u>	<u>(97,341)</u>	<u>647,032</u>	<u>647,032</u>	-
Support services:					
Salaries of supervisors of instruction	40,000	-	40,000	40,000	-
Other salaries for support services	20,000	-	20,000	20,000	-
Employee benefits	61,057	-	61,057	61,057	-
Purchased professional educational services	<u>63,738</u>	-	<u>63,738</u>	<u>63,738</u>	-
Travel	-	-	-	-	-
Rent	158,185	-	158,185	158,185	-
Other purchase services	-	-	-	-	-
Custodial	<u>30,000</u>	-	<u>30,000</u>	<u>30,000</u>	-
Supplies	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total support services	<u>372,980</u>	-	<u>372,980</u>	<u>372,980</u>	-
Capital Outlay:					
Facilities acquisition and construction services	-	-	-	-	-
Instructional equipment	-	-	-	-	-
Noninstructional equipment	-	-	-	-	-
Total capital outlay	-	-	-	-	-
Total Expenditures	<u>1,117,353</u>	<u>(97,341)</u>	<u>1,020,012</u>	<u>1,020,012</u>	-
Excess Revenues over Expenditures	-	-	-	-	-
Fund balance at beginning of year, as reported				-	
Prior period adjustment				<u>11,896</u>	
Fund balance at beginning of year, as restated				<u>11,896</u>	
Fund balance at end of year				<u>\$ 11,896</u>	
Recapitulation:					
Restricted:					
Student Activities				<u>11,896</u>	
Total Fund Balance				<u>\$ 11,896</u>	

**NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

PART II

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

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY GAAP RECONCILIATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2021

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule:	[C-1] \$ 4,369,645	[C-2] 439,678
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.	-	-
Last State aid payment recognized for budgetary purposes only.	-	-
General Fund contribution to Early Childhood Program Aid.	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	[B-2] <u>4,369,645</u>	[B-2] <u>439,678</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] 4,324,611	[C-2] 1,020,012
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	-	-
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		
Net transfer (outflows) to general fund	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] <u>\$ 4,324,611</u>	[B-2] <u>\$ 1,020,012</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

PART III

**SCHEDULES RELATED TO ACCOUNTING
AND REPORTING FOR PENSIONS (GASB 68)
AND OPEB (GASB 75)**

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

	Fiscal Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Charter School's proportion of the net pension liability (asset)	0.0161953536%	0.0141550561%	0.0130630356%	0.0083729026%	0.0088284850%	0.0079785347%	0.0103494047%
Charter School's proportionate share of the net pension liability (asset)	\$ 2,641,039	\$ 2,550,526	\$ 2,572,047	\$ 1,949,078	\$ 2,614,744	\$ 1,791,021	\$ 1,937,692
Charter School's covered-employee payroll	\$ 949,938	\$ 1,394,281	\$ 1,645,263	\$ 1,429,847	\$ 1,408,763	\$ 621,992	\$ 455,952
Charter School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	278.02%	4,532,657 182.93%	156.33%	136.31%	185.61%	287.95%	424.98%
Plan fiduciary net position as a percentage of the total pension liability	58.32%	56.27%	53.60%	48.10%	40.14%	47.92%	52.08%

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

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

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

EXHIBIT L-2

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

	Fiscal Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 168,606	\$ 137,687	\$ 622,969	\$ 77,566	\$ 78,431	\$ 68,594	\$ 85,319
Contributions in relation to the contractually required contribution	<u>(168,606)</u>	<u>(137,687)</u>	<u>(622,969)</u>	<u>(77,566)</u>	<u>(78,431)</u>	<u>(68,594)</u>	<u>(85,319)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Charter School's covered-employee payroll	\$ 949,938	\$ 1,394,281	\$ 1,645,263	\$ 1,429,847	\$ 1,408,763	\$ 621,992	\$ 455,952
Contributions as a percentage of covered-employee payroll	17.75%	9.88%	37.86%	5.42%	5.57%	11.03%	18.71%

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

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

	Fiscal Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
State's proportion of the net pension liability (asset) attributable to the Charter School	0.0096110785%	0.0105738984%	0.0166005152%	0.0186417027%	0.0197753226%	0.0184747018%	0.0131667828%
State's proportionate share of the net pension liability (asset) attributable to the Charter School	\$ 6,328,780	\$ 6,489,301	\$ 10,560,891	\$ 12,568,908	\$ 15,556,528	\$ 11,676,800	\$ 7,037,217
Charter School's covered-employee payroll	\$ 1,154,282	\$ 1,070,148	\$ 899,653	\$ 1,177,945	\$ 1,357,265	\$ 1,663,949	\$ 1,930,339
State's proportionate share of the net pension liability (asset) attributable to the Charter School as a percentage of its covered-employee payroll	548.29%	606.39%	1173.88%	1067.02%	1146.17%	701.75%	364.56%
Plan fiduciary net position as a percentage of the total pension liability	24.60%	26.95%	26.49%	25.41%	22.33%	28.71%	33.64%

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

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

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)****NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PART III
YEAR ENDED JUNE 30, 2021*****Public Employees Retirement System (PERS)***

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

Change in assumptions. The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 6.28% to 7.00%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

The projection of cash flows used to determine the discount rate of 7% as of June 30, 2020 measurement date assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and nonemployer contributing entity will be based on 78% (70% in prior measurement date) of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions from local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of all current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Teachers Pension and Annuity Fund (TPAF)

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

Change in assumptions. The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. The discount rate used to measure the total pension liability changed from 5.60% to 5.40% in the current measurement date. This change in the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

The single blended discount rate of 5.10% in the current measurement date was based on the long-term expected rate of return on pension plan investments of 7.00% (7.00% in prior measurement date) and a municipal bond rate of 2.21% (3.5% in prior measurement date) based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

LAST TEN FISCAL YEARS (1)

	Fiscal Year Ended June 30,			
	2021	2020	2019	2018
Charter School Covered-employee payroll ⁽²⁾	\$ 2,104,220	\$ 2,464,429	\$ 2,544,916	\$ 2,607,792
Total State OPEB Liability Attributable to Charter School				
Service cost	420,310	420,310	443,203	537,040
Interest	96,462	96,462	127,999	104,074
Difference between expected and actual experience	(454,183)	(454,183)	(1,330,848)	-
Changes in assumptions and other inputs	31,827	31,827	(241,415)	(561,174)
Benefit payments	(65,525)	(65,525)	(56,253)	(73,172)
Contributions from the member	<u>1,942</u>	<u>1,942</u>	<u>1,944</u>	<u>2,694</u>
Net Change in Total State OPEB Liability Attributable to Charter School	30,833	30,833	(1,055,370)	9,462
Total State OPEB Liability Attributable to Charter School:				
At beginning of year	<u>2,134,580</u>	<u>2,103,747</u>	<u>3,159,117</u>	<u>3,149,655</u>
At end of year	<u>2,165,413</u>	<u>2,134,580</u>	<u>2,103,747</u>	<u>3,159,117</u>
Total State OPEB liability as a percentage of Charter School covered-employee payroll	102.91%	86.62%	82.66%	121.14%

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

(1) The Charter School implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in fiscal year 2018. No data is available prior to fiscal year 2018.

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

Source: GASB 75 report on State of New Jersey State Health Benefits Program; Charter School records.

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

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

SPECIAL REVENUE FUND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
BUDGETARY BASIS

YEAR ENDED JUNE 30, 2021

	Every Student Succeeds Act (E.S.S.A)		IDEA		COVID-19 Grants			Student Activities	Total
	Title I	Title I Reallocated	IDEA, Part B Basic	IDEA Pre-school	Education Stabilization Fund	COVID-19 Relief Fund	Digital Divide		
Revenues									
Local	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal	248,500	8,022	61,700	2,038	86,830	26,075	6,513	-	439,678
Total revenues - all sources	<u>\$ 248,500</u>	<u>\$ 8,022</u>	<u>\$ 61,700</u>	<u>\$ 2,038</u>	<u>\$ 86,830</u>	<u>\$ 26,075</u>	<u>\$ 6,513</u>	<u>\$ -</u>	<u>\$ 439,678</u>
Expenditures									
Current Expenditures									
Instruction									
Salaries of teachers	\$ 207,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 207,500
Employee benefits	15,874	-	-	-	-	-	-	-	15,874
Supplies and materials	25,126	8,022	-	-	86,830	26,075	6,513	-	152,566
Total instruction	<u>248,500</u>	<u>8,022</u>	<u>-</u>	<u>-</u>	<u>86,830</u>	<u>26,075</u>	<u>6,513</u>	<u>-</u>	<u>375,940</u>
Support services									
Purchased services	-	-	61,700	2,038	-	-	-	-	63,738
Total Expenditures	<u>\$ 248,500</u>	<u>\$ 8,022</u>	<u>\$ 61,700</u>	<u>\$ 2,038</u>	<u>\$ 86,830</u>	<u>\$ 26,075</u>	<u>\$ 6,513</u>	<u>\$ -</u>	<u>\$ 439,678</u>
Excess Revenues over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balance at beginning of year, as reported								-	-
Prior period adjustment								11,896	11,896
Fund balance at beginning of year, as restated								11,896	11,896
Fund balance at end of year								<u>\$ 11,896</u>	<u>\$ 11,896</u>

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

SPECIAL REVENUE FUND

SCHEDULE OF PRESCHOOL EDUCATION AID - BUDGETARY BASIS

YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES:			
Instruction			
Salaries of teachers	\$ 170,556	\$ 170,556	\$ -
Other salaries for instruction	<u>100,536</u>	<u>100,536</u>	<u>-</u>
Total instruction	<u>271,092</u>	<u>271,092</u>	<u>-</u>
Support services			
Salaries	40,000	40,000	-
Other salaries for support services	20,000	20,000	-
Employee benefits	61,057	61,057	-
Custodial	30,000	30,000	-
Rent	<u>158,185</u>	<u>158,185</u>	<u>-</u>
Total support services	<u>309,242</u>	<u>309,242</u>	<u>-</u>
Total Expenditures	<u>\$ 580,334</u>	<u>\$ 580,334</u>	<u>\$ -</u>
Total 2020-21 PreK/ECPA Aid Allocation			\$ 580,334
Add: Actual PreK/ECPA Aid Carryover June 30, 2020			60,270
Add: Budgeted Transfer From General Fund			<u>-</u>
Total Funds Available for 2020-21 Budget			640,604
Less: 2019-21 Budgeted PreK/ECPA (Including prior year budgeted carryover)			<u>(580,334)</u>
Available & Unbudgeted Funds as of June 30, 2021			<u>60,270</u>
Add: June 30, 2021 Unexpended PreK Aid			<u>-</u>
2021- Actual Carryover - PreK Aid			<u>\$ 60,270</u>
2020-21 PreK Aid Carryover Budgeted in 2022-FY			<u>\$ 60,270</u>

CAPITAL PROJECTS FUND

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

At June 30, 2021, there was no capital project fund.

ENTERPRISE FUNDS

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

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

ENTERPRISE FUND

COMBINING SCHEDULE OF NET POSITION

JUNE 30, 2021

	FOOD SERVICE	AFTER SCHOOL	TOTAL
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,236	\$ 72,163	\$ 75,399
Accounts receivables:			
Federal	7,603	-	7,603
State	332	-	332
Total accounts receivables	<u>7,935</u>	<u>-</u>	<u>7,935</u>
Total Assets	<u>\$ 11,171</u>	<u>\$ 72,163</u>	<u>\$ 83,334</u>
Liabilities			
Current liabilities			
Interfund payable	\$ (66,976)	\$ 66,976	\$ -
Net assets			
Unrestricted	<u>78,147</u>	<u>5,187</u>	<u>83,334</u>
Total Liabilities and Net Position	<u>\$ 11,171</u>	<u>\$ 72,163</u>	<u>\$ 83,334</u>

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

ENTERPRISE FUND

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

YEAR ENDED JUNE 30, 2021

	FOOD SERVICE	AFTER SCHOOL	TOTAL
Operating revenues:			
Charges for services:			
Afterschool fees	\$ -	\$ 1,624	\$ 1,624
Miscellaneous revenue	11	19	30
Total operating revenues	<u>11</u>	<u>1,643</u>	<u>1,654</u>
Operating expenses:			
Salaries	1,307	12,987	14,294
Supplies and materials - reimbursable programs	52,229	-	52,229
Total operating expenses	<u>53,536</u>	<u>12,987</u>	<u>66,523</u>
Operating loss	<u>(53,525)</u>	<u>(11,344)</u>	<u>(64,869)</u>
Nonoperating revenues:			
State sources:			
State School Lunch	1,944	-	1,944
Federal sources:			
National School Lunch	30,151	-	30,151
National School Breakfast	17,662	-	17,662
Fresh Fruits and Vegetables	7,622	-	7,622
Total nonoperating revenues	<u>57,379</u>	<u>-</u>	<u>57,379</u>
Income (loss) before transfers	3,854	(11,344)	(7,490)
Transfers in - General fund	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net position	3,854	(11,344)	(7,490)
Total net position at beginning of year	<u>74,293</u>	<u>16,531</u>	<u>90,824</u>
Total net position at end of year	<u>\$ 78,147</u>	<u>\$ 5,187</u>	<u>\$ 83,334</u>

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

ENTERPRISE FUND

COMBINING SCHEDULE OF CASH FLOWS

YEAR ENDED JUNE 30, 2021

	<u>FOOD SERVICE</u>	<u>AFTER SCHOOL</u>	<u>TOTAL</u>
Cash flows from operating activities			
Operating loss	\$ (53,525)	\$ (11,344)	\$ (64,869)
Adjustment to reconcile operating loss to net cash from operating activities:			
Changes in assets and liabilities:			
Accounts receivable	(4,200)	-	(4,200)
Interfund payable	<u>(41,441)</u>	<u>41,441</u>	<u>-</u>
Net cash from operating activities	<u>(99,166)</u>	<u>30,097</u>	<u>(69,069)</u>
Cash flows from noncapital financing activities			
Cash received from state and federal reimbursements	<u>57,379</u>	-	<u>57,379</u>
Net cash from noncapital financing activities	<u>57,379</u>	-	<u>57,379</u>
Net increase (decrease) in cash and cash equivalents	(41,787)	30,097	(11,690)
Cash and cash equivalents at beginning of the year	<u>45,023</u>	<u>42,066</u>	<u>87,089</u>
Cash and cash equivalents at end of year	<u>\$ 3,236</u>	<u>\$ 72,163</u>	<u>\$ 75,399</u>

FIDUCIARY FUNDS

Trust Fund. Accounts for assets held in a trustee capacity for others and therefore cannot be used to support the Charter School's own programs which are as follow:

- a. Pension and Other Employee Benefit Trust. Accounts for resources held in trust for the members and beneficiaries of various employee benefit plans.
- b. Investment Trust Fund. Accounts for the portion of investment pools reported by the sponsoring district.
- c. Private Purpose Trust Fund. Accounts for all other trust arrangements, such as a scholarship fund to benefit individual students.

Custodial Fund. Accounts for resources held by the Charter School in a purely custodial capacity that involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Charter School must maintain the financial integrity of the individual agencies through a separate accounting of each activity for which the Charter School is acting as an agent. Custodial funds would include parent-teacher organizations.

At June 30, 2021, the Charter School do not have a Trust Fund nor Custodial Fund.

LONG-TERM DEBT

The long-term debt is used to record the outstanding principal balances of the long-term liabilities of the charter school. This includes the outstanding principal balance on capital lease, the accrued liability for insurance claims and the liability for compensated absences and the outstanding principal balance on certificates of participation outstanding or mortgage note payable.

At June 30, 2021, there was no long-term debt.

STATISTICAL SECTION (UNAUDITED)

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

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

INTRODUCTION TO STATISTICAL SECTION

<u>Contents</u>	<u>Page</u>
Financial Trends <p>These schedules contain trend information to help the reader understand how the district's financial performance and well being have changed over time.</p>	77
Revenue Capacity <p>These schedules contain information to help the reader assess the district's most significant local revenue source, the property tax.</p>	N/A
Debt Capacity <p>These schedules present information to help the reader assess the affordability of the district' s current levels of outstanding debt and the district's ability to issue additional debt in the future.</p>	83
Demographic and Economic Information <p>These schedules offer demographic and economic indicators to help the reader understand the environment within which the district's financial activities take place.</p>	84
Operating Information <p>These schedules contain service and infrastructure data to help the reader understand how the information in the district's financial report relates to the services the district provides and the activities it performs.</p>	86

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

NET POSITION BY COMPONENT
Last Ten Fiscal Years

(Accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental activities										
Invested in capital assets, net of related debt	\$ 2,827	\$ 5,882	\$ 9,698	\$ 28,141	\$ 18,859	\$ 15,255	\$ 8,340	\$ 10,845	\$ 15,844	\$ 18,282
Restricted	86,896	86,896	-	-	-	-	-	-	-	-
Unrestricted	(1,883,308)	(1,806,136)	(1,328,561)	(1,546,398)	(1,618,816)	(1,664,862)	(1,578,962)	366,467	103,938	141,618
Total governmental activities net position	<u>\$ (1,793,585)</u>	<u>\$ (1,713,358)</u>	<u>\$ (1,318,863)</u>	<u>\$ (1,518,257)</u>	<u>\$ (1,599,957)</u>	<u>\$ (1,649,607)</u>	<u>\$ (1,570,622)</u>	<u>\$ 377,312</u>	<u>\$ 119,782</u>	<u>\$ 159,900</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,768	\$ 2,004	\$ 2,240
Unrestricted	83,334	90,824	58,417	42,968	60,073	61,542	55,011	39,797	12,695	4,105
Total business-type activities net position	<u>\$ 83,334</u>	<u>\$ 90,824</u>	<u>\$ 58,417</u>	<u>\$ 42,968</u>	<u>\$ 60,073</u>	<u>\$ 61,542</u>	<u>\$ 55,011</u>	<u>\$ 41,565</u>	<u>\$ 14,699</u>	<u>\$ 6,345</u>
Charter School-wide										
Invested in capital assets, net of related debt	\$ 2,827	\$ 5,882	\$ 9,698	\$ 28,141	\$ 18,859	\$ 15,255	\$ 8,340	\$ 12,613	\$ 17,848	\$ 20,522
Restricted	86,896	86,896	-	-	-	-	-	-	-	-
Unrestricted	(1,799,974)	(1,715,312)	(1,270,144)	(1,503,430)	(1,558,743)	(1,603,320)	(1,523,951)	406,264	116,633	145,723
Total charter school-wide net position	<u>\$ (1,710,251)</u>	<u>\$ (1,622,534)</u>	<u>\$ (1,260,446)</u>	<u>\$ (1,475,289)</u>	<u>\$ (1,539,884)</u>	<u>\$ (1,588,065)</u>	<u>\$ (1,515,611)</u>	<u>\$ 418,877</u>	<u>\$ 134,481</u>	<u>\$ 166,245</u>

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

**CHANGES IN NET POSITION
Last Ten Fiscal Years
(Accrual basis of accounting)**

	Fiscal Year Ending June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Expenses										
Governmental activities										
Instruction	\$ 2,921,711	\$ 2,818,281	\$ 3,122,477	\$ 3,612,775	\$ 3,382,972	\$ 3,090,071	\$ 3,247,967	\$ 2,145,766	\$ 2,011,877	\$ 2,195,488
Support Services:										
School Administrative Services	3,179,412	3,237,691	3,001,409	2,934,506	2,769,819	2,804,719	2,408,271	2,651,137	3,031,143	2,484,791
Total governmental activities expenses	<u>6,101,123</u>	<u>6,055,972</u>	<u>6,123,886</u>	<u>6,547,281</u>	<u>6,152,791</u>	<u>5,894,790</u>	<u>5,656,238</u>	<u>4,796,903</u>	<u>5,043,020</u>	<u>4,680,279</u>
Business-type activities:										
Food service	53,536	126,129	228,676	234,865	209,932	217,395	215,906	219,056	235,493	216,743
After school program	12,987	36,377	45,462	10,536	26,400	30,000	35,069	-	-	-
Total business-type activities expense	<u>66,523</u>	<u>162,506</u>	<u>274,138</u>	<u>245,401</u>	<u>236,332</u>	<u>247,395</u>	<u>250,975</u>	<u>219,056</u>	<u>235,493</u>	<u>216,743</u>
Total charter school expenses	<u>6,167,646</u>	<u>6,218,478</u>	<u>6,398,024</u>	<u>6,792,682</u>	<u>6,389,123</u>	<u>6,142,185</u>	<u>5,907,213</u>	<u>5,015,959</u>	<u>5,278,513</u>	<u>4,897,022</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Operating grants and contributions	2,050,162	1,773,587	2,040,204	2,636,469	2,268,073	1,903,390	1,154,770	356,720	429,363	331,342
Total governmental activities program revenues	<u>2,050,162</u>	<u>1,773,587</u>	<u>2,040,204</u>	<u>2,636,469</u>	<u>2,268,073</u>	<u>1,903,390</u>	<u>1,154,770</u>	<u>356,720</u>	<u>429,363</u>	<u>331,342</u>
Business-type activities:										
Charges for services										
Food service	30	564	11,573	9,028	6,554	5,426	8,636	6,227	6,409	6,685
After school program	1,624	38,882	54,425	14,961	25,229	28,438	38,007	-	-	-
Operating grants and contributions	57,379	155,467	223,629	203,915	202,608	219,590	219,074	180,507	174,554	169,848
Total business-type activities program revenues	<u>59,033</u>	<u>194,913</u>	<u>289,627</u>	<u>227,904</u>	<u>234,391</u>	<u>253,454</u>	<u>265,717</u>	<u>186,734</u>	<u>180,963</u>	<u>176,533</u>
Total charter school program revenues	<u>2,109,195</u>	<u>1,968,500</u>	<u>2,329,831</u>	<u>2,864,373</u>	<u>2,502,464</u>	<u>2,156,844</u>	<u>1,420,487</u>	<u>543,454</u>	<u>610,326</u>	<u>507,875</u>
Net (Expense)/Revenue										
Governmental activities	(4,050,961)	(4,282,385)	(4,083,682)	(3,910,812)	(3,884,718)	(3,991,400)	(4,501,468)	(4,440,183)	(4,613,657)	(4,348,937)
Business-type activities	(7,490)	32,407	15,489	(17,497)	(1,941)	6,059	14,742	(32,322)	(54,530)	(40,210)
Total charter school-wide net expense	<u>(4,058,451)</u>	<u>(4,249,978)</u>	<u>(4,068,193)</u>	<u>(3,928,309)</u>	<u>(3,886,659)</u>	<u>(3,985,341)</u>	<u>(4,486,726)</u>	<u>(4,472,505)</u>	<u>(4,668,187)</u>	<u>(4,389,147)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Property taxes levied for general purposes, net	400,444	419,565	497,500	523,159	483,367	524,141	650,324	597,236	540,389	507,155
Grants and contributions	3,545,656	3,430,814	3,770,426	3,451,355	3,450,063	3,392,740	4,275,178	4,140,500	3,951,123	3,782,891
Miscellaneous income	24,634	25,615	15,151	25,878	938	6,762	13,761	19,122	144,869	24,637
Transfers	-	-	-	-	-	-	-	(59,145)	(62,842)	(45,000)
Total governmental activities	<u>3,970,734</u>	<u>3,875,994</u>	<u>4,283,077</u>	<u>4,000,392</u>	<u>3,934,368</u>	<u>3,923,643</u>	<u>4,939,263</u>	<u>4,697,713</u>	<u>4,573,539</u>	<u>4,269,683</u>
Business-type activities:										
Miscellaneous Income	-	-	-	-	-	-	-	43	42	-
Transfers	-	-	-	-	-	-	-	59,145	62,842	45,000
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,188</u>	<u>62,884</u>	<u>45,000</u>
Total charter school-wide	<u>3,970,734</u>	<u>3,875,994</u>	<u>4,283,077</u>	<u>4,000,392</u>	<u>3,934,368</u>	<u>3,923,643</u>	<u>4,939,263</u>	<u>4,756,901</u>	<u>4,636,423</u>	<u>4,314,683</u>

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

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

	Fiscal Year Ending June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Changes in Net Position										
Governmental activities	(80,227)	(406,391)	199,395	89,580	49,650	(67,757)	437,795	257,530	(40,118)	(79,254)
Business-type activities	<u>(7,490)</u>	<u>32,407</u>	<u>15,489</u>	<u>(17,497)</u>	<u>(1,941)</u>	<u>6,059</u>	<u>14,742</u>	<u>26,866</u>	<u>8,354</u>	<u>4,790</u>
Total charter school	<u>\$ (87,717)</u>	<u>\$ (373,984)</u>	<u>\$ 214,884</u>	<u>\$ 72,083</u>	<u>\$ 47,709</u>	<u>\$ (61,698)</u>	<u>\$ 452,537</u>	<u>\$ 284,396</u>	<u>\$ (31,764)</u>	<u>\$ (74,464)</u>

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

FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

(Modified accrual basis of accounting)

	Fiscal Year Ending June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Fund										
Restricted	\$ 75,000	\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned	-	-	67,016	-	30,250	10,398	10,398	36,787	15,863	41,600
Unassigned	641,513	596,479	922,027	701,583	666,816	660,636	745,587	344,679	115,594	109,580
Total General fund	<u>\$ 716,513</u>	<u>\$ 671,479</u>	<u>\$ 989,043</u>	<u>\$ 701,583</u>	<u>\$ 697,066</u>	<u>\$ 671,034</u>	<u>\$ 755,985</u>	<u>\$ 381,466</u>	<u>\$ 131,457</u>	<u>\$ 151,180</u>
All Other Governmental Funds										
Restricted, Student Activities	11,896	11,896	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 728,409</u>	<u>\$ 683,375</u>	<u>\$ 989,043</u>	<u>\$ 701,583</u>	<u>\$ 697,066</u>	<u>\$ 671,034</u>	<u>\$ 755,985</u>	<u>\$ 381,466</u>	<u>\$ 131,457</u>	<u>\$ 151,180</u>

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

**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Unaudited)**

Function	Fiscal Year Ending June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Revenues										
Local Sources:										
Local tax levy	\$ 400,444	\$ 419,565	\$ 497,500	\$ 523,159	\$ 483,367	\$ 524,141	\$ 650,324	\$ 597,236	\$ 540,389	\$ 507,155
Miscellaneous	24,634	25,615	15,151	25,878	938	43,203	205,186	51,533	249,771	77,313
State sources	3,944,567	4,346,127	4,695,580	4,515,746	4,478,590	4,402,450	4,674,619	4,140,500	3,951,123	3,782,891
Federal sources	439,678	330,286	321,874	334,669	280,372	302,594	285,117	324,309	324,461	276,065
Total Revenues	<u>4,809,323</u>	<u>5,121,593</u>	<u>5,530,105</u>	<u>5,399,452</u>	<u>5,243,267</u>	<u>5,272,388</u>	<u>5,815,246</u>	<u>5,113,578</u>	<u>5,065,744</u>	<u>4,643,424</u>
Current expense										
Instruction	1,882,133	1,810,760	1,894,843	2,014,947	1,980,601	2,077,148	2,357,994	2,120,019	2,003,741	1,956,881
Administrative cost	1,325,399	1,213,469	1,081,132	1,117,984	1,144,705	1,122,222	1,301,692	1,391,457	1,597,850	1,365,741
Support services	1,738,180	2,051,312	1,898,325	1,760,502	1,623,959	1,671,286	1,375,662	1,289,264	1,421,034	1,345,656
Capital outlay	-	-	-	7,880	-	18,853	4,278	376,529	-	-
TPAF - FICA Reimbursement	86,535	68,932	59,056	80,228	81,513	120,974	142,658	-	-	-
TPAF - On-behalf payments	312,376	294,683	309,289	413,395	386,458	346,855	258,443	-	-	-
Total Expenditures	<u>5,344,623</u>	<u>5,439,156</u>	<u>5,242,645</u>	<u>5,394,936</u>	<u>5,217,236</u>	<u>5,357,338</u>	<u>5,440,727</u>	<u>5,177,269</u>	<u>5,022,625</u>	<u>4,668,278</u>
Excess (Deficiency) of Revenues										
Over Expenditures	(535,300)	(317,563)	(287,460)	4,516	26,031	(84,950)	374,519	(63,691)	43,119	(24,854)
Other financing sources(uses):										
Operating transfers in/(out)	-	-	-	-	-	-	-	(59,145)	(62,842)	(45,000)
Cancellation of prior year's payable	-	-	-	-	-	-	-	-	-	2,600
Capital leases (nonbudgeted)	-	-	-	-	-	-	-	372,845	-	-
Total other financing sources/(uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>313,700</u>	<u>(62,842)</u>	<u>(42,400)</u>
Net change in fund balances	<u>\$ (535,300)</u>	<u>\$ (317,563)</u>	<u>\$ (287,460)</u>	<u>\$ 4,516</u>	<u>\$ 26,031</u>	<u>\$ (84,950)</u>	<u>\$ 374,519</u>	<u>\$ 250,009</u>	<u>\$ (19,723)</u>	<u>\$ (67,254)</u>
Debt service as a percentage of noncapital expenditures										
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Charter school's records.

Note: Noncapital expenditures are total expenditures less capital outlay.

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

**GENERAL FUND REVENUE - OTHER LOCAL REVENUE BY SOURCE
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year Ended June 30,	Interest Income	Turell Fund	Friends of Newark Educators'	DUNN Grant	First Presbyterian Outreach	Miscellaneous	Annual Totals
2021	\$ 280	\$ -	\$ -	\$ -	\$ -	\$ 24,354	\$ 24,634
2020	6,819	-	-	-	-	18,796	25,615
2019	7,627	-	-	-	-	7,524	15,151
2018	2,967	-	-	-	-	22,911	25,878
2017	933	-	-	-	-	4	937
2016	636	-	-	-	-	8,567	9,203
2015	585	-	-	-	-	14,436	15,021
2014	413	-	-	-	-	18,709	19,122
2013	372	7,000	120,000	10,000	-	7,497	144,869
2012	156	-	-	10,000	3,211	8,670	22,037

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

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(Unaudited)

Fiscal Year Ended June 30,	Governmental Activities			Bond Anticipation Notes (BANs)	Business-Type Activities	Total Charter School
	General Obligation Bonds	Certificates of Participation	Capital Leases		Capital Leases	
2021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	-	-	-	-	-	-
2019	-	-	-	-	-	-
2018	-	-	-	-	-	-
2017	-	-	77,676	-	-	77,676
2016	-	-	155,352	-	-	155,352
2015	-	-	233,028	-	-	233,028
2014	-	-	310,704	-	-	310,704
2013	-	-	-	-	-	-
2012	-	-	-	-	-	-

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

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

**DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

Year	Population ^a	Personal Income ^b	Per Capita Personal Income ^c	Unemployment Rate ^d
2021	**	**	**	**
2020	282,520	**	**	14.70%
2019	282,903	\$19,140,368,271	\$67,657	6.00%
2018	282,223	18,404,890,722	65,214	7.00%
2017	281,340	18,071,030,880	64,232	7.00%
2016	280,612	17,491,668,408	62,334	7.90%
2015	279,484	17,003,806,560	60,840	8.80%
2014	278,765	16,304,128,555	58,487	10.20%
2013	277,941	15,511,331,328	55,808	7.90%
2012	277,423	15,273,245,842	55,054	8.80%
2011	277,410	15,042,279,840	54,224	8.90%

** Data not available

Source:

^a Population information provided by U.S. Census Bureau, Population Division.

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

^c Per capita personal income was computed using Census Bureau midyear population estimates. All dollar estimates are in thousands of current dollars (not adjusted for inflation). Estimates for 2010-2018 reflect county population estimates available as of March 6, 2019.

^d Unemployment data provided by the New Jersey Department of Labor and Workforce Development

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

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

Employer	2021		2012	
	Employees	Percentage of Total Municipal Employment	Employees	Percentage of Total Municipal Employment
St. Barnabas Health Care System	23,000	**	-	
Verizon	17,100	**	18,000	**
Prudential Ins. Co. of America	16,850	**	8,119	**
Rutgers University - Newark Campus	15,500	**	-	
Continental Airlines	11,000	**	14,000	**
Newark Board of Education	7,050	**	-	
Automatic Data Processing	5,649	**	4,666	**
New Jersey Transit	4,000	**	-	
City of Newark	4,000	**	-	
Essex County	3,500	**	-	
PSE&G	-		10,300	**
JP Morgan Chase	-		5,300	**
Horizon Blue Cross/Blue Shield	-		4,808	**
Roche	-		3,715	**
KPMG	-		2,265	**
Ricoh American Corp	-		1,400	**
	<u>107,649</u>		<u>72,573</u>	

Note - Principal employers are that of Essex County

** - Information not available

Source: Essex County Economic Development Corporation

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

**FULL-TIME EQUIVALENT CHARTER SCHOOL EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)**

Function/Program	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Instruction	33	31	32	37	34	34	28	28	28	26
Administrative	8	4	6	7	7	6	6	6	7	7
Support Services	3	9	5	5	5	2	2	2	2	2
Food Service	2	1	2	1	1	1	1	1	1	1
Total	46	45	45	50	47	43	37	37	38	36

Source: Charter School's personnel records

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

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
						Elementary					
2021	264	5,344,623	\$ 20,245	-1.37%	33	10.15 : 1		255.6	196.6	-1.92%	76.93%
2020	265	5,439,156	20,525	-0.95%	31	9.81 : 1		260.6	250.3	11.85%	96.06%
2019	253	5,242,645	20,722	-3.83%	32	7.91 : 1		233.0	214.4	-6.05%	92.02%
2018	250	5,387,056	21,548	21.84%	37	6.76 : 1		248.0	228.2	-13.29%	92.00%
2017	295	5,217,235	17,686	-3.60%	37	7.97 : 1		286.0	280.3	-3.21%	98.00%
2016	291	5,338,485	18,345	4.61%	34	8.56 : 1		295.5	289.6	-5.44%	98.00%
2015	310	5,436,449	17,537	1.19%	26	11.92 : 1		312.5	306.3	12.82%	98.00%
2014	277	4,800,740	17,331	-0.07%	26	10.65 : 1		277.0	272.0	1.17%	98.19%
2013	278	4,821,491	17,343	5.64%	26	10.69 : 1		273.8	255.0	-1.86%	93.13%
2012	279	4,580,558	16,418	26.44%	24	11.63 : 1		279.0	262.0	12.96%	93.91%

Source: Charter School's Records

Note: Enrollment based on annual October Charter School count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).

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

**SCHOOL BUILDING INFORMATION
Last Ten Fiscal Years**

	2021	2020	2019	2018	2017	2016	2015	2014*	2013	2012
<u>Charter School Building</u>										
<u>Elementary School</u>										
Newark Educators' Community Charter School										
Square Feet	58,000	58,000	58,000	58,000	58,000	58,000	58,000	58,000	28,000	28,000
Capacity (students)	450	450	450	450	450	450	450	450	300	300
Enrollment	264	265	292	250	295	291	310	277	278	279
Number of Schools	1	1	1	1	1	1	1	1	1	1

Source: Charter School's Records

(1) Charter School moved to a new location in 2014.

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

INSURANCE SCHEDULE

**June 30, 2021
(Unaudited)**

	<u>Coverage</u>	<u>Deductible</u>
Commercial property and general liability:		
Property^(a)		
Business Personal Property	\$ 200,000	\$ -
Electronic Data Processing	150,000	1,000
Equipment Breakdown	1,200,000	25,000
Improvements and Betterments	1,000,000	-
Extra Expense - NJSIG limit	50,000,000	0
Valuable Papers & Records - NJSIG limit	10,000,000	0
Loss of Rents	800,000	-
Loss of Business Income/Tuition	1,000,000	1,000
Flood Zones A & V NJSIG Agg	25,000,000	500,000
All Other Flood Zones	75,000,000	10,000
Earthquake Annual NJSIG Agg	50,000,000	-
Liability^(a)		
BI & PD Each Occurrence	31,000,000	
Products/Completed Ops Ann Aggregate	31,000,000	
Personal & Adv. Injury	31,000,000	
Sexual Abuse per occurrence and annual aggregate	27,000,000	
Employee Benefits Liability per occurrence and annual aggregate	31,000,000	1,000
Crime^(a)		
Employee Dishonesty	250,000	1,000
Money & Securities on or off premises	50,000	500
Money Orders/Counterfeit	50,000	500
Forgery or Alteration	250,000	1,000
Computer Fraud	250,000	1,000
Deductibles vary per schedule		
Automobile^(a)		
Non Owned & Hired Auto Liability	31,000,000	
Bonds^(a)		
Board Secretary	165,000	
Workers Compensation^(a)		
Employers Liability		
Each Accident	3,000,000	
Each Employee	3,000,000	
Aggregate Limit	3,000,000	
Errors & Omissions^(a)		
Coverage A - Limit per policy period	31,000,000	10,000 each claim
Coverage B - Limit each claim	100,000	
Limit each policy period	300,000	10,000 each claim
Supplemental Indemnity^(b)		
Maximum Benefit Period	52 weeks	
Maximum Weekly Benefit	2,500	
Elimination period	7 days	
Student Accident^(c)		
Limit	6,000,000	
Cap Excess Liability^(d)		
Limit each occurrence	25,000,000	
Annual Aggregate	25,000,000	

Source: Charter School's Records

^(a) New Jersey Schools Insurance Group

^(b) Federal Insurance Co (Chubb)

^(c) Zurich American (Bollinger)

^(d) Firemans Fund Indemnity (Allianz)

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

CHARTER SCHOOL PERFORMANCE FRAMEWORK
FINANCIAL PERFORMANCE
FISCAL RATIOS

Multi-Year Information
(Unaudited)

	2019 Audit	2020 Audit	2021 Audit	Source
Cash	\$ 989,641	\$ 486,540	\$ 614,130	Audit: Exhibit A-1
Current Assets	1,199,894	921,527	1,101,697	Audit: Exhibit A-1
Current Liabilities	152,434	159,224	289,954	Audit: Exhibit A-1
Total Expenses	6,398,024	6,218,478	6,167,646	Audit: Exhibit A-2
Change in Net Position	214,884	(373,984)	(87,717)	Audit: Exhibit A-2
Final Average Daily Enrollment	292	265	264	DOE Enrollment Reports
March 30th Budgeted Enrollment	295	295	295	Charter School Budget
<i>Complete section only if auditee has mortgage/note/bond payable:</i>				
Depreciation Expense	18,443	3,817	3,055	Financial Statements/Audit Workpapers
Interest Expense	-	-	-	Financial Statements/Audit Workpapers
Principal Payments	-	-	-	Financial Statements/Audit Workpapers
Interest Payments	-	-	-	Financial Statements/Audit Workpapers

Performance Indicators		2019	2020	2021	3 YR CUM	Source:	Target
Near Term Indicators							
1a.	Current Ratio	7.87	5.79	3.80		Current Assets/Current Liabilities	> 1.1 or between 1.0-1.1 with positive trend
1b.	Unrestricted Days Cash	56.46	28.56	36.34		Cash/(Total Expenses/365)	60 days or 30-60 days with positive trend
1c.	Enrollment Variance	99%	90%	89%	92.77%	Average Daily Enrollment/Budgeted Enrollment	>95% or >95% for 3 yr cum
1d.	Default on loans or delinquent in debt payments	N/A	N/A	N/A		Audit	Not in default
Sustainability Indicators							
2a.	3 Year Cumulative Cash Flow	939,131	(503,101)	\$ 127,590	563,620	Net change in cash flow from prior years (Change in Net Assets+Depreciation+Interest Expense)/(Principal & Interest Payments)	3 yr cum positive with most recent year positive
2b.	Debt Service Coverage Ratio	N/A	N/A	N/A	N/A		>1.10

Meets Standard
Does Not Meet Standard
Falls Far Below Standard

SINGLE AUDIT SECTION



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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Newark Educators' Community Charter School (the Charter School), in the County of Essex, State of New Jersey, as of and for the fiscal year ended June 30, 2021, 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 March 10, 2022.

Internal Control Over Financial Reporting

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

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

INDEPENDENT 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 - CONTINUED

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

However, we noted certain matters that we have reported to the Board of Trustees of the Newark Educators' Community Charter School in the County of Essex, New Jersey in a separate *Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance*, dated March 10, 2022.

Purpose of this Report

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



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



Galleros Robinson CPAs, LLP
Certified Public Accountants

March 10, 2022
Cream Ridge, New Jersey



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

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

Report on Compliance for Each Major State Program

We have audited the Newark Educators' Community Charter School (the Charter School) in the County of Essex, State of New Jersey compliance with the types of compliance requirements described in the *New Jersey State Aid Grant Compliance Supplement* that could have a direct and material effect on each of the Charter School's major state program for the fiscal year ended June 30, 2021. The Charter School's major state program is 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter School's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance Department of Education, State of New Jersey; and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards, and New Jersey OMB Circular Letter 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major state program occurred. An audit includes examining, on a test basis, evidence about the Charter School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state programs. 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 Newark Educators' Community Charter School, in the County of Essex, State of New Jersey, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major state program for the fiscal year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance for each major state program and to test and report on internal control over compliance in accordance with New Jersey OMB Circular Letter 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Charter School's internal control over compliance.

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

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.

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of NJ OMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.



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



Galleros Robinson CPAs, LLP
Certified Public Accountants

March 10, 2022
Cream Ridge, New Jersey

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

EXHIBIT K-3
SCHEDULE A

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

Federal Grant/ Pass-Through Grantor/ Program Title	Federal Assistance Listing No.	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2020	Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures	Repayment of Prior Years' Balances	Balance at June 30, 2021				
					From	To						(Accounts Receivable)	Deferred Revenue	Due to Grantor		
U.S. Department of Education:																
Passed-through New Jersey State Department Education																
Special Revenue Fund:																
Title I Part A Grants to Local Educational Agencies	84.010	S010A200030	ESSA - 6029 - 21	\$ 256,522	7/1/2020	9/30/2021	\$ -	\$ -	\$ 256,522	\$ (256,522)	\$ -	\$ -	\$ -	\$ -		
Individuals with Disabilities - States Grant	84.027	H027A200100	IDEA - 6029 - 21	61,700	7/1/2020	9/30/2021	-	-	61,700	(61,700)	-	-	-	-		
Individuals with Disabilities - States Grant (Preschool)	84.173	H173A200114	IDEA - 6029 - 21	2,038	7/1/2020	9/30/2021	-	-	2,038	(2,038)	-	-	-	-		
COVID 19 - CARES Emergency Relief Grant	84.425D	S425U210027	N/A	184,171	3/13/2020	9/30/2022	-	-	61,666	(86,830)	-	(25,164)	-	-		
Total U.S. Department of Education							-	-	381,926	(407,090)	-	(25,164)	-	-		
U.S. Department of Treasury:																
Passed-through New Jersey State Department Education																
Special Revenue Fund:																
COVID-19 - CARES Digital Divide Grant	21.019	SLT0007	N/A	6,513	7/16/2020	10/31/2020	-	-	6,513	(6,513)	-	-	-	-		
COVID-19 - Coronavirus Relief Fund	21.019	SLT0007	N/A	26,075	9/23/2020	12/30/2020	-	-	26,075	(26,075)	-	-	-	-		
Total U.S. Department of Treasury							-	-	32,588	(32,588)	-	-	-	-		
U.S. Department of Agriculture																
Passed-through New Jersey State Department of Agriculture																
Enterprise Fund:																
National School Lunch Program	10.555	211NJ304N1099	N/A	30,151	7/1/2020	6/30/2021	-	-	25,379	(30,151)	-	(4,772)	-	-		
National School Lunch Program	10.555	201NJ304N1099	N/A	101,326	7/1/2019	6/30/2020	(1,427)	-	1,427	-	-	-	-	-		
National School Breakfast Program	10.553	211NJ304N1099	N/A	17,662	7/1/2020	6/30/2021	-	-	15,115	(17,662)	-	(2,547)	-	-		
National School Breakfast Program	10.553	201NJ304N1099	N/A	39,794	7/1/2019	6/30/2020	(898)	-	898	-	-	-	-	-		
Fresh Fruits and Vegetables Program	10.582	211NJ304L1603	N/A	7,622	7/1/2020	6/30/2021	-	-	7,338	(7,622)	-	(284)	-	-		
Fresh Fruits and Vegetables Program	10.582	201NJ304L1603	N/A	12,821	7/1/2019	6/30/2020	(1,388)	-	1,388	-	-	-	-	-		
Total U.S. Department of Agriculture							(3,713)	-	51,545	(55,435)	-	(7,603)	-	-		
Total Expenditures of Federal Awards							\$ (3,713)	\$ -	\$ 466,059	\$ (495,113)	\$ -	\$ (32,767)	\$ -	\$ -		

SCHEDULE OF STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2021

State Grantor/Program Title	Grant or State Project Number	Grant Period	Balance at June 30, 2020			Carryover/ (Walkover) Amount	Cash Received	Budgetary Expenditures Pass-through Funds	Adjustments Repayment Prior Year's Balances	Balance at June 30, 2021			MEMO	
			Award Amount	Deferred Revenue (Accounts Receivable)	Due to Grantor					Intergovernmental (Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor	Budgetary Receivable	Cumulative Total Expenditure
New Jersey State Department of Education														
General Fund:														
Equalization Aid	21-495-034-5120-078	7/1/20-6/30/21	\$ 2,347,219	\$ -	\$ -	\$ -	\$ 2,187,935	\$ (2,347,219)	\$ -	\$ (159,284)	\$ -	\$ -	\$ 159,284	\$ 2,347,219
Equalization Aid	20-495-034-5120-078	7/1/19-6/30/20	2,458,203	(68,393)	-	-	68,393	-	-	-	-	-	-	-
Equalization Aid	19-495-034-5120-078	7/1/18-6/30/19	2,925,146	(8,658)	-	-	-	-	-	(8,658)	-	-	-	-
Equalization Aid	14-495-034-5120-078	7/1/13-6/30/14	3,611,227	-	422	-	-	-	-	-	422	-	-	-
Special Education Categorical Aid	21-495-034-5120-089	7/1/20-6/30/21	114,640	-	-	-	114,640	(114,640)	-	-	-	-	-	114,640
Security Aid	21-495-034-5120-084	7/1/20-6/30/21	96,818	-	-	-	96,818	(96,818)	-	-	-	-	-	96,818
Adjustment Aid	21-495-034-5120-085	7/1/20-6/30/21	986,979	-	-	-	986,979	(986,979)	-	-	-	-	-	986,979
Reimbursed Social Security Tax	21-495-034-5094-003	7/1/20-6/30/21	86,535	-	-	-	86,535	(86,535)	-	-	-	-	-	86,535
On-Behalf Teachers' Pension and Annuity Fund	21-495-034-5094-002	7/1/20-6/30/21	237,582	-	-	-	237,582	(237,582)	-	-	-	-	-	237,582
On-Behalf Teachers' Pension and Annuity Fund – Post-retirement Medical	21-495-034-5094-001	7/1/20-6/30/21	74,454	-	-	-	74,454	(74,454)	-	-	-	-	-	74,454
On-Behalf Teachers' Pension & Annuity Fund – Non-contributory Insurance	21-495-034-5094-004	7/1/20-6/30/21	340	-	-	-	340	(340)	-	-	-	-	-	340
Total General Fund			<u>(77,051)</u>	<u>422</u>	<u>-</u>	<u>-</u>	<u>3,853,676</u>	<u>(3,944,567)</u>	<u>-</u>	<u>(167,942)</u>	<u>-</u>	<u>422</u>	<u>159,284</u>	<u>3,944,567</u>
Special Revenue Fund:														
Preschool Education Aid	21-495-034-5120-086	7/1/20-6/30/21	580,334	-	-	60,270	522,576	(580,334)	-	(57,758)	60,270	-	57,758	580,334
Preschool Education Aid	20-495-034-5120-086	7/1/19-6/30/20	551,698	(205,084)	60,270	(60,270)	205,084	-	-	-	-	-	-	-
Total Special Revenue Fund			<u>(205,084)</u>	<u>60,270</u>	<u>-</u>	<u>-</u>	<u>727,660</u>	<u>(580,334)</u>	<u>-</u>	<u>(57,758)</u>	<u>60,270</u>	<u>-</u>	<u>57,758</u>	<u>580,334</u>
Enterprise Fund:														
State School Lunch Program	21-100-010-3350-023	7/1/20-6/30/21	1,944	-	-	-	1,612	(1,944)	-	(332)	-	-	332	1,944
State School Lunch Program	20-100-010-3350-023	7/1/19-6/30/20	1,526	(22)	-	-	22	-	-	-	-	-	-	-
Total Enterprise Fund			<u>(22)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,634</u>	<u>(1,944)</u>	<u>-</u>	<u>(332)</u>	<u>-</u>	<u>-</u>	<u>332</u>	<u>1,944</u>
Total Expenditures of State Financial Assistance			<u>\$ (282,157)</u>	<u>\$ 60,692</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,582,970</u>	<u>(4,526,845)</u>	<u>\$ -</u>	<u>\$ (226,032)</u>	<u>\$ 60,270</u>	<u>\$ 422</u>	<u>\$ 217,374</u>	<u>\$ 4,526,845</u>
Less: On-Behalf TPAF Pension System Contributions														
On-Behalf Teachers' Pension and Annuity Fund	21-495-034-5094-002							237,582						
On-Behalf Teachers' Pension and Annuity Fund – Post Retirement Medical	21-495-034-5094-001							74,454						
On-Behalf Teachers' Pension & Annuity Fund – Non-contributory Insurance	21-495-034-5094-004							340						
								312,376						
Total for State Financial Assistance-Major Program Determination								<u>\$ (4,214,469)</u>						

**NEWARK EDUCATORS' COMMUNITY CHARTER SCHOOL
(COUNTY OF ESSEX, NEW JERSEY)****NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE****FISCAL YEAR ENDED JUNE 30, 2021****NOTE 1 GENERAL**

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

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance are presented using the budgetary basis of accounting with the exception of those recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Charter School's basic financial statements. The information in these schedules is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and New Jersey OMB Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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

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

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

NOTE 3 RELATIONSHIP TO BASIC FINANCIAL STATEMENTS - CONTINUED

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$ -	\$ 3,632,191	\$ 3,632,191
Special Revenue Fund	439,678	580,334	1,020,012
Enterprise Fund	55,435	1,944	57,380
Total	<u>\$ 495,113</u>	<u>\$ 4,214,469</u>	<u>\$ 4,709,583</u>

NOTE 4 RELATIONSHIP TO STATE FINANCIAL REPORTS

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

NOTE 5 ON-BEHALF PAYMENTS

TPAF Social Security Contributions represents reimbursements in the amount of \$86,535 by the State for the employer's share of social security contributions for TPAF members for the year ended June 30, 2021. The State had also made on-behalf TPAF payments for pension contributions, post-retirement medical benefits and long-term disability insurance contributions totaling \$312,376.

NOTE 6 ON BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

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

NOTE 7 DE MINIMIS INDIRECT COST

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

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FISCAL YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

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

Federal Awards – Not Applicable

Dollar threshold used to determine Type A and B programs:	<u>N/A</u>
Auditee qualified as low-risk auditee?	_____ Yes _____ No
Type of auditor's report on compliance for major programs:	<u>N/A</u>
Internal control over compliance:	
Material weakness(es) identified?	_____ Yes _____ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes _____ No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a)?	_____ Yes _____ No

Identification of Major Programs:

<u>CFDA No.</u>	<u>Name of Federal Program</u>
-----------------	--------------------------------

Not applicable

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

FISCAL YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS - CONTINUED

State Financial Assistance

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

Auditee qualified as low-risk auditee? Yes No

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

Internal control over compliance:

Material weakness(es) identified? Yes No

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

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

Identification of Major Programs:

<u>State or Project No.</u>	<u>Name of State Program</u>
State Aid Public Cluster:	
21-495-034-5120-078	Equalization Aid
21-495-034-5120-084	Security Aid
21-495-034-5120-089	Special Education Aid
21-495-034-5121-085	Adjustment Aid

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARDS

Not applicable.

SECTION IV - STATE FINANCIAL ASSISTANCE

None noted.

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

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

FISCAL YEAR ENDED JUNE 30, 2021

There was no prior year finding.