

**INDEPENDENT AUDITOR'S MANAGEMENT  
REPORT ON ADMINISTRATIVE FINDINGS**

**FINANCIAL, COMPLIANCE AND  
PERFORMANCE**

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

**JUNE 30, 2021**

**GALLEROS ROBINSON  
CERTIFIED PUBLIC ACCOUNTANTS, LLP**

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

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Trustees of the Newark Educators' Community Charter School (the "Charter School") in the County of Essex, State of New Jersey for the year ended June 30, 2021, and have issued our report thereon dated March 10, 2022.

As part of our audit, we performed procedures required by the State of New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of the Charter School Board of Trustees' management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Leonora Galleros".

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

A handwritten signature in black ink that reads "Galleros Robinson CPAs, LLP".

Galleros Robinson CPAs, LLP  
Certified Public Accountants

March 10, 2022  
Cream Ridge, New Jersey

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

**FOR THE YEAR ENDED JUNE 30, 2021**

**Scope of Audit**

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the Treasurer of School Moneys, the activities of the Board of Trustees of Newark Educators Community Charter School (the "Charter School"), and the records of the various funds under the auspices of the Board of Trustees.

**Administrative Practices and Procedures**

Insurance

Required insurance coverages, including fire insurance coverage, are carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the Charter School's CAFR.

Official Bonds (N.J.S.A. 18A:17-26, 18A:17-32)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Dr. Brian Falkowski	School Business Administrator	\$165,000

Adequate insurance is in effect with a duly licensed and authorized insurance company for all employees for the faithful performance of their duties.

Tuition Charges

A review of the financial statements indicated that the Charter School charged no tuition for any student attending the Charter School.

**Financial Planning, Accounting, and Reporting**

Examination of Claims

An examination of claims paid during the period under review we noted that claims were approved by designated individuals, certified and supporting documents were maintained.

***Finding 2021-001***

In our review of claims, we noted the following that there were 8 of 40 sample claims that do not have a supporting invoice on file.

***Recommendation***

We recommend a review of vendor files to ensure that all supporting documents including approved purchase orders, vendor invoices and certifications are obtained and maintained. Further, expenses should always follow the Charter School purchasing policy.

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

**FOR THE YEAR ENDED JUNE 30, 2021**

**Financial Planning, Accounting, and Reporting - Continued**

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the designee of the Charter School and were certified by the President of the Board, the Board Secretary/Business Administrator and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund. Activities of the payroll agency accounts are accounted for via spreadsheets, and not in the general ledger system.

Payrolls were delivered to the secretary of the board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Reserve for Encumbrances and Accounts Payable

A review of outstanding purchase orders was made as of June 30, 2021, for proper classification of purchase orders as Reserved for Encumbrances or Accounts Payable. No exception was noted in this area.

Travel Policy

A travel policy was adopted by the Board as required by *N.J.A.C. 6A:23A A-6.13* and *N.J.S.A. 18A:11-12*.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23-2.2(g)* and line item details as described in the Budget Summary Key as part of our test of transactions of judgmentally selected expenditure items.

We also reviewed coding of all expenditures included in our Compliance and Single Audit testing procedures. In addition to the selected expenditures items, we specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23-8.2*. As a result of the procedures performed, we noted no deviations in expenditure or administrative coding classifications.

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

**FOR THE YEAR ENDED JUNE 30, 2021**

**Financial Planning, Accounting, and Reporting - Continued**

Board Secretary's Records

We reviewed the Board Secretary's financial and accounting records maintained by the Business Office and noted that monthly reports are provided to the Board for review and approval. In our review of the Charter School's instructional expense ratio to the total expenditures, we noted that it is below the 60% minimum threshold (actual 44%).

Treasurer's Records

Monthly reports and reconciliation of accounts were prepared and were presented to the Board by the School Business Administrator/Board Secretary.

Elementary and Secondary Education Act (ESEA) as amended the Every Student Succeeds Act (ESSA)

The ESEA financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and IV of the Elementary and Secondary Education Act as amended and reauthorized.

Other Special Federal and/or State Projects

The Charter School's special projects were approved as listed on Schedules A and B in the CAFR. Our audit of the federal and state funds on a test basis indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

Teachers' Pension Annuity Fund (TPAF) Reimbursement

Our audit procedures included a test of the electronic reimbursements filed with the Department of Education for Charter School employees who are members of the Teacher's Pension Annuity Fund. We noted no exceptions.

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The reimbursement to the State for the amount of the expenditure charged to the current year's

Final Report(s) for all federal awards for Charter School to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the Charter School for those employees whose salaries are identified as being paid from federal funds was made prior to the 90 days required by the Office of Grants Management. Accordingly, the expenditure was made in accordance with State law (90 not expended and as an unliquidated balance in the current year's Final Report(s) for all federal awards. We noted no exceptions.

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

**FOR THE YEAR ENDED JUNE 30, 2021**

## **School Purchasing Programs**

### Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$44,000 (with a Qualified Purchasing Agent) and \$32,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$19,600 for 2020-2021.

The Charter school board of trustees has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Based on the results of our examination, we did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory

thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A 18:18A-5.

## **School Food Service**

In accordance with the Governor's Declaration of Emergency pertaining to the public health emergency all Public, Charter, Non-Public schools were ordered to close effective as of March 18, 2020 for an undetermined period to limit the spread of the virus. As a result, School Food Authorities (SFA) were required to institute alternate procedures to provide meals to eligible students during the period of school closures.

During SY 2020-2021 the public health emergency was still applicable. As a result, School Food Authorities (SFAs) were required to provide meals in accordance with the regulations governing the National School Nutrition Seamless Summer Option (SSO) or the Summer Food Service Program (SFSP) option.

SFAs were authorized to solicit and award emergency noncompetitive procurements and contracts with Food Service Management Companies in accordance with 2 CFR 200.320 and N.J.S.A.18A:18A-7. The SFAs were also authorized to submit contract modifications to their existing Cost Reimbursable or Fixed Price contracts as necessary to ensure the feeding of all children throughout the age of 18, as well as persons over 18 with disabilities as defined in the regulations.

SFAs were notified of the requirement to maintain and report separate meal count records and financial records of all applicable costs incurred in providing meals to all students during the emergency.

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

**FOR THE YEAR ENDED JUNE 30, 2021**

**School Food Service - Continued**

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

Non-program foods were not purchased, prepared, sold or offered for sale by the Charter School.

We inquired of management about the public health emergency procedures/practices that the SFA instituted to provide meals to all students, maintenance of all applicable production records; meal counts; noncompetitive procurements; modification of existing contracts and applicable financial records to document the specific costs applicable to the emergency operations. We also inquired if the FSMC received a loan in accordance with the Payroll Protection Plan and whether the funds were used to pay for costs applicable to the Food Service Programs. We also inquired if the PPP loan was subsequently forgiven and the FSMC refunded or credited the applicable amounts to the SFA.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G of the CAFR.

**Charter School Enrollment System/Charter School Aid**

Our audit procedures included tests of information reported on October 15<sup>th</sup> and the last day of the school year for enrolled, special education, bilingual and low-income students. We also performed a review of the Charter School's procedures related to its completion and noted the following:

***Finding 2021-002\****

- a. One student who did not have an IEP effective as of October 15, 2020 was classified as Speech in CHE.
- b. One student has an ADE of 1.0 in CHE but should have an ADE of 0.5 per review of the attendance records.
- c. Three students have missing and incorrect birth certificates on file.

***Recommendation***

We recommend that the School verify that CHE reported to the State is in accordance with the most recent student records for the fiscal year.

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

**FOR THE YEAR ENDED JUNE 30, 2021**

**Facilities and Capital Assets**

The Charter School has inventory records of assets. No exception was noted in this area.

**Miscellaneous**

Testing for Lead of All Drinking Water in Educational Facilities

The Charter School adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities. The Charter School submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

Deficit

For the fiscal year ended June 30, 2021, the total change in fund balance is \$45,034 (excess of revenues over expenditures) from its governmental funds (CAFR Exhibit B-2, General Fund and Special Revenue Funds). But as required by applicable Government Accounting Standards Board (GASB) statements, the change in fund balance is adjusted by the following reconciling items resulting in a change in net position of \$(80,227). As shown below, the negative change in net position is primarily caused by the Charter School's proportionate share of pension costs for its employees in the State pension system.

		<u>Governmental Funds</u>
Total net change in fund balances (Modified Accrual Basis)		45,034
Increase (Decrease)		
Depreciation of fixed assets	\$ (3,055)	
Compensated absences	15,000	
Net pension costs	<u>(137,206)</u>	<u>(125,261)</u>
Change in Net Position (Accrual Basis)		<u>\$ (80,227)</u>

**Follow-up on Prior Year Findings**

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations. Corrective actions had been completed or are still in process on prior year findings, with the exception of those that are identified as repeat or partially similar to findings in this year's recommendation (with asterisk \*).

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

**FOR THE YEAR ENDED JUNE 30, 2021**

**Acknowledgment**

We received the complete cooperation of all the officials of the Charter School and we greatly appreciate the courtesies extended to the members of our audit team.

Respectfully submitted,



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



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Galleros Robinson CPAs, LLP  
Certified Public Accountants

March 10, 2022  
Cream Ridge, New Jersey

NEWARK EDUCATORS COMMUNITY CHARTER SCHOOL  
 APPLICATION FOR CHARTER SCHOOL AID  
 ENROLLMENT COUNT AS OF OCTOBER 15, 2020

Grades	Submission to DOE reported On Roll		50% Verification required 10/15/20				Verified # days enrolled		Submission to DOE Reported Special Ed/ Bilingual			Verified # days Service Provided		Low Income		Verified documentation		
	On Roll	Errors	Required	Signed	Errors	Days	Errors	Ed/ Bilingual	Documentation	Errors	Days	Errors	Income	Documentation	Errors	Income	Documentation	Errors
Pre-Kindergarten	44	-	22	22	-	21	1	2	2	-	2	-	37	37	-	37	37	-
Kindergarten	41	-	21	21	-	21	-	-	-	-	-	-	24	24	-	24	24	-
First	40	-	20	20	-	20	-	6	6	-	6	-	29	29	-	29	29	-
Second	47	-	24	24	-	24	-	8	8	-	8	-	35	35	-	35	35	-
Third	48	-	24	24	-	24	-	5	4	1	4	1	35	35	-	35	35	-
Fourth	39	-	20	20	-	20	-	7	7	-	7	-	28	28	-	28	28	-
<b>Total</b>	<b>259</b>	<b>-</b>	<b>131</b>	<b>131</b>	<b>-</b>	<b>130</b>	<b>1</b>	<b>28</b>	<b>27</b>	<b>1</b>	<b>27</b>	<b>1</b>	<b>188</b>	<b>188</b>	<b>-</b>	<b>188</b>	<b>188</b>	<b>-</b>
Percentage		0%			0%		1%			4%		4%						0%

**NEWARK EDUCATORS COMMUNITY CHARTER SCHOOL  
APPLICATION FOR CHARTER SCHOOL AID  
ENROLLMENT COUNT AS OF JUNE 30, 2021**

Grades	Submission to DOE reported On Roll	Reported on workpapers		50% Verification required 6/30/2021			Verified signed registration forms		Verified # days enrolled		Submission to DOE Reported Special Ed/ Bilingual			Verified # days Service Provided		Low Income		
		Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	Errors	
Pre-Kindergarten	45	45	-	23	23	-	22	1	2	2	-	2	-	37	37	-		
Kindergarten	42	42	-	21	21	-	21	-	-	-	-	-	-	24	24	-		
First	40	40	-	20	20	-	20	-	6	6	-	6	-	29	29	-		
Second	48	48	-	24	24	-	24	-	8	8	-	8	-	35	35	-		
Third	48	48	-	24	24	-	24	-	5	4	1	4	1	35	35	-		
Fourth	41	41	-	21	21	-	21	-	7	7	-	7	-	28	28	-		
<b>Total</b>	<b>264</b>	<b>264</b>	<b>-</b>	<b>133</b>	<b>133</b>	<b>-</b>	<b>132</b>	<b>1</b>	<b>28</b>	<b>27</b>	<b>1</b>	<b>27</b>	<b>1</b>	<b>188</b>	<b>188</b>	<b>-</b>		
Percentage			0%			0%		1%			4%		4%			0%		

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

**EXCESS SURPLUS CALCULATION**

**June 30, 2021**

**SECTION 1**

**A. 4% Calculation of Excess Surplus**

2020-21 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 4,324,611 (B)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	\$ _____ - (B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____ - (B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ _____ - (B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ _____ - (B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ 398,911 (B2a)
Assets Acquired Under Capital Leases	\$ _____ - (B2b)
Adjusted 2020-21 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ 3,925,700 (B3)
4% of Adjusted 2020-21 General Fund Expenditures [(B3) times .04]	\$ 157,028 (B4)
Enter Greater of (B4) or \$250,000	\$ 250,000 (B5)
Increased by: Allowable Adjustment *	\$ _____ - (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ 250,000 (M)

**SECTION 2**

Total General Fund - Fund Balances @ 6/30/2021 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 716,513 (C)
Decreased by:	
Year-end Encumbrances	\$ _____ - (C1)
Legally Restricted – Designated for Subsequent Year's Expenditures	\$ _____ - (C2)
Legally Restricted - Excess Surplus – Designated for Subsequent Year's Expenditures **	\$ _____ - (C3)
Other Restricted Fund Balances ****	\$ _____ - (C4)
Assigned Fund Balance – Unreserved- Designated for Subsequent Year's Expenditures	\$ _____ - (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ 716,513 (U1)
Excess Surplus at June 30, 2021	\$ 466,513

**SECTION 3**

Restricted Fund Balance – Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0-	\$ 466,513 (E)
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**Recapitulation of Excess Surplus as of June 30, 2021**

Reserved Excess Surplus – Designated for Subsequent Year's Expenditures **	\$ _____ - (C3)
Reserved Excess Surplus ***[(E)]	\$ 466,513 (E)
Total Excess Surplus [(C3) + (E)]	\$ 466,513 (D)

Charter schools are not subject to the excess surplus limitations. Charter schools auditors are required to document the calculation of excess surplus pursuant to N.J.S.A. 18A:7F-7 solely for the purpose of adherence to N.J.A.C. 6A:23A-22.4(e), which provides that a district board of education may petition the Commissioner to pay a lower per-pupil rate if the charter schools spends "significantly less than budgeted and has accumulated a sizeable surplus."

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

**AUDIT RECOMMENDATIONS SUMMARY**

**FOR THE YEAR ENDED JUNE 30, 2021**

**I. Administrative Practices and Procedures**

There are none.

**II. Financial Planning, Accounting and Reporting**

1. We recommend a review of vendor files to ensure that all supporting documents including approved purchase orders, vendor invoices and certifications are obtained and maintained. Further, expenses should always follow the Charter School purchasing policy.

**III. School Purchasing Programs**

There are none.

**IV. School Food Service**

There are none.

**V. Student Body Activities**

There are none.

**VI. Charter School Enrollment System/Charter School Aid**

2. We recommend that the School verify that CHE reported to the State is in accordance with the most recent student records for the fiscal year.

**VII. Pupil Transportation**

Not Applicable.

**VIII. Miscellaneous**

There are none.

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

**AUDIT RECOMMENDATIONS SUMMARY**

**FOR THE YEAR ENDED JUNE 30, 2021**

**IX. Facilities and Capital Assets**

There are none.

**X. Status of Prior Years' Audit Findings/Recommendations**

A review was performed on all prior year recommendations. Corrective actions had been completed or are still in process on prior findings, with the exception of those that are identified as repeat or partially similar to findings in this year's recommendation.