

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
OF THE
ETHICAL COMMUNITY CHARTER SCHOOL
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

THE ETHICAL COMMUNITY CHARTER SCHOOL
JUNE 30, 2024
TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	1
Roster of Trustees and Officers.....	5
Consultants and Advisors	6

FINANCIAL SECTION

Independent Auditor's Report on General Purpose Financial Statements and Supplementary Schedule of Expenditures of Federal Awards and State Financial Assistance	7
Required Supplementary Information - Part I Management's Discussion and Analysis	11

Basic Financial Statements:

A. School-wide Financial Statements

A-1 Statement of Net Position	22
A-2 Statement of Activities	23

B. Fund Financial Statements:

Governmental Funds:

B-1 Balance Sheet.....	24
B-2 Statement of Revenues, Expenditures and Changes in Fund Balances.....	25
B-3 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	26

Proprietary Funds:

B-4 Statement of Net Position	27
B-5 Statement of Revenues, Expenses, and Changes in Fund Net Position	28
B-6 Statement of Cash Flows	29

Fiduciary Funds:

B-7 Statement of Fiduciary Net Position	30
B-8 Statement of Changes in Fiduciary Net Position	31

Notes to Financial Statements	32
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Required Supplementary Information - Part II

C. Budgetary Comparison Schedules:

C-1 Budgetary Comparison Schedule General Fund	65
C-2 Budgetary Comparison Schedule Special Revenue Fund	68

Notes to Required Supplementary Information:

C-3 Budget to GAAP Reconciliation.....	70
--	----

THE ETHICAL COMMUNITY CHARTER SCHOOL
JUNE 30, 2024
TABLE OF CONTENTS

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.....	71
L-2	Schedule of Charter School Contributions - PERS	72
L-3	Schedule of the Charter School Proportionate Share of the Net Pension Liability-TPAF	73
L-4	Notes to Required Supplementary Information Pension Schedules	74
L-5	Notes to Required Supplementary Information OPEB Liability	75
M-1	Schedule of Changes in the Charter School Proportionate Share of Proportionate Share of Total OPEB Liability	76

Other Supplementary Information

E. Special Revenue Fund:

E-1	Combining Schedule of Program Revenues and Expenditures, Special Revenue Fund - Budgetary Basis	77
E-2	Schedule of Preschool Education Aid Budgetary Basis – Not Applicable	77

G. Proprietary Funds:

Enterprise Fund:

G-1	Combining Statement of Net Position	78
G-2	Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	79
G-3	Combining Statement of Cash Flows.....	80

Fiduciary Funds:

H-1	Combining Statement of Fiduciary Net Position – Not Applicable	81
H-2	Combining Statement of Changes in Fiduciary Net Position – Not Applicable	82
H-3	Student Activity Agency Fund Schedule of Receipts and Disbursements – Not Applicable	83
H-4	Payroll Agency Fund Schedule of Receipts and Disbursements – Not Applicable	84
H-5	Unemployment Compensation Insurance Trust Fund – Not Applicable	85

J. Financial Trends:

J-1	Net Position by Component.....	86
J-2	Changes in Net Position	87
J-3	Fund Balances – Governmental Funds	89
J-4	Changes in Fund Balances – Governmental funds.....	90

J. Revenue Capacity:

J-5	General Fund - Other Local Revenue By Source	91
J-6	Assessed Value and Actual Value of Taxable Property – Not Applicable	92
J-7	Direct and Overlapping Properties – Not Applicable	93
J-8	Principal Property Taxpayers – Not Applicable	94

THE ETHICAL COMMUNITY CHARTER SCHOOL
JUNE 30, 2024
TABLE OF CONTENTS

J. Debt Capacity:

J-9	Property Tax Levies and Collections – Not Applicable	95
J-10	Ratios of Outstanding Debt by Type – Not Applicable	96
J-11	Ratios of Net General Bonded Debt Outstanding – Not Applicable	97
J-12	Direct and Overlapping Governmental Activities Debt – Not Applicable	98

J. Demographic and Economic Information:

J-13	Legal Debt Margin Information – Not Applicable	99
J-14	Demographic and Economic Statistics – Not Applicable	100

J. Operating Information:

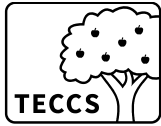
J-15	Principal Employers – Not Applicable	101
J-16	Full Time Equivalent Charter School Employees by Function/Program	102
J-17	Operating Statistics	103
J-18	School Building Information	104
J-19	General Fund-Schedule of Required Maintenance – Not Applicable	105
J-20	Insurance Schedule	106

J. Charter School Performance Framework Financial Indicators:

J-21	Near Term Indicators	107
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SINGLE AUDIT SECTION K.

K-1	Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	108
K-2	Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with The Uniform Guidance and New Jersey OMB Circular letter 15-08	110
K-3	Schedule of Expenditures of Federal Awards, Schedule A	113
K-4	Schedule of Expenditures of State Financial Assistance, Schedule B	114
K-5	Notes to the Schedule of Awards and Financial Assistance	115
K-6	Schedule of Findings of Noncompliance	117
	Section I – Summary of Auditor’s Results	117
	Section II – Financial Statement Findings	119
	Section III – Federal Awards and State Financial Findings and Questioned Costs	120
K-7	Summary Schedule of Prior Audit Findings	121



The Ethical Community Charter School

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December 16, 2024

The Honorable Chairman and
Members of the Board of Trustees
Ethical Community Charter School
County of Hudson
Jersey City, New Jersey

Dear Board Members:

The Annual Comprehensive Financial Report of the Ethical Community Charter School for the fiscal year ended June 30, 2024, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the school. To the best of our knowledge and belief, the data presented in this report are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the school. All disclosures necessary to enable the reader to gain an understanding of the school's financial activities have been included.

The Annual Comprehensive Financial Report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter and list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report. The statistical section includes audited data from the school's first six fiscal years. The school is required to undergo an annual single audit in conformity with the requirements of 2 CFR 200-Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (U.S. Uniform Guidance), "Audits of State and Local Governments and Non-Profit Organizations," and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments." Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws and regulations and findings and recommendations is included in the single audit section of this report.

- 1) REPORTING ENTITY AND ITS SERVICES:** Ethical Community Charter School constitutes an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board (GASB). All funds and account groups of the entity are included in this report.

The Ethical Community was chartered by The New Jersey Department of Education on January 1, 2009. In September 2009, TECCS opened its doors to its first 120 students; 60 kindergarteners, and 60 first graders. The school added one grade level per year since inception. The school is now K-8th grade.

- 2) **ENROLLMENT OUTLOOK:** The Ethical Community Charter School is one of the most economically, ethnically, and racially diverse schools in New Jersey. Among our 342 students, 51% of TECCS students are eligible for free or reduced meals, 15.8% are English language learners, and 11.1% are students with disabilities. We are an intentionally diverse public school and take pride in the many communities that make us whole. Our students and families collectively speak more than 40 languages and share multiple backgrounds and learning styles.

3) **MAJOR ACCOMPLISHMENTS**

Our Mission Statement:

We believe children who have the skills to make good choices will thrive and positively shape the world.

The Ethical Community Charter School is a safe and caring K-8 school where ethics, service, and social justice are the principles that inform every aspect of school life; where teachers lead and collaborate with students in a culture of rigorous academics and mutual respect; where analytical thinking and creativity are prized over rote learning; where children become individuals of integrity, insight, autonomy—and socially productive citizens, workers, leaders.

Our educational philosophy is grounded in the study of ethics: the way people treat each other, the value of service to others, and the development of a sense of responsibility for making the world a more just and humane place. Ethics education weaves throughout the core curriculum: Language Arts, Math, Social Studies, Science, as well as special content areas including Technology, Physical Education, Art, Music, and Health.

At TECCS, teachers developed their own units of study by correlating thematic units with grade-level standards and a focus on interdisciplinary connections and project-based learning where student interest drives specific project choices. Each student graduates TECCS with an extensive portfolio of writing and projects. At the same time, students take state-mandated tests and internal assessments to assure their progress on national and state standards.

- 4) **INTERNAL ACCOUNTING CONTROLS:** Management of the Charter School is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the School are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits like 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 School also is responsible for ensuring that an adequate control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the School management.

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

- 5) **BUDGETARY CONTROLS:** In addition to internal accounting controls, the 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 Board of Trustees and the State of New Jersey. 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 canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balances at June 30, 2024.

- 6) **ACCOUNTING SYSTEM AND REPORTS:** The Charter Schools' accounting records reflect generally accepted accounting principles, as promulgated by the Government Accounting Standards Board (GASB). The accounting system of the School is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements," Note 1

- 7) **FINANCIAL INFORMATION AT FISCAL YEAR – END:** As demonstrated by the various statements and schedules included in the financial section of report, the School continues to meet its responsibility for sound financial management. The following schedule presents a summary of the General, Special Revenue and Proprietary Funds for the fiscal year ended June 30, 2024.

Revenue	Amount	Percent of Total
Local Sources	\$1,194,628	10%
State Sources	7,898,631	69%
Special Revenue Fund	1,620,110	14%
Miscellaneous Revenues	255,927	2%
Proprietary Fund	<u>471,487</u>	<u>5%</u>
	<u><u>\$11,440,783</u></u>	<u><u>100%</u></u>

The following schedule presents a summary of the General, Special Revenue and Proprietary Funds expenditures for the fiscal year ended June 30, 2024.

Expenditures	Amount	Percent of Total
General Fund	\$7,222,751	76%
Special Revenue Fund	1,750,337	19%
Proprietary Fund	<u>471,487</u>	<u>5%</u>
	<u>\$9,444,575</u>	<u>100%</u>

8) **CASH MANAGEMENT:** The investment policy of the School is guided in large by the state Statute as detailed in "Notes to the Financial Statements," Note 2. The School had adopted a cash management plan, which requires it to deposit public 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 Governmental Units from a loss of funds on deposit with failed banking institutions in New Jersey. The law requires governmental units to deposit funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

9) **RISK MANAGEMENT:** The School carries various forms of insurance, including but not limited to general liability, automobile liability and comprehensive/collision, and hazard and theft insurance on property and contents.

10) **OTHER INFORMATION:**

Independent Audit – State statutes require an annual audit by an independent Certified Public Accountant or Registered Municipal Accountant. The Accounting firm of Gerald D. Longo, CPA was selected by the Charter School.

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

Respectfully submitted,



Mrs. Chloe Lewis
Principal/Head of School

ETHICAL COMMUNITY CHARTER SCHOOL

ROSTER OF TRUSTEES AND OFFICERS JUNE 30, 2024

<u>BOARD OF TRUSTEES</u>	<u>TERM EXPIRES</u>
{Ex-Officio members - Nia Armstrong & Chloe Lewis}	
Nia Armstrong, Chair, voting	6/2027
Jahshae Stewart, Governance (Chair), Technology, voting	6/2027
Anna Krupitskiy, Academic Progress (Chair), voting	6/2025
Jill Emmich, Parent Association Rep, Marketing (Chair), voting	6/2025
James Lewis, Finance and Governance, voting	6/2025
Mike Riccio, Finance, Governance (Elections/Nominations), Facilities (Chair), voting	6/2026
Tarun Mundarth, Finance (Chair), Technology, voting	6/2025
Vassily Kotsonouris, Facilities, Personnel, voting	6/2027
Nate Brzozowski, Governance, voting	6/2026
Chloe Lewis, Principal, non-voting, On-Going	
Serenity Carr, SBA, non-voting, On-Going	

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Independent Auditor's Report

The Honorable Chairman and
Members of the Board of Trustees
Ethical Community Charter School
County of Hudson
Jersey City, New Jersey

Report on the Audit of the Financial Statements

Opinions

I 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 Ethical Community Charter School, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Ethical Community Charter School's basic financial statements as listed in the table of contents.

In my 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 Ethical Community Charter School as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit 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, and *audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*. My responsibilities under those standards and Specifications are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Ethical Community Charter School and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ethical Community Charter School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Specifications will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and Audit Requirements prescribed by the Office of School Finance Department of Education, State of New Jersey:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ethical Community Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ethical Community Charter School's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the schedules related to accounting and reporting for Pensions and Post-Retirement Benefits and the other required supplementary information and notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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 Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ethical Community Charter School's basic financial statements. The combining and individual fund financial statements and the schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, respectively, are presented for additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In my opinion, the combining and individual fund financial statements and the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report for the year ended June 30, 2024. The other information comprises the introductory and statistical sections but does not include the basic financial statements and my auditors' report thereon. My opinions

on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 16, 2024, on my consideration of the Ethical Community Charter School's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Ethical Community Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Ethical Community Charter School's internal control over financial reporting and compliance.

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant

December 16, 2024

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**ETHICAL COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)**

This section of Ethical Community Charter School annual financial report presents its discussion and analysis of the Board's financial performance during the fiscal year that ended on June 30, 2024. Please read it in conjunction with the transmittal letter at the front of this report and the Board's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2023-24 fiscal year include the following:

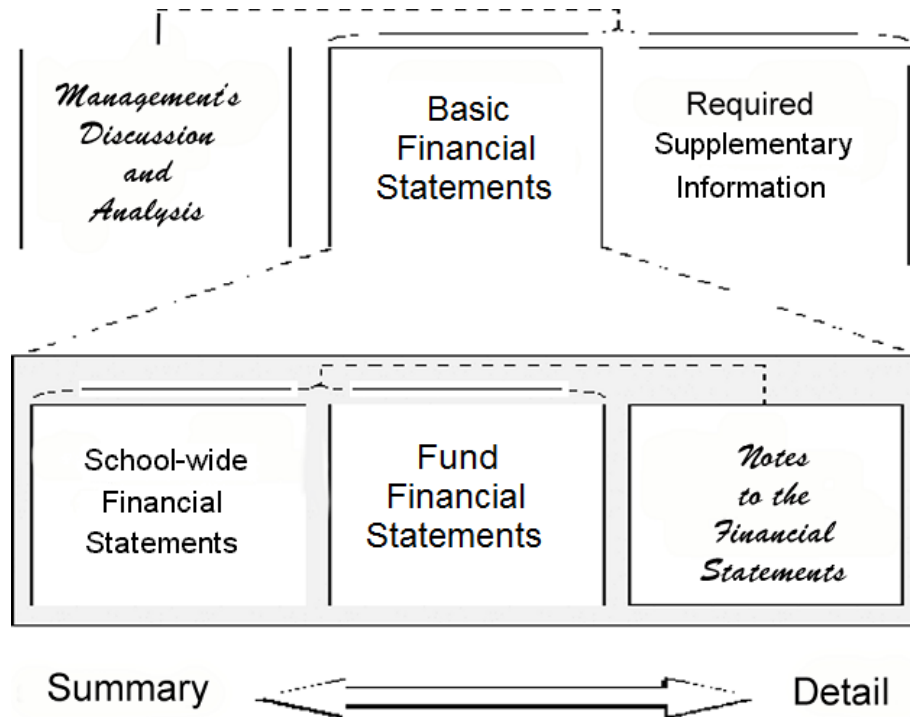
- Total Net Position was \$6,077,566.
- Total General Fund unrestricted balance was \$7,033,951.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information that includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the Ethical Community Charter School.

ETHICAL COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

Figure A-1. Required Components of the Board's Annual Financial Report



- The first two statements are school-wide financial statements that provide both short-term and long-term information about the Ethical Community Charter School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Ethical Community Charter School, reporting the Ethical Community Charter School's operation in more detail than the school-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in short term as well as what remains for future spending.
- Proprietary funds statements provide financial information about the after school program activities the Ethical Community Charter School operates like businesses.

ETHICAL COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

The financial statements also include notes that explain some of the information in the statements and provide data that are more detailed. Figure A-1 summarizes the major features of the Ethical Community Charter School's financial statements, including the portion of the Ethical Community Charter School's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 - Major Features of the School-wide and Financial Statements

	<u>School-wide Statements</u>	<u>Fund Financial Statements</u>	
		Governmental Funds	Proprietary Funds
Scope	Entire school (except fiduciary funds)	The activities of the Ethical Community Charter School that are for the school operations and not proprietary or fiduciary, such as teachers' salaries, special education and building maintenance, food service, and community education	Activities the Ethical Community Charter School operates similar to private businesses: Internal service fund
Required financial statements	Statement of net position	Balance sheet	Statement of net position
	Statement of activities	Statement of revenue expenditures and changes in fund balances	Statement of revenue, expenses, and changes in fund net position
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Statement of cash flows Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon there after; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

ETHICAL COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

School-wide Statements

The school-wide statements report information about the Ethical Community Charter School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Ethical Community Charter School's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two school-wide statements report the Ethical Community Charter School's net position and how they have changed. Net position – the difference between the Ethical Community Charter School's assets and liabilities – are one way to measure the Ethical Community Charter School's financial health or position.

In the school-wide financial statements, the Ethical Community Charter School's activities are shown in two categories:

- *Governmental activities*- Most of the Ethical Community Charter School's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. State aids finance most of these activities.
- *Business-type activities*- The Ethical Community Charter School's after school program fund is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Ethical Community Charter School's funds – focusing on its most significant or "major" funds – not the Ethical Community Charter School as a whole.

Funds are accounting devices the Ethical Community Charter School uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law.

The Ethical Community Charter School use other funds, established in accordance with the State of New Jersey Uniform Chart, to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal funds).

**ETHICAL COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)**

The Ethical Community Charter School has two kinds of funds:

- **Governmental funds-** Most of the Ethical Community Charter School's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Ethical Community Charter School's programs. Because this information does not encompass the additional long-term focus of the school-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary funds-** Services for which the Ethical Community Charter School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the school-wide statements.

FINANCIAL ANALYSIS OF ETHICAL COMMUNITY CHARTER SCHOOL AS A WHOLE

Net position. The Ethical Community Charter School's Net Position is \$6,077,566 on June 30, 2024. (See Table A-1).

Governmental Funds	\$6,077,566
Proprietary Fund	-
Total	<u>\$6,077,566</u>

The Statement of Net Position of \$6,077,566 reflects total net capital assets of \$582,176, net of accumulated depreciation.

ETHICAL COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

The Ethical Community Charter School's financial position is the product of these factors:

- Total Revenues – School Wide during the 2023-2024 school year were \$11,440,783.
- Total Expenditures – School Wide during the 2023-2024 school year were \$9,444,575.

Table A-1
The Ethical Community Charter School
Statement of Net Position
As of June 30, 2024

	<u>Total</u>
Current and Other Assets	\$8,155,464
Right-to-use lease assets - Net	2,953,474
Pension Deferred Outflows	183,202
Capital Assets - Net	582,176
Total Assets and Pension Deferred Outflows	<u>\$11,874,316</u>
Current and Other Liabilities	\$953,589
Lease Liabilities - Noncurrent	3,388,396
Pension Deferred Inflows	89,913
Net Pension Liability - Noncurrent	1,364,852
Total Liabilities and Pension Deferred Inflows	<u>\$5,796,750</u>
Net Position	
Invested In Capital Assets, Net	\$ 582,176
Restricted	167,924
Unrestricted	5,327,466
Total Net Position	<u>\$ 6,077,566</u>
Total Liabilities, Deferred Inflows and Net Position School Wide	<u>\$11,874,316</u>
Fund Balance June 30, 2024 - School Wide	\$7,201,875
Invested in Capital Assets - Net	582,176
Net Position before Pension Adjustment	7,784,051
Amortization expense over prin payments on leases	(434,922)
Less: Pension Adjustment (Deficit)	(1,271,563)
Net Position - June 30, 2024	<u>\$6,077,566</u>

Total Governmental and Business Activities Revenues and beginning assets are adjusted by net adjusted Expenditures resulting in a calculation of Net Position of \$6,292,497 on June 30, 2024.

ETHICAL COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

Table A-2
The Ethical Community Charter School
Changes in Net Position - School Wide
For the Fiscal Year Ended June 30, 2024

	<u>Total</u>	<u>Percentage</u>
Program revenues		
Charges for services	\$ -	
Operating grants and contributions		
General revenues		
Local Share	1,194,628	10%
State Aid-Unrestricted	7,898,631	66%
Special Revenue Aid-Restricted	1,620,110	14%
Student Activity	0	0%
Miscellaneous Revenue	255,927	2%
Proprietary Fund	471,487	3%
Increase in Net Capital Outlay	545,848	5%
Total revenues	<u>\$ 11,986,631</u>	<u>100%</u>
Expenses		
Regular Instruction	3,824,189	40%
General Administrative	2,278,263	24%
School Administrative	1,850,124	20%
On-behalf TPAF Social Security / Pension / Medical	890,285	10%
Student Activity	130,227	1%
Capital Outlay	0	0%
Proprietary Fund	471,487	5%
Total expenses	<u>\$ 9,444,575</u>	<u>100%</u>
Increase in Net Position	\$ 2,542,056	
Net Position - Beginning of Year - July 1, 2023	3,891,174	
Net Position before Pension Adjustment and Amortization	6,433,230	
Amortization expense over prin paymts on leases	(214,931)	
Less: Pension Adjustments	(140,733)	
Net Position - End of Year - June 30, 2024	<u>\$ 6,077,566</u>	

**ETHICAL COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)**

**Table A-3 (See Exhibit A-2)
The Ethical Community Charter School
Total and Net Cost of Services - School Wide
For the Fiscal Year Ended June 30, 2024**

	Source	Total Cost of Services	Net Cost of Services
School Wide Activities			
Instruction			
Regular	B-2	\$ 3,824,189	\$ 2,274,348
Support Services			
General Administrative Services	B-2	2,278,263	2,207,994
School Administrative Services	B-2	1,850,124	1,850,124
On-behalf TPAF Social Security/Pension/Medical	B-2	890,285	890,285
Capital Outlay	B-2		
Student Activity	E-1	130,227	130,227
Proprietary Fund	G-2	471,487	471,487
Total and Net Cost of Services		\$ 9,444,575	\$ 7,824,465

FINANCIAL ANALYSIS OF THE ETHICAL COMMUNITY CHARTER SCHOOL'S FUNDS

The financial performance of the Ethical Community Charter School as a whole is reflected in its governmental activities Exhibit A-2. As the Ethical Community Charter School completed the year, the school reported a combined unreserved, unassigned fund balance of \$7,033,951.

THE SCHOOL GENERAL FUND

The General Fund includes the primary operations of the Ethical Community Charter School in providing educational services to students from grade K through grade 8.

ETHICAL COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

The following schedule presents a summary of Revenues – School Wide. The summary reflects the dollar increase (decrease) from the prior year.

Table A-4 (See Exhibit B-2)
The Ethical Community Charter School
Changes in Revenues - School Wide
For the Fiscal Years Ended June 30

Revenues	Year Ended June 30, 2024	Year Ended June 30, 2023	Amount of Increase (Decrease)
Local Sources:			
Local Share	\$ 1,194,627	\$ 2,359,289	\$ (1,164,662)
Student Activity	-	55,228	(55,228)
Other Local Revenue	255,927	56,481	199,446
Total Local Sources	\$ 1,450,554	\$ 2,470,998	\$ (1,020,444)
Intergovernmental			
Proprietary Fund	471,487	316,647	154,840
State Sources	7,898,631	5,549,596	2,349,035
Federal Sources	1,620,110	826,563	793,547
Total Intergovernmental Sources	\$ 9,990,228	\$ 6,692,806	\$ 3,297,422
Total Revenue - School Wide	\$ 11,440,782	\$ 9,163,804	\$ 2,276,978

The following schedule presents a summary of Expenditures – School Wide. The summary reflects the dollar increases (decreases) from the prior year.

Table A-5 (See Exhibit B-2)
The Ethical Community Charter School
Changes in Expenditures - School Wide
For the Fiscal Years Ended June 30

	Year Ended June 30, 2024	Year Ended June 30, 2023	Amount of Increase
Regular Instruction	\$ 3,824,189	\$ 3,001,907	\$ 822,282
General Administrative Services	2,278,263	2,039,597	238,666
School Administration	1,850,124	1,452,805	397,319
On-behalf TPAF Social Security/Pension/Medical	890,285	940,567	(50,282)
Student Activity	130,227	-	130,227
Capital outlay	-	-	-
Proprietary Fund	471,487	344,506	126,981
Total Expenditures - School Wide	\$ 9,444,575	\$ 7,779,382	\$ 1,665,193

ETHICAL COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)

UNRESERVED-UNDESIGNATED FUND BALANCE AS A PERCENTAGE OF EXPENDITURES

The following table shows the School Wide unreserved-unassigned fund balance.

Table A-6
The Ethical Community Charter School
Changes in Unreserved-Unassigned Fund Balance
For the Fiscal Years Ended June 30

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Unreserved-Unassigned Fund Balance	\$7,033,951	\$4,907,516	\$3,578,322	\$2,154,372	\$1,095,222	\$716,362
Expenditures	\$9,444,575	\$7,779,302	\$6,318,375	\$6,180,582	\$5,404,655	\$5,032,915
Percentage	74.5%	63.1%	57%	35%	20%	14%

The Ethical Community Charter School values its fund balances as a vehicle for addressing unbudgeted and emergent needs that occur during school year. The amount of fund balance unreserved – unassigned to support the subsequent years budget is \$7,033,951 for the 2024-25 school year.

CAPITAL ASSETS

Capital Assets

By the fiscal year ended June 30, 2024, in the General Fund, the Ethical Community Charter School had invested \$896,186 in a broad range of capital assets, including leasehold improvements, computers, furniture, equipment, and administrative offices, etc. (More detailed information about capital assets can be found in the notes to the financial statements.) Total General Fund depreciation expense for the year was \$49,902.

Table A-7
The Ethical Community Charter School
Statement of Capital Assets - School Wide
For the Fiscal Year Ended June 30, 2024

Leasehold Improvements	\$650,750
Equipment	245,436
Total	\$896,186
Less: Accumulated Depreciation	(314,010)
Total - Net Capital Assets	\$582,176

**ETHICAL COMMUNITY CHARTER SCHOOL
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2024
(Unaudited)**

FACTORS BEARING ON THE SCHOOL'S FUTURE

While many factors influence the Charter School's future, the availability of State funding and the economy will have the most impact on educational and fiscal decisions in the future.

These and many other factors were considered by the Charter School's administration during the process of developing the fiscal year 2024-25 budget. The primary factors were the Charter School's projected student population, anticipated state and federal aid as well as increasing salary and related benefit costs. These indicators were considered when adopting the budget for fiscal year 2024-2025.

CONTACTING THE ETHICAL COMMUNITY CHARTER SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Ethical Community Charter School's finances and to demonstrate the Ethical Community Charter School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Ethical Community Charter School, 95 Broadway, Jersey City, New Jersey 07306.

BASIC FINANCIAL STATEMENTS

The basic financial statements provide a financial overview of the Ethical Community Charter School's operations. These financial statements present the financial position and operating results of all funds as of June 30, 2024.

SCHOOL-WIDE FINANCIAL STATEMENTS

THE ETHICAL COMMUNITY CHARTER SCHOOL
Statement of Net Position
As of June 30, 2024

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents - Unrestricted	\$ 7,730,592	\$ 129,565	\$ 7,860,157
Receivables	83,154	24,229	107,383
Interfunds	139,725	(139,725)	-
Security Deposit - Rental	20,000	-	20,000
Right-to-use lease assets-net	2,953,474		2,953,474
Capital assets, net	582,176	-	582,176
Cash and Cash Equivalents - Restricted	167,924	-	167,924
Total Assets	<u>11,677,045</u>	<u>14,069</u>	<u>11,691,114</u>
Deferred outflows of resources			
Pension deferred outflows	183,202		183,202
Total assets and deferred outflows of resources	<u>\$ 11,860,247</u>	<u>\$ 14,069</u>	<u>\$ 11,874,316</u>
LIABILITIES			
Accounts payable	\$ 638,818	\$ 14,069	\$ 652,887
Due to School Districts	125,000		125,000
Payroll Taxes Payable	34,383		34,383
Deferred Revenue	141,319		141,319
Lease liabilities - noncurrent	3,388,396		3,388,396
Net pension liability - noncurrent	1,364,852		1,364,852
Total liabilities	<u>5,692,768</u>	<u>14,069</u>	<u>5,706,837</u>
Deferred inflows of resources			
Pension deferred inflows	89,913	-	89,913
NET POSITION			
Invested in capital assets - net	582,176	-	582,176
Restricted for:			
Capital Reserve	50,000	-	50,000
Charter School Escrow Reserve	75,000	-	75,000
Student Activities Reserve	42,924	-	42,924
Unrestricted	5,327,466	0	5,327,466
Total Net Position	<u>\$ 6,077,566</u>	<u>\$ -</u>	<u>\$ 6,077,566</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 11,860,247</u>	<u>\$ 14,069</u>	<u>\$ 11,874,316</u>
 Fund Balance June 30, 2024 - B-1 (Governmental)	 \$7,201,875		
Right-to-use lease assets-net of accumulated amortization	2,953,474		
Principal balance of lease liabilities	(3,388,396)		
Cost of capital assets - net	582,176		
Net Position before pension adjustments	7,349,129		
Less: Pension adjustments net (Deficit)	(1,271,563)		
Total Net Position, June 30, 2024 (Governmental)	<u>\$6,077,566</u>		

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

THE ETHICAL COMMUNITY CHARTER SCHOOL
Statement of Activities
For the Fiscal Year Ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Instruction:						
Regular	\$ (3,824,189)	\$ -	\$ (1,549,841)	\$ (2,274,348)	\$ -	\$ (2,274,348)
Support services:	0					
General administratration	(2,278,263)	-	(70,269)	(2,207,994)	-	(2,207,994)
School administrative services/ operations plant serv.	(1,850,124)	-	-	(1,850,124)	-	(1,850,124)
On - behalf TPAF Social Security / Pension / Medical	(890,285)	-	-	(890,285)	-	(890,285)
Student Activity	(130,227)			(130,227)		(130,227)
Capital Outlay		-	-	0	-	-
Total governmental activities	(8,973,088)	-	(1,620,110)	(7,352,978)	-	(7,352,978)
Business-type activities:						
Food Service/ After Care	(471,487)	(471,487)	-		(471,487)	(471,487)
Total business-type activities	(471,487)	(471,487)	-		(471,487)	(471,487)
Total primary government	<u>\$ (9,444,575)</u>	<u>\$ (471,487)</u>	<u>\$ (1,620,110)</u>	<u>\$ (7,352,978)</u>	<u>\$ (471,487)</u>	<u>\$ (7,824,465)</u>
General revenues:						
Local Share				\$ 1,194,628	\$ -	\$ 1,194,628
J C Payroll Tax				2,686,455	-	2,686,455
State Aid				5,212,176	2,941	5,215,117
Transfer From General Fund					318,960	318,960
Federal Aid					123,202	123,202
Student Activity				0		0
Miscellaneous Income				255,927	26,384	282,311
Subtotal before Capital Outlay				<u>9,349,186</u>	<u>471,487</u>	<u>9,820,673</u>
Total Revenue over Expenditures				1,996,208	# 0	1,996,208
Amortization expense over prin paymts on leases				(214,931)		(214,931)
Increase in Capital Assets				<u>545,848</u>		<u>545,848</u>
Change in Net Position - Increase				2,327,125	0	2,327,125
Net Position - Beginning of Year July 1, 2023				3,891,174	-	3,891,174
Net Pension Adjustment				(140,733)	-	(140,733)
Net position - End of Year June 30, 2024				<u>\$ 6,077,566</u>	<u>\$ -</u>	<u>\$ 6,077,566</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

THE ETHICAL COMMUNITY CHARTER SCHOOL
Balance Sheet
Governmental Funds
As of June 30, 2024

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents - Unrestricted	\$7,644,730	\$178,786	\$7,823,516
Receivables	18,920	64,234	83,154
Security Deposit - Rental	20,000	-	20,000
Interfund	166,547	(26,822)	139,725
Cash and Cash Equivalents - Restricted	75,000	0	75,000
Total assets	<u>\$7,925,197</u>	<u>\$216,198</u>	<u>\$8,141,395</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to School Districts	\$125,000	\$0	\$125,000
Accounts payable	606,863	31,955	638,818
Payroll Taxes Payable	34,383		34,383
Deferred Revenue		141,319	141,319
Total liabilities	<u>766,246</u>	<u>173,274</u>	<u>939,520</u>
Fund Balances:			
Restricted for:			
Capital reserve account	50,000		50,000
Charter School Escrow Reserve	75,000		75,000
Student Activities - Reserve		42,924	42,924
Unassigned	7,033,951	-	7,033,951
Total Fund balances	<u>7,158,951</u>	<u>42,924</u>	<u>7,201,875</u>
Total liabilities and fund balances	<u>\$ 7,925,197</u>	<u>\$ 216,198</u>	<u>\$ 8,141,395</u>

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

Fund Balance - Governmental June 30, 2024	\$ 7,201,875
Right -to-use assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,547,458 less the accumulated amortization (\$593,984)	2,953,474
Lease liabilities used in governmental activities are not financial resourced and therefore are not reported in the funds	<u>(3,388,396)</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$300,436 and the accumulated depreciation is (\$264,064)	896,186 <u>(314,010)</u> 582,176
Net Position before pension adjustments	7,349,129
Deferred Outflows related to pension contributions subsequent to the Net Pension Liability measurement date and other deferred items are not current financial resources and therefore, are not reported in the fund statements.	183,202
Deferred Inflows related to pension actuarial gains from experience and differences in actual returns and assumed returns and other deferred items are not reported as liabilities in the fund statements.	(89,913)
Long-term liabilities, including net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the funds	(1,364,852)
Net Position of governmental activities - June 30, 2024	<u>\$ 6,077,566</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

THE ETHICAL COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenditures, And Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2024

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local sources:			
Local Share	\$ 1,194,628	\$ -	\$ 1,194,628
Jersey City Payroll Tax	2,686,455		2,686,455
State Share	4,055,077	-	4,055,077
Student Activity		-	-
Miscellaneous	255,927	925	256,852
Total - Local Sources	8,192,087	925	8,193,012
State Sources	1,157,099	109,201	1,266,300
Federal Sources	-	1,509,984	1,509,984
Total Revenues	<u>\$ 9,349,186</u>	<u>\$1,620,110</u>	<u>\$ 10,969,296</u>
EXPENDITURES			
Current:			
Instruction	\$ 2,274,348	\$ 1,680,068	\$ 3,954,416
Support services- General Administrative	2,207,994	70,269	2,278,263
Support Services- School Admin/ operations plant serv	1,850,124		1,850,124
On-behalf TPAF Social Security / Pension / Medical	890,285		890,285
Capital outlay	-		-
Student Activity	-	-	-
Total Expenditures	<u>7,222,751</u>	<u>1,750,337</u>	<u>8,973,088</u>
Excess (Deficiency) of revenues over expenditures	<u>2,126,435</u>	<u>(130,227)</u>	<u>1,996,208</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances - Increase (Decrease)	<u>2,126,435</u>	<u>(130,227)</u>	<u>1,996,208</u>
Fund Balance - Beginning of Year - July 1, 2023	\$ 5,032,516	\$ 173,151	\$ 5,205,667
Fund balance - End of Year - June 30, 2024	<u>\$ 7,158,951</u>	<u>\$ 42,924</u>	<u>\$ 7,201,875</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

THE ETHICAL COMMUNITY CHARTER SCHOOL
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
For the Fiscal Year Ended June 30, 2024

Total net change in fund balances - Governmental funds (from B-2) - Increase \$ 1,996,208

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.

Depreciation expense	\$	(49,902)	
Capital Outlay		595,750	545,848

Amortization expense over prin paymts on leases	\$0
Increase in Student activity	-

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

	(140,733)
Change in net position of Governmental activities - Increase (from A-2)	\$ 2,401,323

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

PROPRIETARY FUNDS

Exhibit B-4

THE ETHICAL COMMUNITY CHARTER SCHOOL

Statement of Net Position

Proprietary Funds

As of June 30, 2024

	Business-Type Activities
	<u>Enterprise Funds</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$129,565
Intergovernmental Receivable	
Federal	23,635
State	594
Total Current Assets	<u>153,794</u>
Total Assets	<u><u>\$153,794</u></u>
LIABILITIES	
Due to Other Funds	\$139,725
Accounts Payable	14,069
Total Current Liabilities	<u>153,794</u>
Net Position	
Unrestricted	<u>0</u>
Invested in capital assets - net	<u><u>\$0</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$153,794</u></u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

THE ETHICAL COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
As of June 30, 2024

	Business-Type Activities		
	Enterprise Fund Food Services	Enterprise Fund After Care Program	Total
OPERATING REVENUES			
Local Sources			
Daily Sales - Reimbursable Programs		---	
Special Lunch and Breakfast Program	\$0		\$0
Miscellaneous Revenue	0	26,384	26,384
Total Operating Revenues	0	26,384	26,384
OPERATING EXPENSES			
Salaries, wages and employee benefits	(106,623)	(72,454)	(179,077)
Supplies, Materials & Other	(189,783)		(189,783)
Afterschool Technical Services	0	(102,627)	(102,627)
Benefits		0	0
Total Operating Expenses	(296,406)	(175,081)	(471,487)
Income (Loss) From Operations	(296,406)	(148,697)	(445,103)
Nonoperating Revenues			
State Sources			
National School Breakfast After The Bell	227		227
National School Lunch	2,714		2,714
Federal Sources			
Local Food for Coop	519		
Supply Chain Assist	13,600		13,600
School Snack Program	16,187		16,187
School Breakfast Program	15,231		15,231
National School Lunch Program	77,665		77,665
Total Nonoperating Revenues	126,143	0	125,624
Net (Loss)	(170,263)	(148,697)	(318,960)
Transfer - Subsidy from General Fund	170,263	148,697	318,960
Total Net Position - Beginning of Year - July 1, 2023	0	0	0
Total Net Position - End of Year - June 30, 2024	\$0	\$0	\$0

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

Exhibit B-6

THE ETHICAL COMMUNITY CHARTER SCHOOL
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2024

	Business - Type Activities
Cash flows from operating activities	
Cash Received from Participants	\$26,384
Cash Payments to Suppliers for Goods and Services	(457,418)
Net Cash (Used) by Operating Activities	<u>(431,034)</u>
Cash Flows from Noncapital Financing Activities	
Decrease in Interfund	(124,426)
Transfer from General Fund	318,960
Cash Received from State and Federal Subsidy Reimbursements	124,653
Net Cash Provided by Noncapital Financing Activities	<u>319,187</u>
Cash Flows from Investing Activities	---
Net Cash Provided by Investing Activities	---
Net (Decrease) in Cash and Cash Equivalents	(111,847)
Net Adjustment in Interfund	0
Cash and Cash Equivalents, Beginning of Year - July 1, 2023	241,412
Cash and Cash Equivalents, End of Year - June 30, 2024	<u><u>\$129,565</u></u>
Reconcillation of Operating (Loss) to Net Cash	
Used by Operating Activities	
Operating (Loss)	(\$318,960)
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Transfer from General Fund	318,960
(Increase) in Accounts Receivable	(1,490)
Change in Assets and Liabilities	
(Decrease) in Interfund	(124,426)
Increase in Accounts payable	14,069
Total Adjustment	<u>(111,847)</u>
Net Cash (Used In) Operating Activities	<u><u>(\$111,847)</u></u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

FIDUCIARY FUNDS

Exhibit B-7

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Statement of Fiduciary Net Position
Fiduciary Funds
As of June 30, 2024**

NOT APPLICABLE

Exhibit B-8

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Statement of Changes in Fiduciary Net Position
Fiduciary Funds**

NOT APPLICABLE

NOTES TO THE BASIC FINANCIAL STATEMENTS

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

1. DESCRIPTION OF THE CHARTER SCHOOL AND REPORTING ENTITY

Ethical Community Charter School ("Charter School") is an instrumentality of the State of New Jersey, established to function as an education institution. The Board of Trustees (the 'Board') consists of appointed officials and are responsible for the fiscal control of the Charter School. A director is appointed by the Board and is the administrative control of the Charter School.

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

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the Charter School. Oversight responsibility includes financial interdependency, section of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds of the Charter School over which the Board exercises operating control. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the Charter School is not includable in any other reporting entity on the basis of such criteria.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis of Presentation

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

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 primary government, except for fiduciary funds.

Government-Wide Statements

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

Fund Financial Statements

During the fiscal year, 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 this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

The Charter School uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Funds

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

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

General Fund - The General Fund is the general operating fund of the Charter School. It is used to account for all financial resources except those required to be accounted for in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment that are classified in the Capital Outlay subfund.

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

Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings that 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 of the Enterprise Funds) and local appropriations that are legally restricted to expenditures for specified purposes.

Proprietary Funds

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

Enterprise Fund - The Enterprise Fund is utilized to account for operations that were financed and operated in a manner similar to private business enterprises - where the intent of the Charter School is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing education 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 appropriate 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 position) is segregated into invested in capital assets net of related debt and unrestricted net position, if

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

applicable. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Depreciation of fixed assets used by proprietary funds is charged as an expense against their operations.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. ***Basis of accounting*** refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statements of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet.

Operating statement of these funds present increases (i.e., revenues and other financing sources), and decreases (i.e. Expenditures and other finances uses) during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

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 non-current, associated with their activities are included on the balance sheet. Fund equity (i.e., net total assets) is classified as net position.

Basis of Accounting

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

In the fund financial statements, governmental fund and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting. revenues are

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general and special revenue funds. The budgets are submitted to the county office for approval. Budgets are prepared using the modified accrual basis of accounting, except for the special revenue fund as described later. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. Transfers of appropriations may be made by School Board resolution at any time during the fiscal year subject to the limitation of P.L 2004 c73 (S 1701).

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 accounting principles generally accepted in the United States of America (GAAP) with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and 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 the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

Exhibit C-3 represents a reconciliation of the General Fund revenues and Special Revenue Fund revenues and expenditures from the budgetary basis of accounting as presented in the Budgetary Comparison Schedule - General Fund and Special Revenue Fund to the GAAP basis of accounting as presented in Exhibit B-2.

E. Encumbrances

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds, other than the special revenue fund, are reported as

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund, for which the Charter School has received advances, are reflected in the balance sheet as deferred revenues at fiscal year end. There were \$0 of encumbrances at June 30, 2024. The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

F. Cash, Cash Equivalents and Investments

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

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

Additionally, the Charter School has adopted a cash management plan that requires it to deposit public 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 Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

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

G. Inventories and Prepaid Expenses

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

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first-in-first-out (FIFO) method.

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Short-Term Interfund Receivables/Payables

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the Charter School and that are due within one year.

I. Capital Assets

General Fund capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Charter School maintains a capitalization threshold of \$2,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description of Capital Cost</u>	<u>Estimated Lives (Years)</u>
Right-to-Use Assets	22
Leasehold improvements	15
Furniture and Equipment	7

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities those, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds. However, the noncurrent portion of compensated absences and mortgage payable that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are normally expected to be paid with expendable, available financial resources.

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. Net Position/Fund Balance

School-Wide Statements

In the school-wide statements, there are three classes of net position:

- Invested in Capital Assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets or related debt also should be included. Also included in invested in capital assets are amounts the Charter School prepaid in advance of the work performed.
- Restricted Net Position - reports net position when constraints placed on the residual amount of noncapital assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - any portion of net position not already classified as either net invested in capital assets or net position - restricted is classified as net position – unrestricted, which includes deferred inflows and outflows

Fund Balance and Equity

The Charter School follows GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (“GASB 54”), in establishing fund balance classifications that comprise a hierarchy based primarily on the extent to which government is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under GASB 54, fund balances in the governmental funds' financial statements are reported under the modified accrual basis of accounting and classified into the following five categories, as defined below:

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

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Restricted Fund Balances

Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Charter School Escrow Reserve – This restriction was created in accordance with New Jersey Department of Education in Paragraph 2.17 of the Charter School Agreement to be utilized in the event of dissolution of the Charter. The amount of charter school escrow reserve at June 30, 2024 amounted to \$75,000.

Student Activities – This restriction was created in accordance with NJAC 6A:23A-16.12 to represent the accumulation of funds derived from athletic events and other student organizations reserved for the payment of student group activities. The amount of student activity reserve at June 30, 2024 amounted to \$42,924.

Capital Reserve - The Board of Trustees has approved the appropriation of up to \$50,000 of the unrestricted surplus for capital reserve allocation. The reserve is reflected as a reservation of fund balance in the General Fund

M. Unearned/Deferred Revenue

Unearned/Deferred revenue in the special revenue fund represents cash that has been received but not yet earned.

N. Fund Equity

Reserves represent those portions of fund equity not available for appropriation for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

O. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. On-Behalf Payments

Revenues and expenditures of the General Fund include payment made by the state of New Jersey for Pension and social security contributions for certified teacher members of the New Jersey Teachers Pension and Annuity Fund. The amounts are not required to be included in the Charter School's annual budget.

Q. Deferred Outflows/Inflows

Deferred amounts on net pension liability are reported in the school-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; (4) changes in proportion and differences between employer contributions and proportionate share of contributions; and (5) contributions made subsequent to the measurement date. These amounts are deferred and amortized over future years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one type which arise only under the accrual basis of accounting that qualify for reporting in this category. The item that qualifies for reporting in this category is the deferred amounts on net pension liability.

Deferred amounts on net pension liability are reported in the school-wide statement of net position and result from: (1) differences between expected and actual experience; (2) changes in assumptions; (3) net difference between projected and actual investment earnings on pension plan investments; and (4) changes in proportion and differences between employer contributions and proportionate share of contributions. These amounts are deferred and amortized over future years.

R. Fair Value of Financial Instruments

The Charter School follows the accounting and disclosure standards pertaining to GASB No. 72, Fair Value Measurement and Application, for qualifying assets and liabilities. Fair value is defined as the price that the Charter School would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants at the measurement date.

The Charter School uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Charter School. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and which reflect the assumptions that market

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

participants would use when pricing an asset or liability. Unobservable inputs are inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing an asset or liability.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

S. Adoption of New Accounting Standard

During fiscal year 2024, the Charter School adopted the following GASB statements:

- GASB Statement No. 100, Accounting Changes and Error Corrections - an amendment of GASE Statement No. 62, will be effective beginning with the fiscal year ending June 30, 2024. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

Other accounting standards that the Charter School is currently reviewing for applicability and potential impact on the financial statements include:

- GASB Statement No. 101, Compensated Absences, will be effective beginning with the fiscal year ending June 30, 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.
- GASB Statement No. 102, Certain Risk Disclosures, will be effective beginning with the fiscal year ending June 30, 2025. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a charter school vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a charter school's financial condition.

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- GASB Statement No. 103, Financial Reporting Model Improvements, will be effective beginning with the fiscal year ending June 30, 2026. The requirements for MD&A will improve the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. They also will provide clarity regarding what information should be presented in MD&A. The requirements for the separate presentation of unusual or infrequent items will provide clarity regarding which items should be reported separately from other inflows and outflows of resources. The definitions of operating revenues and expenses and of nonoperating revenues and expenses will replace accounting policies that vary from a charter school to charter school, thereby improving comparability. The addition of a subtotal for operating income (loss) and noncapital subsidies will improve the relevance of information provided in the proprietary fund statement of revenues, expenses, and changes in fund net position. The requirement for presentation of major component unit information will improve comparability. The requirement that budgetary comparison information be presented as RSI will improve comparability, and the inclusion of the specified variances and the explanations of significant variances will provide more useful information for making decisions and assessing accountability.

T. Lease Assets

Intangible right-to-use lease assets are assets which the Charter School leases for a term of more than one year. The value of leases are determined by the net present value of the leases at the Charter School's incremental borrowing rate at the time of the lease agreement, amortized over the term of the agreement.

U. Subscription Assets

Intangible right-to-use subscription assets are subscription-based information technology arrangements (SBITAs) with subscription terms of more than one year. The value of subscription assets are determined by the sum of the subscription liability and payments made to the SBITA vendor, including capitalizable initial implementation costs, before the commencement date of the subscription term.

V. Lease Payable

In the school-wide financial statements, leases payable are reported as liabilities in the Statement of Net Position. In the governmental fund financial statements, the present value of lease payments is reported as other financing sources.

W. Subscription Payable

In the school-wide financial statements, subscription payables are reported as liabilities in the Statement of Net Position. In the governmental Fund financial statements, the present value of

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

subscription payments at the Charter School's incremental borrowing rate over the subscription term is reported as other financing sources.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Charter School's deposits might not be recovered. Although the Charter School does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Charter School in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled agency funds such as salary withholdings, and student activity funds, or funds that may pass to the Charter School relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized. As of June 30, 2024, the Charter School's bank balances were insured for \$250,000 by the FDIC and the remaining balance was subject to the provisions of the GUDPA.

The Board is permitted to invest public funds in accordance with the types of securities authorized by N.J.S.A. 18A:20-37. Examples of the allowable investments are bonds or other obligations of the United States or obligations guaranteed by the United States of America, Government Money Market Mutual Funds, bonds or other obligations of the Charter School or bonds or other obligations of the local unit or units within which the Charter School is located, Local Government investment pools, and agreements or the repurchase of fully collateralized securities, if transacted in accordance with the above statute.

As of June 30, 2024, the Charter School had no investments.

4. PENSION PLANS

Description of Plans - Substantially all of the employees of the School are covered by either the Public Employee's Retirement System or the Teacher's Pension and Annuity Fund (both of which are contributory defined benefits plans). Both were established by state statute and are administered by the New Jersey Division of Pension and Benefit (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

4 PENISON PLANS (continued)

that includes the financial statements and required supplementary information for the Public Employees Retirements System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

Teachers' Pension and Annuity Fund (TPAF) - The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide coverage including post-retirements health care to substantially all full time certified teachers or professional staff of the public school systems in the State.

The Teachers' 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 School and the systems other related non-contributing employers.

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

Public Employees' Retirement System (PERS) - The public Employees' Retirement Systems (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to substantially all full time employees of the State or any county municipality, 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, 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.

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

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A 43:15a and 43:03B 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. Retirements benefits for age and service are available at age 55 and are generally determine to be 1/55 of the final average salary for each year of service credit as defined.

Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

4 PENSION PLANS (continued)

achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age.

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

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

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

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

Funding Changes - Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS, and TPAF.

The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30 year period and paid in level dollars. Beginning with the July 1, 2019 actuarial valuation (July 1, 2019 for PERS), the UAAL will be amortized over a closed 30 year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20 year period.

COLA Suspension

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

Contribution Requirements

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

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

Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, non-

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

4 PENISON PLANS (continued)

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

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2011 for TPAF, which is a cost sharing plan with special funding situations, annual pension cost differs from the annual required contribution. For PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. TPAF employer contributions are made annually by the State of New Jersey to the pension system on behalf of the Board. PERS employer contributions are made annually by the Board to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

The School's contribution to PERS for the year ended June 30, 2024 was \$125,940.

In accordance with N.J.S.A 18A:66-66 the School recorded as revenue for the year ended June 30, 2024 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries in the amount of \$106,799. Also the State paid \$783,486 into the TPAF pension representing on-behalf employer's portion of the TPAF Pension System Contributions, TPAF Post-Retirement Medical Benefits Contributions and TPAF Long Term Disability Insurance Premium Contributions for the School. These amounts have been included in the school wide financial statements and the fund financial statements as a revenue and expenditure in accordance with GASB No. 24.

5 PENSION PLANS – GASB 68 DISCLOSURES

Teachers' Pension and Annuity Fund (TPAF)

Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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

The employer contributions for the Charter School are legally required to be funded by the State in accordance with N.J.S.A 18:66-33. Therefore, the Charter School (employer) is considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the Charter School (employer) does not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the Charter School. However, the state's portion of the net pension liability that was associated with the Charter School was \$8,504,246 as measured on June 30, 2023 and \$6,110,314 as measured on June 30, 2020.

For the year ended June 30, 2024, the Charter School recognized pension expense of \$208,925 and revenue of \$208,925 for support provided by the State. The measurement period for the pension expense and revenue reported in the Charter School's financial statements (A-2) at June 30, 2024 is based upon changes in the collective net pension liability with a measurement period of June 30, 2023 through June 30, 2022. Accordingly, the pension expense and the related revenue associated with the support provided by the State are based upon the changes in the collective net pension liability between July 1, 2022 and June 30, 2023.

Although the Charter School does not report net pension liability or deferred outflows or inflows related to the TPAF, the following schedule illustrates the collective net pension liability and deferred items and the State's portion of the net pension liability associated with the Charter School.

The collective amounts are the total of all New Jersey local governments participating in the TPAF plan.

	<u>June 30, 2022</u>	<u>June 30, 2023</u>
Collective deferred outflows of resources	\$4,996,491,160	\$2,413,548,676
Collective deferred inflows of resources	\$19,532,696,776	\$14,741,373,312
Collective net pension liability (Non-employer - State of New Jersey)	\$51,594,415,806	\$51,032,669,551
State's portion of the net pension liability that was associated with the Charter School	\$6,110,314	\$8,540,246
State's portion of the net pension liability that was associated with the Charter School as a percentage of the collective net pension liability	.011843%	.016664%

Actuarial Assumptions

Components of Collective Net Pension Liability

The components of the net pension liability of the State as of June 30, 2023 are as follows:

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Total pension liability	\$78,240,143,092
Plan fiduciary net position	<u>27,130,181,268</u>
Net pension liability	\$51,109,961,824

The total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation (Price):	2.75%
Inflation (Wage):	3.25%
Salary Increases: Thereafter	2.75 - 4.25% based on years of service
Investment Rate of Return:	7%

Pre-retirement mortality rates were based on the 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. Postretirement 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-2021.

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long term expected of return was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2023, are summarized in the following table:

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US equity	28.00%	8.98%
Non-U.S. developed markets equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging markets equity	5.50%	11.13%
Private equity	13.00%	12.50%
Real estate	8.00%	8.58%
Real assets	3.00%	8.40%
High yield	4.50%	6.97%
Private credit	8.00%	9.20%
Investment grade credit	7.00%	5.19%
Cash equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk mitigation strategies	3.00%	6.21%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be based on 100% of the actuarially determined contributions for the State. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

Sensitivity of the of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2023, calculated using the discount rate as disclosed above as well as what the State's net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

<u>At 1% Decrease (6.00%)</u>	<u>At Current Discount Rate (7.00%)</u>	<u>At 1% Increase (8.00%)</u>
\$60,267,919,597	\$51,109,961,824	\$43,396,784,734

Pension Plan Fiduciary Net Position

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

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Public Employees' Retirement System (PERS)

Summary of Significant Accounting Policies

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

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

At June 30, 2024, the Charter School reported a liability of \$1,364,852 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023.

The Charter School's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the PERS during the years ended June 30, 2023. At June 30, 2023, the Charter School's proportion was .009423%.

For the year ended June 30, 2024, the Charter School recognized pension expense of \$158,179. At June 30, 2024, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 13,050	\$ 5,579
Changes of assumptions	2,998	82,716
Net difference between projected and actual earnings on pension plan investments	6,285	
Changes in proportion and differences between Charter School contributions and proportionate share of contributions	34,929	1,618
Charter School contributions subsequent to the measurement date.	125,940	-0-
Total	<u>\$183,202</u>	<u>\$89,913</u>

The Charter School reported \$125,940 as deferred outflows of resources related to pensions resulting from school Charter School contributions subsequent to the measurement date (i.e. for

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

the school year ended June 30, 2024, the plan measurement date was June 30, 2023) will be recognized as a reduction of the net pension liability measured as of June 30, 2024.

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:
2024	(\$72,059)
2025	(\$40,220)
2026	\$56,205
2026	(\$10,059)
2026	\$171
Total:	<u>(\$65,961)</u>

	<u>June 30, 2022</u>	<u>June 30, 2023</u>
Collective deferred outflows of resources	\$1,660,772,008	\$1,080,204,730
Collective deferred inflows of resources	\$3,236,303,935	\$1,780,216,457
Collective net pension liability (Non-State-Local Group)	\$15,219,184,920	\$14,606,489,066
Charter School's proportion of net pension liability	\$1,423,873	\$1,364,852
Charter School's proportion percentage	.009435%	.009423%

Actuarial Assumptions

The collective total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions:

Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.75% – 6.55% - based on years of service
Investment Rate of Return:	7.00%

Pre-retirement mortality rates were based on the 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 the 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

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

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 base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2022.

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

The following presents the Charter School's proportionate share of the net pension liability measured as of June 30, 2023, calculated using the discount rate of 7.00%, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
Charter School's proportionate share of the net pension liability	\$1,569,579	\$1,364,852	\$1,160,124

Pension Plan Fiduciary Net Position

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2023 are summarized in the following table:

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

5 PENSION PLANS – GASB 68 DISCLOSURES (continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
US equity	28.00%	8.98%
Non-U.S. developed markets equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging markets equity	5.50%	11.13%
Private equity	13.00%	12.50%
Real estate	8.00%	8.58%
Real assets	3.00%	8.40%
High yield	4.50%	6.97%
Private credit	8.00%	9.20%
Investment grade credit	7.00%	5.19%
Cash equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk mitigation strategies	3.00%	6.21%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. 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 the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the 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 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.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2023, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	At 1% Decrease (6.00%)	Current Discount Rate (7.00%)	At 1% Increase (8.00%)
State	\$25,679,770,919	\$22,458,047,553	\$19,722,979,997
Local	19,014,540,974	14,606,489,066	10,854,654,100
Total	<u>\$44,694,311,893</u>	<u>\$37,064,536,619</u>	<u>\$30,577,634,097</u>

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

6 POST RETIREMENT MEDICAL BENEFITS

General Information about the OPEB Plan

State Health Benefit State Retired Employees Plan:

Pension and Other Postemployment Benefits (OPEB) Obligations In Fiscal Year 2022 the State funded the various defined benefit pension systems at 108 percent of the full actuarially determined contributions. Employer contributions to the pension plans are calculated per the requirements of the governing State statutes using generally accepted actuarial procedures and practices. The actuarial funding method used to determine the State's contribution is a matter of State law. Any change to the funding method requires the approval of the State Legislature and the Governor. The amount the State actually contributes to the pension plans may differ from the actuarially determined contributions of the pension plans because the State's contribution to the pension plans is subject to the appropriation of the State Legislature and actions by the Governor. GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers to recognize their proportionate share of the collective net pension liability. Under the new statement, the calculation of the pension liability was changed to a more conservative methodology and each employer was allocated a proportional share of the pension plans' net pension liability. The State's share of the net pension liability, based on a measurement date of June 30, 2021, which is required to be recorded on the financial statements, is \$75.1 billion. The Fiscal Year 2023 projected aggregate State contribution to the pension plans of \$6.8 billion represents 104 percent of the actuarially determined contribution. The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements.

In Fiscal Year 2022, the State paid PRM benefits for 161,238 State and local retirees. 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 2022, the State contributed \$1.9 billion to pay for "pay-as-you-go" PRM benefit costs incurred by covered populations, a slight increase from \$1.8 billion in Fiscal Year 2021. The State has appropriated \$2.1 billion in Fiscal Year 2023 as the State's contribution to fund increases in prescription drugs and medical claims 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 2022 State OPEB liability to provide these benefits is \$88.9 billion, a decrease of \$12.7 billion, or 12.5 percent from the \$101.6 billion liability recorded in Fiscal Year 2021. Additional information on Pensions and OPEB can be accessed at <https://www.state.nj.us/treasury/pensions/financialreports.shtml>

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

6 POST RETIREMENT MEDICAL BENEFITS (continued)

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA 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 ACFR on the Office of Management and Budget webpage: nj.gov/treasury/omb/fr.shtml

The total nonemployer OPEB liability does not include certain other postemployment benefit obligations that are provided by the local education employers. The reporting of these benefits are the responsibility of the individual local education employers.

The total nonemployer OPEB liability as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2023. 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.

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 -2021. Postretirement mortality rates 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 -2021. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP -2021 for current disables retirees. Future disabled retirees was based on the Pub-2010 "Safety" (PFRS), "General" (PERS), and "Teachers" (TPAF/ABP) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP -2021.

Total Nonemployer OPEB Liability:	<u>\$52,361,668,239</u>	
	TPAF/APB	PERS
	2.75% to 4.25% based on years of service	2.75% to 6.55% based on years of service
Salary increases:		

Actuarial assumptions used in the July 1, 2022 valuation were based on the results of the TPAF, PERS and PFRS experience studies prepared for July 1, 2018 to June 30, 2021.

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

6 POST RETIREMENT MEDICAL BENEFITS (continued)

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2023 was determined by an actuarial valuation as of June 30, 2022, which was rolled forward to June 30, 2023. 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:

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 -2022. Postretirement mortality rates 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 -2022. Disability mortality was based on the Pub-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP -2022 for current disables retirees. Future disabled retirees was based on the Pub-2010 "Safety" (PFRS), "General" (PERS), and "Teachers" (TPAF/ABP) classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP -2022.

Total Nonemployer OPEB Liability: \$52,361,668,239

	TPAF	PERS
Salary increases:	2.75% to 4.25% based on years of service	2.75% to 6.55% based on years of service

Actuarial assumptions used in the July 1, 2022 valuation were based on the results of the TPAF, PERS and PFRS experience studies prepared for July 1, 2018 to June 30, 2022.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 6.50% and decreases to a 4.50% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend is increasing to 14.8% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO, the trend is increasing to 17.4% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 9.5% and decreases to a 4.50% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount rate

The discount rate used to measure the total OPEB liability was 3.65%. 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

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

6 POST RETIREMENT MEDICAL BENEFITS (continued)

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 reported by the State of New Jersey:

	<u>Total OPEB Liability</u>
The State's Total OPEB Liability Balance at June 30, 2022	\$50,646,462,966
Changes for the year:	
Service Cost	2,136,235,175
Interest on the Total OPEB Liability	1,844,113,951
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	(980,424,902)
Changes of Assumptions	105,539,463
Gross Benefit Payments by the state	(1,437,516,518)
Contributions from Members	47,258,104
Net Changes	<u>1,715,205,273</u>
The State's Total OPEB Liability Balance at June 30, 2023	\$52,361,668,239
The State's Total OPEB Liability attributable to the Charter School	<u>\$2,795,222</u>

Sensitivity of the total Nonemployer OPEB liability to changes in the discount rate. The following presents the total nonemployer OPEB liability as of June 30, 2023, respectively, calculated using a discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is 1-percentage -point lower or 1- percentage-point higher than the current rate:

<u>At 1% Decrease</u> <u>(2.65%)</u>	<u>At Discount Rate</u> <u>(3.65%)</u>	<u>At 1% Increase</u> <u>(4.65%)</u>
\$61,385,066,712	\$52,361,668,239	\$45,116,926,835

Sensitivity of total Nonemployer OPEB liability to changes in the healthcare trend rates. The following presents the total nonemployer OPEB as of June 30, 2023, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>At 1% Decrease</u>	<u>Health Care Cost</u> <u>Trend Rate</u>	<u>At 1% Increase</u>
\$43,468,257,358	\$52,361,668,239	\$63,998,719,320

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

6 POST RETIREMENT MEDICAL BENEFITS (continued)

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

For the year ended June 30, 2023, the Charter School recognized OPEB expense and related revenue of \$507,010 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, and there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. The following table illustrates the Deferred Inflows and Outflows as of the June 30, 2023 measurement date under GASB 75:

	<u>Deferred Outflows of</u>	<u>Deferred Inflows of</u>
Differences between expected and actual experience	\$7,639,717,639	\$13,791,541,217
Net difference between expected and actual earnings on OPEB Plan Investments	0	0
Assumption changes	7,445,895,322	14,449,948,556
Subtotal	<u>\$15,085,612,961</u>	<u>\$28,241,489,773</u>
Contributions made in fiscal year ending 6/30/24 after measurement date	<u>TBD</u>	<u>N/A</u>
Total	<u><u>TBD</u></u>	<u><u>\$28,241,489,773</u></u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2024	(\$3,918,676,894)
2025	(\$3,446,016,070)
2026	(\$1,604,289,401)
2027	(\$1,742,641,843)
2028	(1,672,806,952)
Thereafter	56,606,524
	<u><u>(\$12,327,824,636)</u></u>

7 COMPENSATED ABSENCES

The Charter School accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

7 COMPENSATED ABSENCES (continued)

rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Charter School employees are granted varying amounts of vacation and sick leave in accordance with the Charter School's personnel policy. The Charter School's policy permits employees to accumulate unused sick and personal days and carry forward the full amount to subsequent years. Upon termination or upon retirement, employees are currently not paid for accrued vacation or unused sick and personal days.

As of June 30, 2024, Charter School-wide compensated absences amounted to \$23,174.

8 DEFERRED COMPENSATION

The Charter School offers its employees a deferred compensation plan created in accordance with the IRS code 403(b). The plan permits participants to defer a portion of their salaries until future years.

9 ECONOMIC DEPENDENCY

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

10 CONTINGENT LIABILITIES

The Charter School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government.

If expenditures are disallowed due to noncompliance with grant program regulations, the Charter School may be required to reimburse the grantor government. As of June 30, 2024, significant amounts of grant expenditures have not been audited by the various grantor agencies but the Charter School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the Charter School.

The Charter School's attorney's letter advises that there is no litigation, pending litigation claims, contingent liabilities, unasserted claims for assessments or statutory violations which involved the Charter School and which might materially affect the Charter School's financial position.

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

11 RISK MANAGEMENT

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

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

New Jersey Unemployment Compensation - The Charter School has not 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.

12 RECEIVABLES

Receivables as of June 30, 2024 consisted of accounts, intergovernmental, grants and miscellaneous. All receivables are considered collectible in full.

A summary of the principal items of receivables are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Proprietary Funds</u>	<u>Total</u>
Receivables:				
Accounts	<u>\$18,920</u>	<u>\$64,234</u>	<u>\$24,229</u>	<u>\$107,383</u>
Gross Receivables	<u>\$18,920</u>	<u>\$64,234</u>	<u>\$24,229</u>	<u>\$107,383</u>

13 CAPITAL ASSETS

The following schedule is a summarization of the changes in capital assets and right to use lease for the fiscal year ended June 30, 2024:

	<u>Beginning Balance July 1, 2023</u>	<u>Net Additions (Deletions)</u>	<u>Ending Balance June 30, 2024</u>
Governmental Activities			
Capital assets, being depreciated:			
Leasehold Improvements and Equipment	\$300,436	\$595,750	\$896,186
Total capital assets being depreciated	\$300,436	\$595,750	\$896,186
Less: accumulated depreciation for:			
Leasehold Improvements and Equipment	264,108	49,902	314,010
Total accumulated depreciation	264,108	49,902	314,010
Total capital assets - net of accumulated depreciation	<u>\$36,328</u>	<u>\$545,848</u>	<u>\$582,176</u>

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

13 CAPITAL ASSETS (continued)

Depreciation expense of \$49,902 was charged to an unallocated function.

	Beginning Balance July 1, 2023	Net Additions (Deletions)	Ending Balance June 30, 2024
Governmental Activities			
Right to use lease assets:			
Premises	\$3,547,458		\$3,547,458
Total	\$3,547,458		\$3,547,458
Less: accumulated amortization for:	(296,992)	(296,992)	(593,984)
Right to use lease assets, net	<u>\$3,250,466</u>	<u>(\$296,992)</u>	<u>\$2,953,474</u>

14 SUBSEQUENT EVENTS

The Charter School has evaluated subsequent events occurring after the financial statement date through December 16, 2024 which is the date the financial statements were available to be issued. Based upon this evaluation, the Charter School has determined that no subsequent events needed to be disclosed.

15 RENTAL COMMITMENTS

The Charter School leases its premises under the terms of non-cancelable leases through the Charter School's current charter. Certain leases are automatically extended upon the charter renewal and can be extended through various dates through June 30, 2043 with extensions. Total payments under these leases amounted to \$290,888 for year ending June 30, 2024. Interest expense on the leases was \$208,227 for the year ended June 30, 2024, which is reflected as lease interest expense in the accompanying budgetary comparison schedule – general fund (exhibit C-1). The net value of the right-to-use lease assets and lease liabilities was (\$434,922) as of June 30, 2024, which was calculated using a discount rate of 6% (the School's estimated incremental borrowing rate as of July 1, 2022). Amortization of the related right-to-use lease assets was \$296,992 for the year ended June 30, 2024.

Future minimum payments due under these agreements and future amortization are as follows:

ETHICAL COMMUNITY CHARTER SCHOOL
Long Term Lease Schedule
June 30, 2024

Fiscal Year	Principal	Interest	Amortization
2024 - 2043	\$3,388,396	\$2,356,617	\$2,953,474

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

16 CHARTER SCHOOL EXPANSION

On February 1, 2023, the New Jersey Department of Education (Department) approved an amendment request from the Ethical Community Charter School (TECCS) to expand its grade configuration to pre- kindergarten through eighth grade beginning in the 2025-2026 school year. In addition, the schools charter was renewed for an additional five years.

17 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

Fund balance per B-1 – Governmental – June 30, 2024	\$7,201,875
Cost of capital assets – net accumulated depreciation	582,176
Right -to-use assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is less the accumulated amortization	2,953,474
Lease liabilities used in governmental activities are not financial resourced and therefore are not reported in the funds	(3,388,396)
Pension deferred outflows	183,202
Pension deferred inflows	(89,913)
Deferred pension liability as of June 30, 2024	(1,364,852)
Net position (per A-1) – Governmental as of June 30, 2024	<u>\$6,077,566</u>

18 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfunds - The composition of interfund balances as of June 30, 2024 is as follows:

<u>Fund</u>	<u>Interfunds Receivable</u>	<u>Interfunds Payable</u>
General	\$166,547	
Special Revenue		(26,822)
Enterprise Fund		(139,725)
Total	<u>\$166,547</u>	<u>(\$166,547)</u>

ETHICAL COMMUNITY CHARTER SCHOOL
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2024

19 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (continued)

The interfund receivables and payables above predominately resulted from payments made by certain funds on behalf of other funds.

Interfund Transfers:

	<u>Transfer In:</u>
	Enterprise
	Fund
Transfer Out:	
General Fund	\$318,960
Total Transfers	<u>\$318,960</u>

A transfer of \$318,960 was made from the General Fund to the Enterprise Fund to subsidize the loss in the Food Service Fund and After Care Program.

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES

THE ETHICAL COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Share	\$1,239,061	(\$44,433)	1,194,628	\$1,194,628	\$0
Local Share - JC Payroll Tax	\$3,048,309	(\$361,854)	2,686,455	2,686,455	0
State Share	3,131,756	776,340	3,908,096	4,055,077	(146,981)
Miscellaneous	0	0	-	255,927	(255,927)
Total - Local Sources	<u>7,419,126</u>	<u>370,053</u>	<u>7,789,179</u>	<u>8,192,087</u>	<u>(402,908)</u>
Categorical Aid					
Special Education	164,199	(32,938)	131,261	131,261	\$0
Security Aid	148,279	(12,726)	135,553	135,553	\$0
Adjustment Aid	0	0	0	0	\$0
TPAF LT Disability (On-Behalf - Non-Budgeted)	0	0	0	575	(\$575)
TPAF Medical (On-Behalf - Non-Budgeted)	0	0	0	167,494	(167,494)
TPAF Pension (On-Behalf - Non-Budgeted)	0	0	0	615,417	(615,417)
TPAF Social Security (Reimbursed - Non-Budgeted)	0	0	0	106,799	(106,799)
Total State Sources	<u>312,478</u>	<u>(45,664)</u>	<u>266,814</u>	<u>1,157,099</u>	<u>(890,285)</u>
Total Revenues	<u>7,731,604</u>	<u>324,389</u>	<u>8,055,993</u>	<u>9,349,186</u>	<u>(1,293,193)</u>
EXPENDITURES:					
Current Expense:					
Regular Programs - Instruction					
Teachers Salary	2,135,250	(120,937)	2,014,313	1,335,943	678,370
Other Salaries	870,300	(295,542)	574,758	554,738	20,020
Prof/Tech Services	209,610	(1,000)	208,610	155,451	53,159
Other Purchased Services (400-500 series)	62,475	0	62,475	38,752	23,723
General Supplies	131,250	0	131,250	94,361	36,889
Textbooks	94,500	0	94,500	27,701	66,799
Other Objects	77,191	(1,500)	75,691	67,402	8,289
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>3,580,576</u>	<u>(418,979)</u>	<u>3,161,597</u>	<u>2,274,348</u>	<u>887,249</u>

THE ETHICAL COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2024

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Support Services - General Administrative					
Salaries of Administrative Salaries	\$834,877	\$123,639	\$958,516	\$957,620	\$896
Salaries of Secretarial and Clerical Assistants	91,412	(34,000)	57,412	43,275	14,137
Cost of Benefits	1,237,430	(228,000)	1,009,430	852,362	157,068
Professional/Tech Services	161,300	37,000	198,300	177,572	20,728
Other Purchased Services (400-500 series)	73,500	30,000	103,500	76,674	26,826
Communications/Telephone	35,280	105,000	140,280	67,140	73,140
Supplies and Materials	17,850	0	17,850	10,038	7,812
Miscellaneous	27,850	0	27,850	23,313	4,537
	<u>2,479,499</u>	<u>33,639</u>	<u>2,513,138</u>	<u>2,207,994</u>	<u>305,144</u>
Support Services - School Admin/Operation Plant Services					
Salaries	664,874	272,920	937,794	637,617	\$300,177
Purchased Professional and Technical Services	272,490	79,849	352,339	164,086	188,253
Other Purchased Services	101,165	100,000	201,165	174,712	26,453
Rent					
Insurance	130,000	(60,000)	70,000	65,158	4,842
General Supplies	147,000	(94,000)	53,000	47,807	5,193
Transportation- Trips	0	114,000	114,000	114,000	0
Principal Payments on Lease	86,773	-	86,773	82,061	4,712
Lease Interest Expense	233,227	(25,000)	208,227	208,227	0
Energy (Energy and Electricity)	36,000	0	36,000	34,496	1,504
Miscellaneous	0	3,000	3,000	3,000	0
Total Undist. Expend. - Other Oper. & Maint. Of Plant	<u>1,671,529</u>	<u>390,769</u>	<u>2,062,298</u>	<u>1,531,164</u>	<u>531,134</u>
Food Service		0			
Other Purchsed Saervices	0	318,960	318,960	318,960	0
Total Food Services	<u>0</u>	<u>318,960</u>	<u>318,960</u>	<u>318,960</u>	<u>0</u>
TPAF LT Disability (On-Behalf - Non-Budgeted)				575	(\$575)
On-behalf TPAF Medical Contributions (non-budgeted)				167,494	(167,494)
On-behalf TPAF pension Contributions (non-budgeted)				615,417	(615,417)
Reimbursed TPAF Social Security Contributions (non-budgeted)			0	106,799	(106,799)
TOTAL ON-BEHALF CONTRIBUTIONS			<u>0</u>	<u>890,285</u>	<u>(890,285)</u>
TOTAL UNDISTRIBUTED EXPENDITURES	<u>4,151,028</u>	<u>743,368</u>	<u>4,894,396</u>	<u>4,058,118</u>	<u>836,278</u>
TOTAL GENERAL CURRENT EXPENSE	<u>7,731,604</u>	<u>324,389</u>	<u>8,055,993</u>	<u>7,222,751</u>	<u>833,242</u>

THE ETHICAL COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
General Fund
For The Fiscal Year Ended June 30, 2024

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
CAPITAL OUTLAY					
Equipment					
Regular Programs - Instruction:					
Instructional Equipment	0	0	0	0	0
Non-instructional equipment	0	0	0	0	0
Purchased Improvements	0	0	0	0	0
Miscellaneous	0	0	0	0	0
Total Equipment	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 TOTAL EXPENDITURES- GENERAL FUND	 7,731,604	 324,389	 8,055,993	 7,222,751	 833,242
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>2,126,435</u>	 <u>(2,126,435)</u>
 Other Financing Sources:					
Operating Transfer In:	0		0	0	0
Total Other Financing Sources:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources (Uses)	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>2,126,435</u>	 <u>(2,126,435)</u>
 Fund Balance, July 1, 2023	 <u>0</u>	 <u>0</u>	 <u>5,032,516</u>	 <u>5,032,516</u>	 <u>0</u>
 Fund Balance, June 30, 2024	 <u><u>\$0</u></u>	 <u><u>\$0</u></u>	 <u><u>\$5,032,516</u></u>	 <u><u>\$7,158,951</u></u>	 <u><u>(\$2,126,435)</u></u>

THE ETHICAL COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local	\$925		\$925	\$925	
State Sources	109,201		109,201	109,201	
Federal Sources	1,509,984		1,509,984	1,509,984	
Total Revenues	1,620,110		1,620,110	1,620,110	
EXPENDITURES:					
Instruction					
Salaries of Teachers	301,861		301,861	301,861	
Other Salaries for Instruction					
Purchased Professional -Educational Services	380,886		380,886	380,886	
Purchased Professional and Technical Services	-		-	-	
Tutoring Program	-		-	-	
Other Purchased Services (400-500 series)	-		-	-	
Instructional Supplies	271,344		271,344	271,344	
Textbooks					
Grant					
Student Activity	130,227		130,227	130,227	
Personal Services- Employee Benefits					
Other Objects					
Purchased Property	595,750		595,750	595,750	
Total Instruction	1,680,068		1,680,068	1,680,068	
Support Services					
Salaries of Supervisor of Instruction	54,950		54,950	54,950	
Salaries of Program Directors	-		-	-	
Salaries of Other Professional Staff	-		-	-	
Salaries of Secretaries & Clerical Assistants					
Communication	-		-	-	
Personal Services - Employee Benefits					
Purchased Professional - Educational Services	15,000		15,000	15,000	
Repairs and Maintenance	-		-	-	
Other Purchased Professional Services	319		319	319	
Supplies and Materials	-		-	-	
Security					
Scholarships					
Transportation	-		-	-	
Other Purchased Services (400-500 series)					
Field trips					
Total Support Services	70,269		70,269	70,269	

THE ETHICAL COMMUNITY CHARTER SCHOOL
Budgetary Comparison Schedule
Special Revenue Fund
For the Fiscal Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Buildings Improvements		-	-	-	-
Instructional Equipment	-	-	-	-	-
Noninstructional Equipment	-	-	-	-	-
Total Facilities Acquisition and Construction Services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfer to Charter School	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>1,750,337</u>	<u>-</u>	<u>1,750,337</u>	<u>1,750,337</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfer in from General Fund	-	-	-	-	-
Transfer Out to Whole School Reform (General Fund)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Outflows	<u>1,750,337</u>	<u>-</u>	<u>1,750,337</u>	<u>1,750,337</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	<u>(\$130,227)</u>	<u>\$0</u>	<u>(\$130,227)</u>	<u>(\$130,227)</u>	<u>-</u>

**NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION**

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Required Supplementary Information
Budgetary Comparison Schedule
Note to RSI
For the Fiscal Year Ended June 30, 2024**

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

The general fund budget and the special revenue budget basis are GAAP,
therefore no reconciliation is required

THE ETHICAL COMMUNITY CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30*
(UNAUDITED)

Public Employees' Retirement System (PERS)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Charter School Proportion of the net pension liability (asset)	0.009423%	0.009435%	0.009247%	0.008516%	0.007141%	0.006756%	0.004891%	0.005823%	0.0053800%
Charter School Proportionate share of the net pension liability (asset)	1,364,852	1,423,873	1,095,445	1,388,800	1,286,646	1,330,196	1,139,806	1,724,849	1,207,818
Charter School Covered employee payroll	\$940,968	\$724,494	\$680,360	\$680,360	\$449,737	\$449,318	\$437,002	\$254,532	\$338,985
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	145%	197.0%	161.0%	204.2%	257.5%	296.0%	260.8%	677.7%	356.3%
Plan fiduciary net position as a percentage of the total pension liability	69%	51.1%	62.1%	49%	38.8%	33.8%	38.3%	14.8%	28.1%

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

**THE ETHICAL COMMUNITY CHARTER SCHOOL
SCHEDULE OF CHARTER SCHOOL CONTRIBUTIONS - PERS
FOR THE FISCAL YEARS ENDED JUNE 30*
(UNAUDITED)**

Public Employees' Retirement System (PERS)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$125,940	\$118,980	\$108,293	\$93,165	\$69,458	\$68,112	\$73,111	\$52,747	\$46,258
Contributions in relation to the contractually required contribution	(125,940)	(118,980)	(108,293)	(93,165)	(69,458)	(68,112)	(73,111)	(52,747)	(46,258)
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0
Charter School Covered employee payroll	940,968	724,491	680,360	680,360	499,737	449,318	437,002	254,532	377,108
Contributions as a percentage of covered employee payroll	13.4%	16.4%	15.9%	13.7%	13.9%	15.2%	16.7%	20.7%	12.3%

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

**THE ETHICAL COMMUNITY CHARTER SCHOOL
SCHEDULE OF THE CHARTER SCHOOL PROPORTIONATE SHARE
OF NET PENSION LIABILITY - TPAF
FOR THE FISCAL YEARS ENDED JUNE 30**

Teachers' Pension and Annuity Fund (TPAF)									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Charter School Proportion of the net pension liability (asset)**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Charter School Proportionate share of the net pension liability (asset)**	0	0	0	0	0	0	0	0	0
State's proportionate share of the net pension liability (asset) associated with the Charter School	8,504,246	6,110,314	8,248,811	10,668,363	9,779,300	9,100,498	8,895,180	8,279,173	4,794,595
Total	<u>8,504,246</u>	<u>6,110,314</u>	<u>8,248,811</u>	<u>10,668,363</u>	<u>9,779,300</u>	<u>9,100,498</u>	<u>8,895,180</u>	<u>8,279,173</u>	<u>4,794,595</u>
Charter School Covered employee payroll	1,500,719	1,706,293	1,337,331	1,910,736	1,785,735	1,525,544	1,620,499	1,389,109	912,948
Charter School Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	34.68%	32.29%	35.52%	24.60%	26.95%	26.49%	25.41%	22.33%	28.71%

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

**ETHICAL COMMUNITY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND SCHEDULE OF DISTRICT CONTRIBUTIONS NOTES TO REQUIRED SUPPLEMENTARY
INFORMATION FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Change of Benefit Terms: None

Change of Assumptions: Assumptions used in calculating the net pension liability and statutorily required employer contribution are presented in the notes to the financial statements.

**ETHICAL COMMUNITY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE DISTRICT'S
PROPORTIONATE SHARE OF THE OPEB LIABILITY AND SCHEDULE OF DISTRICT PROPORTIONATE
SHARE OF THE OPEB LIABILITY NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Change of Benefit Terms: None

Change of Assumptions: Assumptions used in calculating the OPEB liability are presented in the
notes to the financial statements.

THE ETHICAL COMMUNITY CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE STATE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
STATE HEALTH BENEFIT LOCAL EDUCATION RETIRED EMPLOYEES PLAN (TPAF AND PERS)
Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>The State of New Jersey's Total OPEB Liability</u>							
Service Cost	\$2,136,235,175	\$2,770,618,025	\$3,217,874,264	\$1,790,973,822	\$1,734,404,850	\$1,984,642,729	\$2,391,878,884
Interest	1,844,113,951	1,342,187,139	1,556,661,679	1,503,341,357	1,827,787,206	1,970,236,232	1,699,441,736
Difference Between Expected and Actual Experience	(980,424,902)	1,399,200,736	11,449,632,500	11,544,750,637	(7,323,140,818)	(5,002,065,740)	
Benefit Payment	(1,437,516,518)	(1,329,476,059)	59,202,105	(1,180,515,618)	(1,280,958,373)	(1,232,987,247)	(1,242,412,566)
Contributions from Members	47,258,104	42,650,252		35,781,384	37,971,171	42,614,005	45,748,749
Changes of Assumptions or other inputs	105,539,463	(13,586,368,097)	(1,186,417,186)	12,386,549,981	622,184,027	(5,291,448,855)	(7,086,599,129)
Net change in total OPEB liability	\$1,715,205,273	(\$9,361,188,004)	\$15,096,953,362	\$26,080,881,563	(\$4,381,751,937)	(\$7,529,008,876)	(\$4,191,942,326)
Total OPEB Liability - Beginning	\$50,646,462,966	\$60,007,650,970	\$67,809,962,608	\$41,729,081,045	\$46,110,832,982	\$53,639,841,858	\$57,831,784,184
Total OPEB Liability - Ending	\$52,361,668,239	\$50,646,462,966	\$60,007,650,970	\$67,809,962,608	\$41,729,081,045	\$46,110,832,982	\$53,639,841,858
The State of New Jersey's total OPEB liability**	\$52,361,668,239	\$50,646,462,966	\$60,007,650,970	\$67,809,962,608	\$41,729,081,045	\$46,110,832,982	\$53,639,841,858
The State of New Jersey's OPEB liability attributable to the Charter School	\$2,795,222	\$3,650,054	\$4,033,407	\$5,282,789	\$2,451,548	\$1,955,274	\$2,435,558
The Charter School's proportionate share of the total OPEB liability	0	0	0	0	0	0	0
Charter School's covered employee payroll	2,441,687	2,403,784	\$2,017,691	\$2,591,096	\$1,986,888	\$1,974,862	\$2,057,501
Total Charter School's OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Charter School's contribution	None	None	None	None	None	None	None
State's covered employee payroll	\$15,314,749,297	\$14,753,355,408	\$14,425,669,769	\$14,267,738,657	\$13,929,081,045	\$13,640,275,833	\$13,493,400,208
Total State's OPEB liability as a percentage of its covered-employee payroll	341.90%	343.29%	416.00%	475.00%	300.00%	338.05%	397.53%

**Note: Other Post Employment Benefits (OPEB) for employees of the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees Retirement System (PERS) is considered a special funding situation as defined by GASB Statement No. 75 in which the State of New Jersey is 100% responsible for contributions to the health insurance plan. The district (employer) does not contribute to the plan and the district's OPEB liability is zero.

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

SPECIAL REVENUE FUND

Special Revenue Funds are used to account for the proceeds of special revenue resources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

THE ETHICAL COMMUNITY CHARTER SCHOOL
Special Revenue Fund
Combining Schedule of Revenues and Expenditures- Budgetary Basis
For the Fiscal Year Ended June 30, 2024

		TITLE	TITLE	TITLE	IDEA	IDEA	ARP	ARP	ARP	ARP	21ST	SDA		
	TOTAL	IA	SIA	II	BASIC	Preschool	ESSER	LEARNING ACCEL	SUM BEY SCH DAY	MENTAL HLTH	CENTURY COMM	EMERG NEEDS	SIMON GRANT	STUDENT ACTIVITY
REVENUES														
Intergovernmental														
State	\$109,201											109,201	0	
Federal	1,509,984	\$292,305	\$18,790	\$20,681	\$82,523	\$1,851	\$729,696	\$50,000	\$2,000	\$45,000	\$267,138			
Other Sources	925												925	
Student Activity	0													0
Total Revenues	1,620,110	292,305	18,790	20,681	82,523	1,851	729,696	50,000	2,000	45,000	267,138	109,201	0	0
EXPENDITURES														
Instruction														
Salaries	301,861	216,615							2,000		83,246			
Other Purchased services	0							0						
Purchased Prof. and Tech. Services	380,886	50,630	18,790	20,681	82,523	1,851		50,000		45,000	111,411			
General Supplies	271,344	25,060					133,946				2,212	109,201	925	
Grant	0													
Student Activity	130,227													130,227
Personal Services - Employee Benefits	0													0
Other Objects	0													
Purchased Property	595,750						595,750	0						
Total Instruction	1,680,068	292,305	18,790	20,681	82,523	1,851	729,696	50,000	2,000	45,000	196,869	109,201	925	130,227
Support Services														
Salaries of Supervisors of Instruction	54,950										54,950			
Salaries of Program Directors	0													
Salaries of Other Prof. Staff	0													
Salaries of Secretarial and Clerical Ass't	0													
Other Purchased Services	0													
Repairs and Maintenance	0													
Supplies and Materials	0													
Other Purchased Services	319						0				319			
Purchased Professional/Educational Ser.	15,000										15,000			
Scholarships	0													
Transportation	0													
Furniture and Fixtures	0													
Total Support Services	70,269	0	0	0	0	0	0	0	0	0	70,269	0	0	0
TOTAL EXPENDITURES	\$1,750,337	\$292,305	\$18,790	\$20,681	\$82,523	\$1,851	\$729,696	\$50,000	\$2,000	\$45,000	\$267,138	\$109,201	\$925	\$130,227
Net Balance (Decrease)	(\$130,227)													(\$130,227)

PROPRIETARY FUNDS

ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the cost of providing goods and services be financed through user charges or where the board has decided that periodical determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Exhibit G-1

THE ETHICAL COMMUNITY CHARTER SCHOOL
Statement of Net Position
Proprietary Funds
As of June 30, 2024

	<u>Business-Type Activities Enterprise Funds</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$129,565
Intergovernmental Receivable	
Federal	23,635
State	594
Total Current Assets	<u>153,794</u>
Total Assets	<u><u>\$153,794</u></u>
LIABILITIES	
Due to Other Funds	\$139,725
Accounts Payable	<u>14,069</u>
Total Current Liabilities	<u>153,794</u>
Net Position	
Unrestricted	<u>0</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$153,794</u></u>

THE ETHICAL COMMUNITY CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
As of June 30, 2024

	Business-Type Activities		
	Enterprise Fund Food Services	Enterprise Fund After Care Program	Total
OPERATING REVENUES			
Local Sources			
Daily Sales - Reimbursable Programs		---	
Special Lunch and Breakfast Program	\$0		\$0
Miscellaneous Revenue	0	26,384	26,384
Total Operating Revenues	0	26,384	26,384
OPERATING EXPENSES			
Salaries, wages and employee benefits	(106,623)	(72,454)	(179,077)
Supplies, Materials & Other	(189,783)		(189,783)
Afterschool Technical Services	0	(102,627)	(102,627)
Benefits		0	0
Total Operating Expenses	(296,406)	(175,081)	(471,487)
(Loss) From Operations	(296,406)	(148,697)	(445,103)
Nonoperating Revenues			
State Sources			
National School Breakfast After The Bell	227		227
National School Lunch	2,714		2,714
Federal Sources			
Local Food for Coop	519		
Supply Chain Assist	13,600		13,600
School Snack Program	16,187		16,187
School Breakfast Program	15,231		15,231
National School Lunch Program	77,665		77,665
Total Nonoperating Revenues	126,143	0	125,624
Net (Loss)	(170,263)	(148,697)	(318,960)
Transfer - Subsidy from General Fund	170,263	148,697	318,960
Total Net Position - Beginning of Year - July 1, 2023	0	0	0
Total Net Position - End of Year - June 30, 2024	\$0	\$0	\$0

THE ETHICAL COMMUNITY CHARTER SCHOOL
Statement of Cash Flows
Proprietary Funds
As of June 30, 2024

	Business - Type Activities
Cash flows from operating activities	
Cash Received from Participants	\$26,384
Cash Payments to Suppliers for Goods and Services	(457,418)
Net Cash (Used In) Operating Activities	<u>(431,034)</u>
Cash Flows from Noncapital Financing Activities	
Decrease in Interfund	(124,426)
Transfer from General Fund - Subsidy	318,960
Cash Received from State and Federal Subsidy Reimbursements	124,653
Net Cash Provided by Noncapital Financing Activities	<u>319,187</u>
Cash Flows from Investing Activities	---
Net Cash Provided by Investing Activities	---
Net (Decrease) in Cash and Cash Equivalents	(111,847)
Net Adjustment in Interfund	0
Cash and Cash Equivalents, Beginning of Year - July 1, 2023	241,412
Cash and Cash Equivalents, End of Year - June 30, 2024	<u><u>\$129,565</u></u>
Reconciliation of Operating (Loss) to Net Cash	
Used by Operating Activities	
Operating (Loss)	(\$318,960)
Adjustments to Reconcile Operating (Loss) to	
Net Cash Used by Operating Activities	
Transfer from General Fund	318,960
(Increase) / Decrease in Accounts Receivable	(1,490)
Change in Assets and Liabilities	
(Decrease) in Interfund	(124,426)
Increase in Accounts payable	14,069
Total Adjustment	<u>(111,847)</u>
Net Cash (Used In) Operating Activities	<u><u>(\$111,847)</u></u>

**FIDUCIARY FUNDS
(NOT APPLICABLE)**

Exhibit H-1

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Combining Statement of Agency Funds Net Position
Fiduciary Funds
As of June 30, 2024**

NOT APPLICABLE

Exhibit H-2

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Nonexpendable Trust Fund
Combining Statement of Agency Fund Net Position
Fiduciary Funds
As of June 30, 2024**

NOT APPLICABLE

Exhibit H-3

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Student Activity Account
Schedule of Receipts and Disbursements
For the Fiscal Year Ended June 30, 2024**

NOT APPLICABLE

Exhibit H-4

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Payroll Agency Fund
Schedule of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2024**

NOT APPLICABLE

Exhibit H-5

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Unemployment Compensation Insurance Trust Fund
Statement of Receipts and Disbursements
Fiduciary Funds
For the Fiscal Year Ended June 30, 2024**

NOT APPLICABLE

STATISTICAL SECTION

This part of the Ethical Community Charter School annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the school's overall financial health.

Contents

Exhibits

Financial Trends

J- 1 to J-5

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

J-6 to J-9

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

J-10 to J-13

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

J-14 and J-15

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

J-16 to J-20

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

FINANCIAL TRENDS

**THE ETHICAL COMMUNITY CHARTER SCHOOL
NET POSITION BY COMPONENT
FOR THE FISCAL YEARS ENDED JUNE 30
ACCRUAL BASIS OF ACCOUNTING**

	2024	2023	2022	2021	2020	2019
Governmental activities						
Invested in capital assets - net	\$ 582,176	\$ 36,328	\$ 66,372	\$ 96,416	\$ 126,400	\$ 156,504
Restricted Student Activity	42,924	173,151	117,923	70,622		
Restricted - Other	125,000	125,000	125,000	125,000	125,000	125,000
Unrestricted	5,327,466	3,556,695	2,195,241	717,513	1,095,222	716,362
Total governmental activities net position	<u>\$ 6,077,566</u>	<u>\$ 3,891,174</u>	<u>\$ 2,504,536</u>	<u>\$ 1,009,551</u>	<u>\$ 1,346,622</u>	<u>\$ 997,866</u>
Business-type activities						
Invested in capital assets - net	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total business-type activities net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School-wide						
Invested in capital assets - net	\$ 582,176	\$ 36,328	\$ 66,372	\$ 96,416	\$ 126,400	\$ 156,504
Restricted Student Activity	42,924	173,151	117,923	70,622		
Restricted - Other	125,000	125,000	125,000	125,000	125,000	125,000
Unrestricted	5,327,466	3,556,695	2,195,241	717,513	1,095,222	716,362
Total school net position	<u>\$ 6,077,566</u>	<u>\$ 3,891,174</u>	<u>\$ 2,504,536</u>	<u>\$ 1,009,551</u>	<u>\$ 1,346,622</u>	<u>\$ 997,866</u>

Source: School Financial Statements

THE ETHICAL COMMUNITY CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30
ACCRUAL BASIS OF ACCOUNTING

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Expenses						
Governmental activities						
Instruction						
Regular	\$ 3,824,189	\$ 2,617,069	\$ 2,846,522	\$ 2,211,789	\$ 2,068,531	\$ 2,381,191
Support Services:						
General administration	2,278,263	1,879,406	1,604,174	1,343,061	1,136,895	992,308
School Administrative Services	1,850,124	853,372	839,059	1,038,946	925,902	700,979
On-behalf TPAF Social Security / Pension / Medical	890,285	684,340	787,237	612,622	606,822	506,268
Student Activity	130,227	3,734	7,884			
Capital outlay	-	-	-	2	-	27,630
Amortization expense over prin paymts on leases	-	55,009				
Unallocated depreciation	49,902	30,044	30,044	30,044	30,044	30,044
Total governmental activities expenses	9,022,990	6,122,974	6,114,920	5,236,464	4,768,194	4,638,420
Business-type activities:						
Enterprise fund	471,487	280,454	95,706	294,765	294,765	287,671
Total business-type activities expense	471,487	280,454	95,706	294,765	294,765	287,671
Total school expenses	\$ 9,494,477	\$ 6,403,428	\$ 6,210,626	\$ 5,531,229	\$ 5,062,959	\$ 4,926,091
Program Revenues						
Governmental activities:						
Operating grants and contributions	1,620,110	1,113,583	553,437	323,075	263,989	342,596
Total governmental activities program revenues	1,620,110	1,113,583	553,437	323,075	263,989	342,596
Business-type activities:						
Charges for services						
Enterprise	471,487	308,313	95,706	294,765	294,765	287,671
Total business type activities program revenues	471,487	308,313	95,706	294,765	294,765	287,671
Total school program revenues	\$ 2,091,597	\$ 1,421,896	\$ 649,143	\$ 617,840	\$ 558,754	\$ 630,267
Net (Expense)/Revenue						
Governmental activities	\$ (7,402,880)	\$ (5,009,391)	\$ (5,561,483)	\$ (4,913,389)	\$ (4,504,205)	\$ (4,295,824)
Business-type activities	-	27,859	-	-	-	-
Total school-wide net expense	\$ (7,402,880)	\$ (4,981,532)	\$ (5,561,483)	\$ (4,913,389)	\$ (4,504,205)	\$ (4,295,824)

THE ETHICAL COMMUNITY CHARTER SCHOOL
CHANGES IN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
General Revenues and Other Changes in Net Position						
Governmental activities:						
Local Share	\$ 1,194,628	\$ 1,697,710	\$ 1,325,466	\$ 1,481,631	\$ 1,067,269	\$ 996,960
State Share	2,686,455	3,633,189	2,728,239	2,706,184	2,590,383	2,466,253
State / Federal	5,212,176	916,150	1,891,478	889,878	902,035	859,542
Student Activity	-	51,035	10,600			
Increase Capital Assets	595,750					
Right to Use Adjustment	(214,931)					
Net pension adj	(140,733)	136,646				
Miscellaneous	255,927	69,646	78,522	184,512	189,286	120,066
Total governmental activities	<u>9,589,272</u>	<u>6,504,376</u>	<u>6,034,305</u>	<u>5,262,205</u>	<u>4,748,973</u>	<u>4,442,821</u>
Business-type activities:						
Total business-type activities						
Total school-wide	<u>9,589,272</u>	<u>6,504,376</u>	<u>6,034,305</u>	<u>5,262,205</u>	<u>4,748,973</u>	<u>4,442,821</u>
Change in Net Position						
Governmental activities	\$ 2,186,392	\$ 1,494,985	\$ 472,822	\$ 348,816	\$ 244,768	\$ 146,997
Business-type activities	-	27,859	-	-	-	-
Total school	<u>\$ 2,186,392</u>	<u>\$ 1,522,844</u>	<u>\$ 472,822</u>	<u>\$ 348,816</u>	<u>\$ 244,768</u>	<u>\$ 146,997</u>
Source: School Financial Statements						

**THE ETHICAL COMMUNITY CHARTER SCHOOL
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30**

(UNAUDITED)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
General Fund						
Reserved - Other	125,000	125,000	125,000	125,000	\$125,000	\$125,000
Unassigned	7,033,951	4,907,516	3,550,463	2,154,372	1,095,222	716,362
Total General Fund	<u>\$7,158,951</u>	<u>\$5,032,516</u>	<u>\$3,675,463</u>	<u>\$2,279,372</u>	<u>\$1,220,222</u>	<u>\$841,362</u>
All Other Governmental Funds						
Reserved Student Activity	\$42,924	\$173,151	\$117,923	\$70,622		
Total all other governmental funds	<u>\$42,924</u>	<u>\$173,151</u>	<u>\$117,923</u>	<u>\$70,622</u>	-	-

Source: School Financial Statements

**THE ETHICAL COMMUNITY CHARTER SCHOOL
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30**

(UNAUDITED)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenues						
Local tax Levy	\$ 1,194,628	\$ -	\$ 1,697,710	\$ 1,325,466	\$ 1,481,631	\$ 1,067,269
Other local revenue	255,927	56,481	69,646	78,522	201,734	189,286
PPP/SBA Loan Forgiveness	-	-	-	559,000		
Student Activity	-	55,228	51,035	10,600		
State sources	7,898,631	7,908,885	4,549,339	4,619,717	3,596,062	3,492,418
Enterprise fund	471,487	150,226	308,313	95,706	198,235	294,765
Special Revenue Sources	1,620,110	826,563	1,113,583	553,437	305,853	263,989
Total revenue	<u>11,440,783</u>	<u>8,997,383</u>	<u>7,789,626</u>	<u>7,242,448</u>	<u>5,783,515</u>	<u>5,307,727</u>
Expenditures						
Instruction						
Regular Instruction	2,274,348	2,250,550	1,760,522	2,293,085	2,058,093	1,887,797
Support Services:						
General administration	2,207,994	1,919,531	1,622,370	1,604,174	1,173,682	1,053,640
School administrative services/Plant	1,850,124	1,286,384	853,372	839,059	1,038,946	925,902
On-Behalf TPAF / Pension / Medical	890,285	940,567	684,340	787,237	612,622	606,822
Student Activity	130,227		3,734	7,884		
Capital outlay	-	-	-	-	2	-
Enterprise Fund	471,487	344,506	280,454	95,706	198,225	263,989
Special Revenue	1,620,110	871,423	1,113,583	553,437	323,075	294,765
Total expenditures	<u>9,444,575</u>	<u>7,612,961</u>	<u>6,318,375</u>	<u>6,180,582</u>	<u>5,404,645</u>	<u>5,032,915</u>
Excess (Deficiency) of revenues over (under) expenditures	1,996,208	1,384,422	1,471,251	1,061,866	378,870	274,812
Other Financing sources (uses)						
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances - Increase	<u>\$ 1,996,208</u>	<u>\$ 1,384,422</u>	<u>\$ 1,471,251</u>	<u>\$ 1,061,866</u>	<u>\$ 378,870</u>	<u>\$ 274,812</u>

Source: School Financial Statements

REVENUE CAPACITY

Exhibit J-5

THE ETHICAL COMMUNITY CHARTER SCHOOL
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEARS ENDED JUNE 30
(UNAUDITED)

	<u>Donations</u>	<u>PPP/SBA Loan Forgiveness</u>	<u>Other Local</u>	<u>Totals</u>
2019	189,286			189,286
2020	184,512			184,512
2021	78,522	559,000		637,522
2022	69,646			69,646
2023	56,481			56,481
2024			255,927	255,927

Source: School Financial Statements

Exhibit J-6

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Assessed Value and Actual Value of Taxable Property
For the Fiscal Year Ended June 30, 2024**

NOT APPLICABLE

Exhibit J-7

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Direct and Overlapping Property Tax Rates
For the Fiscal Year Ended June 30, 2024**

NOT APPLICABLE

Exhibit J-8

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Principal Property Taxpayers
For the Fiscal Year Ended June 30, 2024**

NOT APPLICABLE

DEBT CAPACITY

Exhibit J-9

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Property Tax Levies and Collections
For the Fiscal Year Ended June 30, 2024**

NOT APPLICABLE

Exhibit J-10

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Ratios of Outstanding Debt by Type
For the Fiscal Year Ended June 30, 2024**

NOT APPLICABLE

Exhibit J-11

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Ratios of Net General Bonded Debt Outstanding
For the Fiscal Year Ended June 30, 2024**

NOT APPLICABLE

Exhibit J-12

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Direct and Overlapping Governmental Activities Debt
For the Fiscal Year Ended June 30, 2024**

NOT APPLICABLE

DEMOGRAPHIC AND ECONOMIC INFORMATION

Exhibit J-13

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Legal Debt Margin Information
For the Fiscal Year Ended June 30, 2024**

NOT APPLICABLE

Exhibit J-14

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Demographic and Economic Statistics
For the Fiscal Year Ended June 30, 2024**

NOT APPLICABLE

**OPERATING INFORMATION
(UNAUDITED)**

**THE ETHICAL COMMUNITY CHARTER SCHOOL
Principal Employers
For the Fiscal Year Ended June 30, 2024**

NOT APPLICABLE

THE ETHICAL COMMUNITY CHARTER SCHOOL
Full-time Equivalent School Employees by Function/Program
For the Fiscal Years Ended June 30
(UNAUDITED)

<u>Function/Program</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Instruction						
Regular	37	30	38	30	26	36
Special education	5	2	3	5	5	5
Other special education - Basic Skills	1	1	2	2	2	1
Vocational						
Other instruction				2	2	2
Nonpublic school programs						
Adult/continuing education programs						
Support Services:						
Student & instruction related services	10	4	3	6	6	6
General administration	7	5	7	7	6	6
School administrative services - Secretary	1	1	2	3	3	3
Other administrative services		1		1	1	1
Central services						
Administrative Information Technology	1	1	1	1	1	1
Plant operations and maintenance	5	6	3	3	2	2
Pupil transportation			-			
Other support services*			-			
Special Schools						
Food Service		1	2	2	2	2
Child Care						
Total	67	52	61	62	56	65

*Fundraising

Source: School Personnel Records

THE ETHICAL COMMUNITY CHARTER SCHOOL
Operating Statistics
For the Fiscal Years Ended June 30
(UNAUDITED)

Exhibit J-17

Fiscal Year	Enroll	Operating Expenditures	Cost Per Pupil	Percentage Change	Teaching Staff	Elementary	Middle School	Senior High School	Average Daily Enrollment (ADE)	Average Daily Attendance (ADA)	% Change in Average Daily Enrollment	Student Attendance Percentage
2019	370.0	5,032,915	13,602	0.8%	36	21	15	0	370.0	350.0	0.82%	94.6%
2020	377.0	5,404,655	14,355	5.5%	40	25	15	0	377.0	360.0	1.89%	95.5%
2021	382.2	6,180,582	16,171	12.7%	45	28	17	0	382.2	370.5	1.38%	96.9%
2022	365.2	6,318,378	17,301	7.0%	36	22	14	0	365.2	339.6	-4.45%	93.0%
2023	372.5	7,434,876	19,959	15.4%	33	21	15	0	372.5	339.2	2.00%	91.1%
2024	342	6,322,466	18,487	-7.4%	36	27	9	0	347.08	320.34	-6.82%	92.3%

Sources: School records

THE ETHICAL COMMUNITY CHARTER SCHOOL
School Building Information
For the Fiscal Years Ended June 30
(UNAUDITED)

	2024	2023	2022	2021	2020	2019
<u>School Building</u>						
Building						
Square Feet	20,500	20,500	20,500	20,500	20,500	20,500
Capacity (students)	396.0	396.0	396.0	396.0	396.0	396.0
Enrollment	342.0	372.5	364.0	382.2	377.0	370.0
Number of Schools at June 30						
Elementary	1	1	1	1	1	1

Source: School Office

Exhibit J-19

**THE ETHICAL COMMUNITY CHARTER SCHOOL
General Fund - Schedule of Required Maintenance
For the Fiscal Year Ended June 30, 2024**

NOT APPLICABLE

THE ETHICAL COMMUNITY CHARTER SCHOOL
Insurance Schedule
For the Fiscal Year Ended June 30, 2024
(UNAUDITED)

	<u>Coverage</u>	<u>Deductible</u>
School Package Policy (1)		
Commercial Property	\$ 2,090,900	\$ 1,000
Boiler and Machinery	2,090,900	25,000
General Liability	31,000,000	-
Automobile Liability	31,000,000	-
School Board Legal Liability	31,000,000	5,000
Terrorism	1,000,000	1,000
Employee Dishonesty	500,000	1,000
Workers' Compensation	3,000,000	-
EDP	2,090,900	1,000
Flood	75,000,000	10,000
Employee Benefits Liability	31,000,000	1,000
Environmental Impairment	1,000,000	50,000
Sexual Abuse	15,000,000	-
Excess Liability - Fireman's Fund	25,000,000	-
Cyber Liability		
Policy Aggregate	2,000,000	2,500
Cyber Deception	250,000	10,000
Student Accident		
All Students including Athletics		
Football Excluded	500,000	-
Volunteers	50,000	-
Non-Enrolled Campers	50,000	-
Surety Bond - Public Official		
School Business Administrator	150,000	-
Treasurer of School Monies	150,000	-

**CHARTER SCHOOL PERFORMANCE
FRAMEWORK FINANCIAL INDICATORS**

**THE ETHICAL COMMUNITY CHARTER SCHOOL
FINANCIAL PERFORMANCE - FINANCIAL RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30**

**Charter School Performance Framework Financial Indicators
Near Term Indicators**

	2024	2023	2022	2021	2020	2019
Cash and Cash Equivalents	\$8,028,081	\$5,573,598	\$3,854,417	\$2,297,654	\$1,631,035	\$1,148,199
Current Assets	8,155,464	6,059,543	4,565,225	2,962,045	2,566,152	1,688,396
Total Assets	8,155,464	6,059,543	4,565,225	2,962,045	2,566,152	1,688,396
Current Liabilities	953,589	853,876	743,980	612,051	1,345,930	847,034
Total Liabilities	953,589	853,876	743,980	612,051	1,345,930	847,034
Fund Balance	7,201,875	5,205,667	3,821,245	2,349,994	1,220,222	841,362
Total Revenue	11,440,783	8,997,383	7,789,626	7,242,448	5,783,515	5,307,727
Total Expenses	9,444,575	7,612,961	6,318,375	6,180,582	5,404,655	5,032,915
Change in Net Position	1,996,208	1,384,422	1,471,251	1,061,866	378,860	274,812
Depreciation	49,902	30,044	30,044	30,044	30,044	30,044
Principal Payments	0	0	0	0	0	0
Interest payments	0	0	0	0	0	0
Final average daily enrollment	342	364	364	382	377	370
March 30th budgeted Enrollment	342	364	364	382	377	370
Near term indicators	2024	2023	2022	2021	2020	2019
CURRENT RATIO	8.55	7.10	16.00	4.80	1.91	2.00
Unrestricted days cash	310.26	256.53	222.84	136.5	110.15	83.26
Enrollment variance	0%	0%	0%	0%	0%	0%
Default	N/A	N/A	N/A	N/A	N/A	N/A
Total Margin	16	16	19	14.6	6%	5%
Debt to Asset	N/A	N/A	N/A	N/A	N/A	N/A
Cash Flow	2,454,483	1,719,181	1,577,763	817,715	482,836	605,896
Debt Service Coverage ratio	N/A	N/A	N/A	N/A	N/A	N/A

SINGLE AUDIT SECTION K

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EXHIBIT K-1

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Chairman and
Members of the Board of Trustees
Ethical Community Charter School
County of Hudson
Jersey City, New Jersey

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ethical Community Charter School ("the Charter School"), in the County of Hudson, State of New Jersey, as of and for the fiscal year ending June 30, 2024, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, and have issued my report thereon, dated December 16, 2024.

Report on Internal Control Over Financial Reporting

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

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

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey*.

Purpose of this Report

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

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
December 16, 2024

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EXHIBIT K-2

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE AND NJ OMB 15-08**

The Honorable Chairman and
Members of the Board of Trustees
Ethical Community Charter School
County of Hudson
Jersey City, New Jersey

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

I have audited Ethical Community Charter School's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement that could have a direct and material effect on each of Ethical Community Charter School's major Federal and State programs for the year ended June 30, 2024. Ethical Community Charter School's major Federal and State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, Ethical Community Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal and State programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal and State Program

I conducted my 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and NJ OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. My responsibilities under those standards, the Uniform Guidance and NJ OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of Ethical Community Charter School and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the

audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major Federal and State programs. My audit does not provide a legal determination of Ethical Community Charter School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Ethical Community Charter School's Federal and State programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Ethical Community Charter School's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance and NJ OMB Circular 15-08, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Ethical Community Charter School's compliance with the requirements of each major Federal and State programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance and NJ OMB Circular 15-08, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Ethical Community Charter School's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Ethical Community Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and NJ OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of Ethical Community Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal and State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal and 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 Federal and 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.

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and NJOMB circular 15-08. Accordingly, this report is not suitable for any other purpose.

Licensed Public School Accountant No. 20CS00206400



Gerald D. Longo
Certified Public Accountant
December 16, 2024

THE ETHICAL COMMUNITY CHARTER SCHOOL
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2024

<u>Federal Grant/Pass-Through Grantor Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Award Identification Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Accounts Receivable at July 1, 2023</u>	<u>Prior Carry-over</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Refund of Prior Years' Balances</u>	<u>Adjust</u>	<u>Deferred Revenue/ (Accounts Receivable) June 30, 2024</u>	<u>Due to Grantor June 30, 2024</u>
Enterprise Fund:												
U.S. Department of Agriculture												
Passed-Through NJ State Department of Agriculture												
Child Nutrition Cluster												
National School Breakfast	10.553	231NJ304N1199	07/01/22-06/30/23	\$ -	\$ (3,164)	\$ -	\$ 3,164	\$ -	\$ -	\$ -	\$ -	\$ -
National School Lunch	10.555	231NJ304N1199	07/01/22-06/30/23	-	(17,271)	-	17,271	-	-	-	-	-
National School Snack	10.555	231NJ304N1199	07/01/22-06/30/23	-	(1,691)	-	1,691	-	-	-	-	-
National School Breakfast	10.553	241NJ304N1099	07/01/23-06/30/24	15,231	-	-	11,690	15,231	-	-	(3,541)	-
National School Lunch	10.555	241NJ304N1099	07/01/23-06/30/24	77,665	-	-	61,115	77,665	-	-	(16,550)	-
National School Snack	10.555	241NJ304N1099	07/01/23-06/30/24	16,187	-	-	12,643	16,187	-	-	(3,544)	-
Supply Chain Assistance	10.555	231NJ344N8903	10/01/22-09/30/24	13,600	-	-	13,600	13,600	-	-	-	-
Local Food for Schools Coop Ag Program	10.158	231NJ304N1199	07/01/23-06/30/24	519	-	-	519	519	-	-	-	-
Total Enterprise Fund/Total US Dept. of Agriculture Pass Through Programs					(22,126)	-	121,693	123,202	-	-	(23,635)	-
Special Revenue Fund:												
U.S. Department of Education												
Passed-Through NJ State Department of Education												
Title 1 Part A	84.010	S010A220030	07/01/22-09/30/23	216,793	(82,700)	-	104,613	21,913	-	-	-	-
Title 1 Part A	84.010	S010A230030	07/01/23-09/30/24	270,392	-	-	252,246	270,392	-	-	(18,146)	-
Title 1 SIA Part A	84.010	S010A220030	07/01/22-09/30/23	30,800	(2,500)	-	21,290	18,790	-	-	-	-
Title 1 SIA Part A	84.010	S010A230030	07/01/23-09/30/24	23,200	-	-	-	-	-	-	-	-
Title 11	84.367A	S367A220029	07/01/22-09/30/23	19,512	(19,512)	-	19,512	-	-	-	-	-
Title 11	84.367A	S367A230029	07/01/23-09/30/24	20,681	-	-	20,681	20,681	-	-	-	-
Title III Immigrant	84.365	S365A220030	07/01/22-09/30/23	3,744	(1,544)	-	1,544	-	-	-	-	-
Total ESEA					(106,256)	-	419,886	331,776	-	-	(18,146)	-
Special Education Cluster												
IDEA Part B	84.027A	H027A220100	07/01/22-09/30/23	74,795	(44,915)	-	44,915	-	-	-	-	-
IDEA Part B	84.027A	H027A230100	07/01/23-09/30/24	82,523	-	-	80,823	82,523	-	-	(1,700)	-
IDEA Pre-School	84.173A	H173A210114	07/01/21-09/30/22	1,467	(1,100)	-	1,100	-	-	-	-	-
IDEA Pre-School	84.173A	H173A230114	07/01/23-09/30/24	1,851	-	-	1,851	1,851	-	-	-	-
Total Special Education Cluster					(46,015)	-	128,689	84,374	-	-	(1,700)	-
21st Century Community Learning Ctr	84.287E	24E00068	09/01/23-08/31/24	425,000	-	-	222,751	267,138	-	-	(44,387)	-
Education Stabilization Fund												
CRRSA ESSER 11	84.425D	S425D210027	03/13/20-09/30/23	573,604	(198,694)	-	198,694	-	-	-	-	-
CRRSA Learning Acceleration	84.425D	S425D210027	03/13/20-09/30/23	36,811	(10,961)	-	10,961	-	-	-	-	-
CRRSA Mental Health	84.425D	S425D210027	03/13/20-09/30/23	45,000	(39,105)	-	39,105	-	-	-	-	-
ARP ESSER	84.425U	S425U210027	03/13/20-09/30/24	1,289,137	(19,100)	-	748,796	729,696	-	-	-	-
ARP Accelerated Learning	84.425U	S425U210027	03/13/20-09/30/24	50,000	-	-	50,000	50,000	-	-	-	-
ARP Summer Learning and Enrichment	84.425U	S425U210027	03/13/20-09/30/24	40,000	-	-	-	-	-	-	-	-
ARP Beyond the School Day	84.425U	S425U210027	03/13/20-09/30/24	40,000	(1,250)	-	3,250	2,000	-	-	-	-
ARP Mental Health	84.425U	S425U210027	03/13/20-09/30/24	45,000	-	-	45,000	45,000	-	-	-	-
Total Education Stabilization Fund					(269,110)	-	1,095,806	826,696	-	-	-	-
Total Special Revenue/NJ Dept. of Education, Pass Through Programs					(421,381)	-	1,867,132	1,509,984	-	-	(64,233)	-
Total Expenditures of Federal Awards					\$ (443,507)	\$ -	\$ 1,988,825	\$ 1,633,186	\$ -	\$ -	\$ (87,868)	\$ -

See accompanying notes to schedules of expenditures of Federal and State award programs.

THE ETHICAL COMMUNITY CHARTER SCHOOL
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended June 30, 2024

Exhibit K-4
Schedule B

<u>State Grantor/Program Title</u>	<u>Grant or State Project Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Balance June 30, 2023</u>	<u>Cash Received</u>	<u>Budgetary Expenditures</u>	<u>Adjustments</u>	<u>Repayment of Prior Years' Balances</u>	<u>Due to Grantor (Accts Rec) June 30, 2024</u>
NJ DEPARTMENT OF EDUCATION									
GENERAL FUND									
Equalization Aid	24-495-034-5120-078	7/1/23-06/30/24	\$ 5,249,705	\$ -	\$ 5,249,705	\$ 5,249,705	\$ -	\$ -	\$ -
Special Education Categorical Aid	24-495-034-5120-089	7/1/23-06/30/24	131,261	-	131,261	131,261	-	-	-
Security Aid	24-495-034-5120-084	7/1/23-06/30/24	135,553	-	135,553	135,553	-	-	-
Jersey City Payroll Tax Reimbursement	24-495-034-5120-078	7/1/23-06/30/24	2,686,455	-	2,686,455	2,686,455	-	-	-
Reimbursed Social Security Tax	24-495-034-5094-003	7/1/23-06/30/24	106,799	-	106,799	106,799	-	-	-
On-Behalf-Teachers' Pension and Annuity Fund LT Disability	24-495-034-5094-004	7/1/23-06/30/24	575	-	575	575	-	-	-
On-Behalf-Teachers' Pension and Annuity Fund	24-495-034-5094-002	7/1/23-06/30/24	615,417	-	615,417	615,417	-	-	-
On-Behalf-Teachers' Pension Post Retirement Medical	24-495-034-5094-001	7/1/23-06/30/24	167,494	-	167,494	167,494	-	-	-
Total General Fund				-	9,093,259	9,093,259	-	-	-
SPECIAL REVENUE FUND									
School Development Authority - Emergent Needs and Capital Maintenance	22-495-034-5120-139	7/1/22-06/30/23	56,309	44,002	-	-	-	-	44,002
School Development Authority - Emergent Needs and Capital Maintenance	23-495-034-5120-139	7/1/23-06/30/24	113,501	-	113,501	109,201	-	-	4,300
Total Special Revenue Fund				44,002	113,501	109,201	-	-	48,302
NJ DEPARTMENT OF AGRICULTURE									
ENTERPRISE FUND									
National School Lunch Program (State Share)	23-100-010-3350-023	7/1/22-06/30/23	2,233	(582)	582	-	-	-	-
National School Lunch Program (State Share)	24-100-010-3350-023	7/1/23-06/30/24	2,714	-	2,174	2,714	-	-	(540)
National School Breakfast After the Bell Program (State Share)	23-100-010-3350-023	7/1/22-06/30/23	165	(31)	31	-	-	-	-
National School Breakfast After the Bell Program (State Share)	24-100-010-3350-023	7/1/23-06/30/24	227	-	173	227	-	-	(54)
Total Enterprise Fund				(613)	2,960	2,941	-	-	(594)
Total State Financial Assistance				\$ 43,389	\$ 9,209,720	\$ 9,205,401	\$ -	\$ -	\$ 47,708
On-Behalf-Teachers' Pension and Annuity Fund LT Disability	24-495-034-5094-004	7/1/23-06/30/24			(575)	(575)			
On-Behalf-Teachers' Pension and Annuity Pension	24-495-034-5094-002	7/1/23-06/30/24			(615,417)	(615,417)			
On-Behalf-Teachers' Pension Post Retirement Medical	24-495-034-5094-001	7/1/23-06/30/24			(167,494)	(167,494)			
Less Amounts Not Subject to Single Audit On Behalf payments					<u>(783,486)</u>	<u>(783,486)</u>			
Total State Financial Assistance Subject to State Single Audit Major Program Determination				\$ 43,389	\$ 8,426,234	\$ 8,421,915	\$ -	\$ -	\$ 47,708

See accompanying notes to schedules of expenditures of Federal and State award programs.

**ETHICAL COMMUNITY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

NOTE 1. GENERAL

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

NOTE 2. BASIS OF ACCOUNTING

The accompanying schedules are presented on the budgetary basis of accounting with the exception of programs recorded in the enterprise fund, which are presented using the accrual basis of accounting. These basis of accounting are described in Note 1 to the Charter School's basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the provisions of New Jersey Department of the Treasury Circular Letter 15-08 OMB *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in the schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting revenue is not recognized until the subsequent year or expenditures have been made (GASB 34).

The general fund is presented in the accompanying schedules on the modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant account budgetary basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The net adjustment to reconcile from the budgetary basis to GAAP basis is \$-0-. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of

**ETHICAL COMMUNITY CHARTER SCHOOL
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE ASSISTANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

accounting for the special revenue fund. Awards and financial assistance revenues are reported in the school's basic financial statements on a GAAP basis as follows:

	Federal	State	Total
General Fund	\$ ---	\$9,093,259	\$9,093,259
Special Revenue Fund	1,509,984	109,201	1,619,185
Enterprise Fund	<u>123,202</u>	<u>2,941</u>	<u>126,143</u>
Total Awards and Financial Assistance	<u>\$1,633,186</u>	<u>\$9,205,401</u>	<u>\$10,838,587</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

NOTE 5. OTHER INFORMATION

The amount reported as TPAF Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2024. TPAF Social Security Contributions of \$106,799 represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2024.

NOTE 6. ON-BEHALF PROGRAMS NOT SUBJECT TO STATE SINGLE AUDIT

On-behalf State Programs for TPAF Pension \$615,417, Long Term Disability \$575, Post-Retirement Medical Benefits Contributions \$167,494 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 schools basic financial statements and the amount subject to State single audit and major program determination.

NOTE 7. DE MINIMIS INDIRECT COST RATE

The School has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**ETHICAL COMMUNITY CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

PART 1 – SUMMARY OF AUDITOR’S RESULTS**Financial Statement Section**

Type of auditor’s report issued:	Unmodified	
	<u>YES</u>	<u>NO</u>
Internal control over financial reporting:		
Material weakness(es) identified:	X	
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Noncompliance material to financial statements noted?	X	

Federal Awards

Internal control over compliance:		
Material weakness(es) identified?	X	
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Type of auditor’s report on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with Uniform Guidance?	X	
Identification of major programs:		

<u>Federal AL Number(s)</u>	<u>FAIN Numbers</u>	<u>Name of Federal Program or Cluster</u>	
84.010	S010A230030	Title 1, Part A	
84.010	S010A230030	Title 1 SIA, Part A	
<u>Special Education Cluster</u>			
84.027A	H027A230100	IDEA Basic	
84.173A	H173A230114	IDEA Preschool	
Dollar threshold used to distinguish between type A and type B programs (.520)			\$750,000
Auditee qualified as low risk auditee:			X

**ETHICAL COMMUNITY CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

PART 1 – SUMMARY OF AUDITOR’S RESULTS (continued)

State Awards	<u>YES</u>	<u>NO</u>
Dollar threshold used to distinguish between type A and type B programs.	\$750,000	
Auditee qualified as low risk auditee:	X	
Type of auditor’s report issued:	Unmodified	
Internal control over major programs:		
Material weakness(es) identified:		X
Significant deficiencies identified not considered to be material weakness(es)?	X	None Reported
Type of auditor’s report on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be Reported in accordance with NJOMB Circular Letter 15-08?	X	
Identification of major programs:		
<u>State Grant Number(s)</u>	<u>Name of State Program or Cluster</u>	
24-495-034-5120-078	Equalization Aid	
24-495-034-5120-089	Special Education Categorical Aid	
24-495-034-5120-084	Security Aid	

**ETHICAL COMMUNITY CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

PART II – SCHEDULE OF FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements in accordance with Government Auditing Standards and with audit requirements prescribed by the Division of Administration and Finance, Department of Education, State of New Jersey.

No financial statement findings noted that are required to be reported under Government Auditing Standards.

**ETHICAL COMMUNITY CHARTER SCHOOL
COUNTY OF HUDSON, NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

PART III – SCHEDULE OF FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance including questioned costs, related to the audit of major federal and state programs, as required by The Uniform Guidance and New Jersey OMB's Circular 15-08.

No federal and state award findings and questioned costs noted that are required to be reported in accordance of The Uniform Guidance or with NJOMB Circular 15-08.

**ETHICAL COMMUNITY CHARTER SCHOOL
SUMMARY OF SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Status of Prior Year Findings

This section identifies the status of prior-year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, U.S. Uniform Guidance (section .315(a)(b)) and New Jersey OMB's Circular 15-08.

In accordance with government auditing standards, my procedures included a review of all prior year recommendations. The school had implemented procedures to correct prior year findings.