

**THE KINGDOM CHARTER SCHOOL OF
LEADERSHIP
Blackwood, New Jersey**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2012

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

of the

**The Kingdom Charter School of Leadership
Board of Trustees**

Blackwood, New Jersey

For the Fiscal Year Ended June 30, 2012

Prepared by

The Kingdom Charter School of Leadership Board of Trustees

Finance Department

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OF THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
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INTRODUCTORY SECTION

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP

**121 WEST CHURCH STREET
BLACKWOOD, NJ 08012**

Chief School Administrator
Telephone: (856) 232-0100

Board Secretary

November 29, 2012

Members of the Board of Trustees
The Kingdom Charter School of Leadership
County of Camden
121 West Church Street
Blackwood, NJ 08012

Dear Board Members,

The initial comprehensive annual financial report of The Kingdom Charter School of Leadership for the fiscal year ended June 30, 2012, 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 Kingdom Charter School of Leadership. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the final position and results of operations of the various funds of the Charter School. All disclosures necessary to enable the reader to gain an understanding of the Charter School's financial activities have been included.

The comprehensive annual financial report is presented in four sections as follows:

- The introductory section includes this transmittal letter, the Charter School's organizational chart and a list of principal officials.
- The financial section includes the basic financial statements and schedules, as well as the auditor's report thereon.
- The statistical section includes the first fiscal year of unaudited data.
- The charter school is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and the U.S. Office of Management Budget Circular A-133, "Audits of States, Local Governments and Non-profit Organizations", and the New Jersey OMB circular letter 04-04 OMB, "Single Audit Policy for recipients of federal grants, State grants and state aid payments". Information related to this single audit, including the auditor's report on internal control and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. REPORTING ENTITY AND ITS SERVICES:

The Kingdom Charter School of Leadership. is an independent reporting entity within the criteria adopted by the Government Standards Board (GASB) as established by GASB Statement No.14. All funds of the Charter school are included in this report The Kingdom Charter School of Leadership Board of Trustees and its school constitute the Charter School's reporting entity.

The Kingdom Charter School of Leadership is responsible for providing a thorough and efficient educational system for students in grades taught at the one school maintained. The Charter School completed the 2011 – 2012 fiscal year with an enrollment of 119 elementary school students.

2. ECONOMIC CONDITION AND OUTLOOK:

The Gloucester Township area is a rural community in Camden County and is presently considered to possess a stable economy.

Initiatives

The charter school has developed a comprehensive strategic plan to support its mission and vision and serve as a blueprint for the achievement of its goals. The plan includes objectives such as pupil achievement, staff development and technology in the classroom.

3. INTERNAL ACCOUNTING CONTROLS:

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

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

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

4. BUDGETARY CONTROLS:

In addition to internal accounting controls, the Charter School maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. 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 balance at June 30, 2012.

5. ACCOUNTING SYSTEM AND REPORTS:

The Charter School's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the Charter School is organized on the basis of funds. These funds are explained in "Notes to the Financial Statements," Note 2.

6. RISK MANAGEMENT:

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

7. OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. Raymond Colavita, C.P.A., R.M.A. of the accounting firm of Nightlinger, Colavita and Volpa, PA, was selected by the Board's Audit Committee. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act amendment of 1996 and the related OMB Circular A-133 and state Treasury Circular Letter 04-04 OMB. The auditor's report on the basic financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

8. ACKNOWLEDGMENTS:

We would like to express our appreciation to the members of The Kingdom Charter School of Leadership Board of Trustees for their concern in providing fiscal accountability to the community and contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,



Ms. Jehelle Alexander
Chief School Administrator



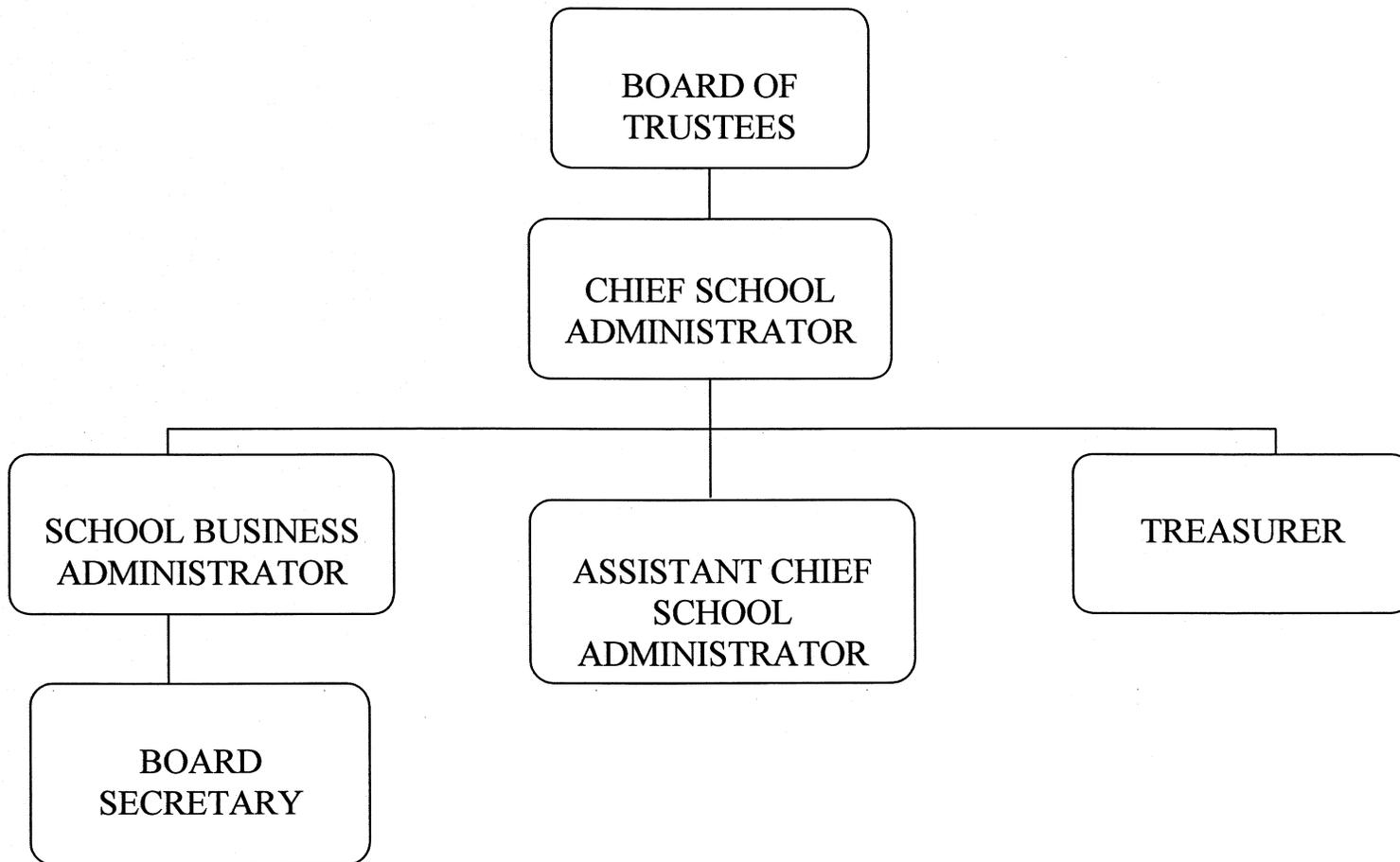
Ms. Risce Langhorne
Business Administrator/Board Secretary

The Kingdom Charter School of Leadership

Blackwood, New Jersey

Camden County

(UNIT CONTROL)



THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
BLACKWOOD, NEW JERSEY

ROSTER OF OFFICIALS

JUNE 30, 2012

<u>MEMBERS OF THE BOARD OF TRUSTEES</u>	<u>TERM EXPIRES</u>
Bernetta Millonde, President	2015
Melissa Fox, Vice President	2015
Bob Fensterer, Treasurer	2014
Maravi Melendez-Davis	2013
Maurissa Roberts	2015
Michelle Johnston	2016

OTHER OFFICIALS

Wandria McCall-Hampton, School Lead

Janelle Alexander, Principal

Riscee Langhorn, Business Administrator (From: July 1, 2012)

Scott Boddie, Business Administrator (To: June 30, 2012)

Mr. David A. Wollman, Solicitor

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
CONSULTANTS AND ADVISORS

AUDIT FIRM

Raymond Colavita, C.P.A., R.M.A.
Nightlinger, Colavita and Volpa, P.A.
Certified Public Accountants
991 S. Black Horse Pike
Post Office Box 799
Williamstown, NJ 08094

ATTORNEY

Mr. David A. Wollman
The Wollman Law Firm
Highridge Commons
200 Haddonfield-Berlin Road, Suite 102
Gibbsboro, New Jersey 08026

OFFICIAL DEPOSITORY

TD Bank
55 South White Horse Pike
Stratford, New Jersey 08084

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

991 S. Black Horse Pike
P.O. Box 799
Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245

November 29, 2012

INDEPENDENT AUDITOR'S REPORT

The Members of the Board of Trustees
The Kingdom Charter School of Leadership
County of Camden
121 West Church Street
Blackwood, NJ 08012

Dear Board Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Board of Trustees of The Kingdom Charter School of Leadership in the County of Camden, State of New Jersey, as of and for the year ended June 30, 2012, which collectively comprise the Charter School's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of The Kingdom Charter School of Leadership Board of Trustees management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of The Kingdom Charter School of Leadership Board of Trustees, in the County of Camden, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012 on our consideration of The Kingdom Charter School of Leadership, Board of Trustees internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 10 through 18 and 51 through 54 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Kingdom Charter School of Leadership, Board of Trustees financial statements as a whole. The introductory section, combining fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedules of expenditures of state financial assistance are presented for purposes of additional analysis as required by New Jersey OMB's Circular 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of state assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915

REQUIRED SUPPLEMENTARY INFORMATION – PART I

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2012

UNAUDITED

The discussion and analysis of The Kingdom Charter School of Leadership's financial performance provides an overall review of the School's financial activities for the initial fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- ❖ The 2012 school year was the first year of operations and educated students from Kindergarten through Third Grade.
- ❖ Total revenues of the school were \$1,460,693, of which general revenues accounted for \$1,392,571 or 95.3% percent of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions, and capital grants accounted for \$68,122 or 4.7% percent of all Revenues.
- ❖ Total net assets of governmental activities, as of the end of the first year were \$169,081.
- ❖ The School had \$1,281,631 in total expenses, of which only \$68,122 of these expenses was offset by program specific charges for services, grants or contributions. General revenues (primarily state and federal aid) were adequate to provide for these programs.
- ❖ The General Fund had \$1,392,571 in revenues, \$1,329,550 in expenditures and no other financing sources or uses. The General Fund's balance as of the end of the initial year of operations was \$54,554. This operating result was anticipated by the Board of Trustees.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand The Kingdom Charter School of Leadership as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School, presenting both an aggregate view of the School's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. In the case of The Kingdom Charter School of Leadership, the General Fund is by far the most significant fund.

Reporting the School as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School to provide programs and activities, the view of the School as a whole looks at all financial transactions and asks the question, "How did we do financially during 2012?" The Statement of Net Assets and the Statement of Activities helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account, all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School as a whole, the financial positions of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the property tax base of the School's resident districts, current laws in New Jersey concerning revenue growth, facility condition, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School is divided into two distinct kinds of activities:

- ❖ **Governmental Activities** – All of the School's programs and services are reported here including, but not limited to, instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- ❖ **Business – Type Activities** – This service is provided on a charge for goods or services basis to recover all the expense of the goods or services provided. The Food Service and Before and After Care enterprise funds are reported as business activity.

Reporting the School's Most Significant Funds

Fund Financial Statements

The analysis of the School's major (all) funds begins on page 21. Fund financial reports provide detailed information about the School's major funds. The School uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School's most significant funds. The School's major governmental funds are the General Fund and Special Revenue Fund.

Governmental Funds

The School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in the future years. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund

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

The School as a Whole

Recall that the Statement of Net Assets provides the perspective of the School as a whole.

Table 1 provides a summary of the School's net assets for the year ended 2012. Since this is the first year for preparation of financial statements in accordance with GASB Statement 34, net assets comparisons to prior year are not available. Comparison data will be presented in subsequent year.

Table 1
Net Assets

	<u>2012</u>
Assets	
Current and other assets	\$ 191,948
Capital assets, net	114,527
	<u>306,475</u>
Total Assets	<u>306,475</u>
Liabilities	
Other Liabilities	127,413
Long-term liabilities	
	<u>127,413</u>
Total Liabilities	<u>127,413</u>
Net Assets	
Invested in capital assets, net of debt	114,527
Restricted	
Unrestricted	64,535
	<u>179,062</u>
Total Net Assets	<u>\$ 179,062</u>

Table 2 shows the changes in net assets from fiscal year 2012. Since this is the first year the School District has prepared financial statements following GASB statement 34, revenue and expense comparison to fiscal year 2011 are not available. In future years, when prior-year information is available, a comparative analysis of district-wide data will be presented.

Table 2
Changes in Net Assets

	<u>2012</u>
Revenues	
Programs revenues	
Charges for services	\$ 17,496
Operating grants and contributions	50,626
General Revenues	
Property taxes	498,440
Grants and entitlements	862,784
Other	31,347
	<hr/>
Total Revenues	1,460,693
	<hr/>
Program Expenses	
Instruction	586,591
Support Services	
School Administration	293,120
General administration	334,951
Food Service	46,138
Other	20,831
	<hr/>
Total Expenses	1,281,631
	<hr/>
Increase in net assets	\$ 179,062
	<hr/> <hr/>

Governmental Activities

The School's total revenue for the fiscal year ended June 30, 2012 was \$1,460,693, of which governmental revenues were \$1,392,571. As a charter school, voter approval for the School operations is not required in New Jersey. Property taxes made up 35.8 % percent of revenues for governmental activities of The Kingdom Charter School of Leadership for fiscal year 2012. Federal, state and local grants accounted for another 62% and miscellaneous revenue accounted for 2.2%. The school's total expenses were \$1,281,631, of which the cost of all governmental instructional programs and services was \$586,591. Instruction comprises 45.8% of School expenses.

Business-Type Activities

Revenues for the School's business-type activities (food service program and extended day program) were comprised of charges for services and federal and state reimbursements.

- ❖ Food service expenses exceeded revenues by \$8,467. Charges paid by patrons for daily food services were \$7,515. This represents 20 % of the \$37,671 in total revenue.
- ❖ Extended Day revenues exceeded expenses by \$9,981. Extended Day revenues of \$9,981 were, therefore, adequate to cover expenses.
- ❖ Federal and state reimbursements for meals, including payments for free and reduced lunches and donated commodities were \$30,156.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. The net cost shows the financial burden that was placed on the School's resident district taxpayers by each of these functions. Comparisons to 2011 have not been made since this is the first year of operation.

Table 3

	<u>Total Cost of Services 2012</u>	<u>Net Cost of Services 2012</u>
Instruction	\$ 586,591	\$ 583,621
Support services		
School Administrative Services	293,120	275,620
General administration, school administration, business	334,951	334,951
Other	20,831	20,831
	<u> </u>	<u> </u>
Total Expenses	<u>\$ 1,235,493</u>	<u>\$ 1,215,023</u>

Instruction expenses include activities directly dealing with the teaching of pupils and the interaction between teacher and student, including extracurricular activities.

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students, including curriculum and staff development.

General administration, school administration and business include expenses associated with administrative and financial supervision of the School.

Operation and maintenance of facilities activities involve keeping the school grounds, buildings and equipment in an effective working condition.

Curriculum and staff development includes expenses related to planning, research, development and evaluation of support services, as well as the reporting of this information internally and to the public.

Pupil transportation includes activities involved with the conveyance of students to and from school, as well as to and from school activities, as provided by state law.

Extracurricular activities includes expenses related to student activities provided by the School which are designated to provide opportunities for students to participate in school events, public events, or a combination of these for the purposes of motivation, enjoyment and skill improvement.

Interest and fiscal charges involve the transactions associated with the payment of interest and other related charges to liabilities of the School.

Other includes unallocated depreciation and amortization.

The School's Funds

Information about the School's major funds starts on page 21. These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., general and special revenue funds presented in the fund-based statements) had total revenues of \$1,413,041 and expenditures of \$1,371,112. The net positive/negative change in fund balance for this initial school year was in the General Fund, an increase of \$41,929. This result shows that the School is able to meet current operating costs with no urgent need for additional funds.

As demonstrated by the various statements and schedules included in the financial section of this report, the School continues to meet its responsibility for sound financial management. The following schedules present a summary of the revenues of the governmental funds (excluding capital projects) for the fiscal year ended June 30, 2012, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>
Local Sources	\$ 529,787	37%
State Sources	862,784	61%
Federal Sources	20,470	1%
Total	\$ 1,413,041	100%

The revenue from Local Sources is attributed to the local tax levy of \$498,440 and miscellaneous income of \$31,347.

The State Sources are general fund categorical state aid of \$240,132, the state share of the local tax levy of \$595,311 and on-behalf social security reimbursements of \$27,341.

The Federal Sources represent various grant awards.

The following schedule presents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2012.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>
Current:		
Instruction	\$ 586,591	43.5%
School Administrative Expenses	293,120	21.7%
General Administrative Expenses	334,951	24.8%
Capital Outlay	135,358	10.0%
Total	<u>\$ 1,350,020</u>	<u>100%</u>

The Instructional; expense is attributed to general fund expenditures of \$566,121 and special revenue grant spending of \$20,470.

The School Administrative support expenses were \$275,620 in the general fund and \$17,500 was in special revenue grant spending.

The Other Administrative support expenses were \$334,951 in the general fund.

The capital outlay expenditures are attributed to equipment purchases and leasehold improvements.

General Fund Budgeting Highlights

The School's Budget is prepared according to New Jersey law, and is based on accounting for certain transactions on a basis of modified accrual and encumbrance accounting. The most significant budgeted fund is the General Fund.

During the course of the fiscal year 2012, the School amended its General Fund budget as needed. The School uses program based budgeting and the budgeting systems are designed to tightly control total program budgets but provide flexibility for program management.

- ❖ Staffing based on student needs.
- ❖ Costs for student transportation both in regular education and special education.
- ❖ Costs for maintenance and operations
- ❖ Changes in appropriations to prevent budget overruns.

While the School's final budget for the general fund anticipated that revenues and expenditures would roughly equal, the actual results for the year show an excess of \$54,554 in revenue over expenditures.

- ❖ Actual revenues were \$117,420 more than expected, excluding on behalf state aid of \$27,341, due various differences in state aid, local tax and miscellaneous revenue as shown on Exhibit C-1.
- ❖ The actual expenditures were lower than expected in various line items in the total amount of \$56,150, offset by the on-behalf social security and TPAF pension contribution state aid payments of \$27,341 per Exhibit C-1.
- ❖ There was also a transfer to the Food Service Enterprise fund in the amount of \$8,467 to fund the excess of expenses over revenues for the initial year of operations.

Capital Assets

At the end of the fiscal year 2012, the School had \$114,527 invested in furniture and equipment. Table 4 shows fiscal 2012 balances.

Table 4
Capital Assets (Net of Depreciation) at June 30

	<u>2012</u>
Leasehold Improvements	\$ 56,169
Machinery and Equipment	58,358
	<hr/>
Totals	\$ 114,527
	<hr/>

Purchases of depreciable assets were \$135,358 during fiscal year 2012. This increase was offset by depreciation expense of 20,831.

Operating Leases

The School currently leases space for classrooms, administration and the food service operation, through a lease purchase agreement with a commercial landlord.

The term of the lease is April 18, 2011 through June 30, 2015. All lease payments are to be applied against the purchase option price of \$750,000. There will also be a required payment of \$50,000 at the time of the exercise of the option.

For the Future

The Kingdom Charter School of Leadership is presently in good financial condition. Continued optimum enrollment in the School will provide future financial stability. However, future finances are not without challenges as the school makes monthly lease payments on building space.

In accordance with our mission, the school will be expanded to educate Grades K through Four in the 2012-13 fiscal school year.

As a charter school, it is a concern of the Board of Trustees of the School as to how future budgets would be financed. The administrator also closely monitors instructional as well as support and administrative costs of the School.

In conclusion, The Kingdom Charter School of Leadership continues to be committed to sound financial planning, budgeting, and internal financial controls in order to meet the challenges of the future.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers and oversight entities with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information please contact Riecee Langhorne, Administrator/Board Secretary at The Kingdom Charter School of Leadership at 121 West Church Street, Blackwood, New Jersey 08012

BASIC FINANCIAL STATEMENTS

CHARTER SCHOOL - WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities display information about the School. These statements include the financial activities of the overall School, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the School.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 104,509	\$ 6,107	\$ 110,616
Receivables, Net	75,478	5,854	81,332
Capital Assets, Net (Note 5):	114,527		114,527
Total Assets	<u>294,514</u>	<u>11,961</u>	<u>306,475</u>
LIABILITIES			
Accounts Payable	59,379	1,980	61,359
Interfund Payable	7,047		7,047
Due to Other Governments	59,007		59,007
Total Liabilities	<u>125,433</u>	<u>1,980</u>	<u>127,413</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	114,527		114,527
Unrestricted	54,554	9,981	64,535
Total Net Assets	<u>\$ 169,081</u>	<u>\$ 9,981</u>	<u>\$ 179,062</u>

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

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental Activities:						
Instruction:						
Regular	\$ 586,591	\$ -	\$ 2,970	\$ (583,621)	\$ -	\$ (583,621)
Support Services:						
School Administrative Services	293,120		17,500	(275,620)		(275,620)
General and Business Administrative Services	334,951			(334,951)		(334,951)
Unallocated Depreciation and Amortization	20,831			(20,831)		(20,831)
Total Governmental Activities	1,235,493		20,470	(1,215,023)		(1,215,023)
Business-type Activities:						
Food Service	46,138	7,515	30,156		(8,467)	(8,467)
Before and After Care		9,981			9,981	9,981
Total Business-type Activities	46,138	17,496	30,156		1,514	1,514
Total Primary Government	\$ 1,281,631	\$ 17,496	\$ 50,626	\$ (1,215,023)	\$ 1,514	\$ (1,213,509)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, net				\$ 498,440	\$ -	\$ 498,440
Federal and State Aid Not Restricted				862,784		862,784
Investment Earnings				85		85
Transfer				(8,467)	8,467	
Miscellaneous Income				31,262		31,262
Total General Revenues, Special Items, Extraordinary Items and Transfers				1,384,104	8,467	1,392,571
Change in Net Assets				169,081	9,981	179,062
Net Assets—Beginning						
Net Assets—Ending				\$ 169,081	\$ 9,981	\$ 179,062

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

FUND FINANCIAL STATEMENTS

The Individual Fund statements and schedules present more detailed information for the individual fund in a format that segregates information by fund.

GOVERNMENTAL FUNDS

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 110,616	\$ -	\$ 110,616
Interfund Receivable	24,344		24,344
Federal Aid Receivable		20,470	20,470
State Aid Receivable	55,008		55,008
Total assets	\$ 189,968	\$ 20,470	\$ 210,438
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 59,379	\$ -	59,379
Interfunds Payable	17,028	20,470	37,498
Due to Other Governments	59,007		59,007
Total liabilities	135,414	20,470	155,884
Fund Balances:			
Unreserved, reported in:			
General fund	54,554		54,554
Total Fund balances	54,554		54,554
Total liabilities and fund balances	\$ 189,968	\$ 20,470	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$135,358 and the accumulated depreciation is \$20,831 Note 5).

114,527

Net assets of governmental activities

\$ 169,081

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

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local Sources:			
Local Tax Levy	\$ 498,440	\$ -	\$ 498,440
Investment Earnings	85		85
Miscellaneous	31,262		31,262
Total - Local Sources	529,787		529,787
State Sources	862,784		862,784
Federal Sources		20,470	20,470
Total Revenues	1,392,571	20,470	1,413,041
EXPENDITURES			
Current:			
Regular Instruction	583,621	2,970	586,591
Support Services:			
School Administrative Services	275,620	17,500	293,120
Other Administrative Services	334,951		334,951
Capital Outlay	135,358		135,358
Total Expenditures	1,329,550	20,470	1,350,020
Excess (Deficiency) of Revenues Over Expenditures	63,021		63,021
OTHER FINANCING SOURCES (USES)			
Transfer to Food Service Fund	(8,467)		(8,467)
Total Other Financing Sources and Uses	(8,467)		(8,467)
Net Change in Fund Balances	54,554		54,554
Fund Balance—July 1			
Fund Balance—June 30	\$ 54,554	\$ -	\$ 54,554

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

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Total net change in fund balances - governmental funds (from B-2) \$ 54,554

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

In the statement of activities, certain operating expenses, including compensated absences, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid).

Compensated Absences Adjusted

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	\$ (20,831)
Capital outlays	135,358

114,527

Change in net assets of governmental activities (A-2) \$ 169,081

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

PROPRIETARY FUNDS

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Business-type Activities - Enterprise Funds		
	Food Service	Before and After Care Program	Totals
ASSETS			
Current Assets:			
Accounts Receivable:			
State	\$ 109	\$	\$ 109
Federal	5,745		5,745
Interfund Accounts Receivable		9,981	9,981
Total Current Assets	<u>5,854</u>	<u>9,981</u>	<u>15,835</u>
Total Assets	<u>\$ 5,854</u>	<u>\$ 9,981</u>	<u>\$ 15,835</u>
LIABILITIES AND FUND EQUITY:			
Current Liabilities:			
Accounts Payable	\$ 1,980	\$	\$ 1,980
Interfund Payable	3,874		3,874
Total Current Liabilities:	<u>5,854</u>		<u>5,854</u>
Net Assets			
Reserved for Capital Improvements			
Unrestricted		9,981	9,981
Total Fund Equity		<u>9,981</u>	<u>9,981</u>
Total Net Assets	<u>\$ 5,854</u>	<u>\$ 9,981</u>	<u>\$ 15,835</u>

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

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities		
	Enterprise Fund		
	Food Service	Before and After Care Program	Total Enterprise
Operating revenues:			
Charges for Services:			
Daily Sales - Reimbursable Programs:	\$ 7,515	\$	\$ 7,515
Extended Day Fees		9,981	9,981
Total Operating Revenue:	7,515	9,981	17,496
Operating expenses:			
Food Costs	46,138		46,138
Total Operating Expenses	46,138		46,138
Operating Income (Loss)	(38,623)	9,981	(28,642)
Non-operating Revenues (Expenses):			
State Sources:			
State School Lunch Program	595		595
Federal Sources:			
National School Breakfast Program	9,636		9,636
National School Lunch Program	19,925		19,925
Total Non-operating Revenues (Expenses)	30,156		30,156
Income (Loss) before Contributions & Transfers	(8,467)	9,981	1,514
Transfers	8,467		8,467
Change in Net Assets	-	9,981	9,981
Total Net Assets—Beginning			
Total Net Assets—Ending	\$ -	\$ 9,981	\$ 9,981

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

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Business-type Activities Enterprise Funds		
	Food Service	Before and After Care Program	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	\$ (18,815)	\$	\$ (18,815)
Payments to Suppliers	(40,284)		(40,284)
	(59,099)		(59,099)
Net Cash Provided by (Used for) Operating Activities			
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Sources	595		595
Federal Sources	29,561		29,561
Operating Subsidies and Transfers from/to Other Funds	8,467		8,467
	38,623		38,623
Net Cash Provided by (Used for) Non-capital Financing Activities			
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Capital Assets			
Net Cash Provided by (Used for) Capital and Related Financing Activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends			
Net Cash Provided by (Used for) Investing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents			
Balances—Beginning of Year			
Balances—End of Year	\$	\$	\$
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (38,623)	\$ 9,981	\$ (28,642)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
(Increase)/Decrease in Accounts Receivable, Net	(5,854)		(5,854)
(Increase)/Decrease in Interfund Accounts Receivable	0	(9,981)	(9,981)
(Increase)/Decrease in Accounts Payable	1,980		1,980
(Increase)/Decrease in Interfund Accounts Payable	3,874		3,874
		(9,981)	(9,981)
Total Adjustments			
Net Cash Provided by (Used for) Operating Activities	\$ (38,623)	\$	\$ (38,623)

Noncash Noncapital Financing Activities:

During the year, the district received zero dollars of food commodities from the U. S. Department of Agriculture

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

FIDUCIARY FUNDS

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Student Activities</u>		<u>Payroll Agency Fund</u>
ASSETS			
Cash and Cash Equivalents	\$ 3	\$	
Due from General Fund			7,047
Total Assets	<u>3</u>		<u>7,047</u>
LIABILITIES			
Cash Overdraft			7,047
Due to Student Groups	3		
Total Liabilities	<u>\$ 3</u>	\$	<u>7,047</u>
NET ASSETS			

accompanying Notes to Financial Statements are an integral part of this statement

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. DESCRIPTION OF THE KINGDOM CHARTER SCHOOL OF LEADERSHIP AND REPORTING ENTITY

The Kingdom Charter School of Leadership is located and incorporated on June 1, 2011 in the County of Camden, State of New Jersey and began its first year of education operations in September of 2011. It was created through the approval of its New Jersey Charter Schools Application by the State of New Jersey, Department of Education. As a Charter School, The Kingdom Charter School of Leadership functions independently as an educational institution through a Board of Trustees (the "Board"). In accordance with the by laws of the Charter School, the Board is to consist of not less than 3 and not more than 14 individuals. At all times, constituency of the voting members of the Board of Trustees shall consist of 2 members nominated and elected by the Board selected from the Parent Council and two members nominated and elected by the Board of Trustees representing community leaders at large (which may include representatives from the Neighborhood Center) The school administrator and a teacher elected by the teachers from the school are ex-officio members of the Board of Trustees without vote, and limited to the number of terms they may serve consecutively.

A. Reporting Entity:

The purpose of the Charter School during their initial fiscal school year of 2011-12 was to educate 120 students in Kindergarten through Third Grade. The Fourth Grade will be added in the 2012-13 school year. The one school building was operated with an initial year enrollment at June 30, 2012 of 219. A school business administrator/board secretary was appointed by the Board and responsible for the administrative control of the Charter School.

The primary criterion for including activities within the Charter School's reporting entity, as set forth in Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, is whether:

- the organization is legally separate (can sue or be sued in their own name)
- the Charter School holds the corporate powers of the organization
- the Charter School appoints a voting majority of the organization's board
- the Charter School is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Charter School
- there is a fiscal dependency by the organization on the Charter School

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Kingdom Charter School of Leadership have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Charter School's accounting policies are described below.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In June 1999, the Governmental Accounting Standards Board (GASB), unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which provided for the most significant change in financial reporting over twenty years and was phased-in starting with fiscal year ending 2002. In addition, the school Charter School has implemented GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus* and Statement No. 38, *Certain Financial Statement Note Disclosures*

A. Basis of Presentation:

The Charter School basic financial statements consist of Charter School-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Charter School-wide Statements: The statement of net assets and the statements of activities display information about the financial activities of the overall Charter School, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Charter School. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of net assets presents the financial condition of the governmental and business-type activities of the Charter School at the fiscal year end while the statement of activities presents a comparison between direct expenses and program revenues for each different business-type activity of the Charter School and for each function of the Charter School's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses—expenses of the Charter School related to the administration and support of the Charter School's programs, such as personnel and accounting—are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) 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, including all taxes and state formula aid, are presented as general revenues.

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. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting:

The accounts of the Charter School are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with activities or objectives specified for the resources. The operations for each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The various funds are grouped, in the financial statements in this report:

GOVERNMENTAL FUND TYPE

General Fund - The general fund is the general operating fund of the School and is used to account for all expendable financial resources except those required to be accounted for in another fund. Included are certain expenditures for instructional and non-instructional equipment which are classified in the Capital Outlay subfund.

As required by the New Jersey State Department of Education, The Kingdom Charter School of Leadership includes budgeted Capital Outlay in this fund. Generally accepted accounting principles as they pertain to governmentalities 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 the "local levy" local share - charter school aid, "local levy" state share - charter school aid, categorical aid, revenues from other sources and appropriated fund balance. Expenditures are those in excess of \$2,000, which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund - The Charter School accounts for the proceeds of specific revenue sources from the state and federal government (other than expendable trusts, major capital projects or enterprise funds) and local appropriations that is legally restricted to expenditures for specified purposes in the special revenue fund.

Capital Projects Fund - The Charter School currently has no capital projects, and, therefore, the accounting system of the Charter School does not include a capital projects fund.

Debt Service Fund - The accounting system of the Charter School does not include a debt service fund in accordance with state statute.

PROPRIETARY FUND TYPE

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

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (continued):

Enterprise (Food Service) Funds - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the School is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the 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.

The School's Enterprise Fund is comprised of a Food Service Fund managed by an outside food service management company. For expediency, the financial records are maintained within the food service fund of The Kingdom Charter School of Leadership. Federal and state subsidy reimbursements as well as a food service operating costs were allocated on a pro-rata basis. There were no Inventory or commodity amounts considered as owned by The Kingdom Charter School of Leadership.

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

Before and After Care Program Fund - The Kingdom Charter School of Leadership maintains a Before and After Care program that is intended to be effectively provided on a cost-reimbursement basis.

FIDUCIARY FUND TYPE

Fiduciary Funds include Expendable Trust, Nonexpendable Trust and Agency Funds. The measurement focus of the Expendable Trust Funds is the same as for governmental funds. The measurement focus of the Nonexpendable Trust Funds is similar to Proprietary Funds. Agency Funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The following is a description of the Fiduciary Funds of the Charter School:

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the Charter School in a Trustee capacity or as an agent for individuals, private organizations, other governments or others.

Nonexpendable Trust Fund: A nonexpendable trust fund is used to account for assets held under the terms of a formal trust agreement, whereby the Charter School is under obligation to maintain the trust principal. The accounting system of the Charter School does not include a nonexpendable trust fund.

Expendable Trust Fund - An Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable Trust Funds account for assets where both the principal and interest may be spent. The Expendable Trust Funds will consist of an Unemployment Compensation Insurance Fund in the future.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (continued):

FIDUCIARY FUND TYPE (continued)

Agency Funds (Payroll, Health Benefits and Student Activities Fund): Agency funds are used to account for the assets that the Charter School holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations. The accounting system of the Charter School includes a payroll fund and a student activities fund.

C. Basis of Accounting and Measurement Focus:

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

Charter School-wide, Proprietary and Fiduciary Fund Financial Statements: The Charter School-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; the enterprise fund and fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures. Ad Valorem (Property) Taxes are susceptible to accrual as under the New Jersey State Statute a municipality is required to remit to its school Charter School the entire balance of taxes in the amount voted upon or certified, prior to the end of the school year. The Charter School records the entire approved tax levy as revenue (accrued) at the start of the fiscal year, since the revenue is both measurable and available.

The Charter School is entitled to receive monies under the established payment schedule and the unpaid amount is considered to be an "accounts receivable". Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In its accounting and financial reporting, the Charter School follows the pronouncements of the Governmental Accounting Standards Board (GASB) and the pronouncements of the Financial Accounting Standards Board (FASB) and its predecessor organizations issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The Charter School's proprietary funds have elected not to apply the standards issued by FASB after November 30, 1989.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Continued):

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types and nonexpendable trust funds. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

D. Budgets/Budgetary Control:

Charter School budgets are prepared annually and are submitted to the Department of Education for review. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are mandated by the Department of Education and are detailed in the Charter School Budget Summary form that is part of the New Jersey Charter School Application and are defined as the lowest (most specific) level of detail referenced in NJAC 6:20-2A (m) 1. Transfers of appropriations may be made by Board resolution at any time during the fiscal year.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the 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 to be maintained to allow for the presentation of GAAP basis financial reports.

Schedule C-3 in the CAFR presents a reconciliation of the special revenue funds from the budgetary basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue and Debt Service Funds to the GAAP basis of accounting as presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types.

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 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. The budget, as detailed on Exhibit C-1, includes all amendments to the adopted budget, if any. Open encumbrances in the special revenue fund for which the Charter School has received advances (if any) are reflected in the balance sheet as deferred revenues at fiscal year end.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Encumbrance Accounting:

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. The Charter School had no fund balance reserved for encumbrances at June 30, 2012.

F. Tuition:

The Charter School Program Act of 1995 specifically prohibits a charter school from charging tuition to students who reside in the Charter School of residence of the charter school or are non-resident students.

G. Assets, Liabilities and Equity:

Transactions

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.

Inventories

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the Enterprise Fund are recorded as expenditures during the year of purchase. On Charter School-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method and is expended when used. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

Capital Assets - General fixed assets acquired or constructed during the year are recorded at actual cost. Donated fixed assets are valued at their estimated fair market value on the date received. General fixed assets are reflected as expenditures in the applicable governmental funds, and the related assets are reported in the Statement of Net Assets. Expenditures that enhance the asset or significantly extend the useful life of the asset are considered improvements and are added to the fixed asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized.

Capital assets are depreciated in the Charter School-wide financial statements using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
School Building	30-50
Building Improvements	20
Vehicles	8
Equipment	5-10

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Compensated Absences:

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

In governmental and similar trust funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund that will pay for the compensated absences. The remainder of the compensated absences liability is reported in the Statement of Net Assets. There is presently no balance in compensated absences liability at June 30, 2012.

In proprietary and similar trust funds, compensated absences are recorded as an expense and liability of the fund that will pay for them.

I. Deferred Revenue:

Deferred revenue in the special revenue fund represents cash, which has been received but not yet earned (see Note 2(B) regarding the special revenue fund).

J. Fund Equity:

Contributed capital represents the amount of fund capital contributed to the proprietary funds from other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent plans for future use of financial resources.

K. Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise fund. For the Charter School, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the enterprise fund.

L. Charter School Funding:

The Charter School is largely funded on its enrollment through the local levy and categorical aid, which follows a particular student. Funding flows from the State to the district board of education and then to the Charter school. In accordance with N.J.S.A. 18A:36A-12 "the school district of residence shall pay directly to the Charter School for each student enrolled in the charter school who resides in the district a presumptive amount equal to 90% of the local tax levy budget per pupil for the specific grade level in the district. At the discretion of the commissioner and at the time the charter is granted, the commissioner may require the school district of residence to pay directly to the charter school for each student enrolled in the charter school an amount equal to less than 90%, or an amount, which shall not exceed 100% of the local levy budget per pupil

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Charter School Funding (Continued):

for the specific grade in the district of residence. The per pupil amount paid to the charter school shall not exceed the local levy budget per pupil for the specific grade level in the district in which the charter school is located. The district of residence shall also pay directly to the charter school any categorical aid attributable to the student, provided the student is receiving appropriate categorical services, and any federal funds attributable to the student”

During the school year, a charter school shall conduct an enrollment count on June 1, October 15, February 15, and the last day of the school year. A charter school shall submit each count through a summary school register for the purposes of determining average daily enrolment. Based on these counts, a charter school’s revenue is adjusted accordingly.

M. Net Assets:

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Charter School’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Charter School, available means within sixty days of the fiscal year end. Non-exchange transactions, in which the Charter School receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned.

Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or for the fiscal year when use is first permitted; matching requirements, in which the Charter School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Charter School on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, interest, and tuition.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Comparative Data/Reclassifications:

After the initial year of operations, comparative total data for the prior year will be presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Charter School's financial position and operations. Also, certain immaterial amounts presented in the prior year data will be reclassified in order to be consistent with the current year's presentation.

P. Allocation of Indirect Expenses:

The Charter School reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses are allocated to functions but are reported separately in the Statement of Activities. Employee benefits, including the employer's share of social security, workers compensation, and medical and dental benefits, were allocated based on salaries of that program. Depreciation expense, where practicable, is specifically identified by function and is included in the indirect expense column of the Statement of Activities. Depreciation expense that could not be attributed to a specific function is considered an indirect expense and is reported separately on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Q. Extraordinary and Special Items:

Extraordinary items are transactions or events that are unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

R. 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.

On Charter School-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the Enterprise Fund represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

S. 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.

T. Management Estimates:

In order for the preparation of basic financial statements to be in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Accrued Liabilities and Long-term Obligations:

All payables, accrued liabilities, and long-term obligations are reported on the School-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

V. Fund Balance Reserves:

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

W. Unamortized Lease Acquisition Costs;

Where a the long-term lease agreement provides for the acquisition of school facilities, payments constituting professional lease acquisition and other related costs are amortized over the life of the lease. There were no capital leases approved and therefore, no lease acquisition payments as of June 30, 2012, to be reported on the Statement of Net Assets.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, 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 a maturity of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey 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 Schools. Investments are stated at cost, or amortized cost, which approximates market.

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

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey, which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund. New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

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

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank for Cooperatives, which have a maturity date no greater than twelve months from the date of purchase.
- c. Bonds of other obligations of the school.

As of June 30, 2012, cash and cash equivalents in the fund financial statements of the Charter School consisted of the following:

		Cash and Cash Equivalents
Checking Accounts	\$	110,619
Total	\$	110,619

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk - Custodial Credit Risk is the risk that, in the event of a bank failure, the School Districts deposits may not be returned to it. Although the School District does not have a formal policy regarding custodial credit risk, as described in Note 1: 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 Protection Act. As of June 30, 2012, none of the School Districts bank balance of \$186,010 was uninsured. As follows:

Insured	\$	186,010
Uninsured and collateralized with securities held by pledging financial institutions		-
	\$	186,010

New Jersey Cash Management Fund – During the fiscal year, the School District participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject o custodial credit risk as defined above. At June 30, 2012, the Charter School had no funds on deposit with the New Jersey Cash Management Fund.

NOTE 4. COMPENSATED ABSENCES

In accordance with Statement No. 16 of the (GASB) entitled “Accounting for Compensated Absences”, Part time employees are not entitled to compensated absences. Benefits paid in any future period will be calculated in accordance with formulas outlined in the Charter School agreements with any collective bargaining units and included in the budget of the current year of payment. There currently is no formal policy concerning payment of accumulated absences.

There was no liability for compensated absences in the governmental fund types at June 30, 2012.

As of June 30, 2012, no liability existed for compensated absences in the Food Service Fund because there are no employees paid out of this fund. The Food Service employees are provided and paid by an outside management company, Preferred Meals, Inc.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7. PENSION PLANS

Description of Plans - All required employees of the Charter School are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teachers' 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 retirement benefits, death, disability and medical benefits to certain qualified members. 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 Charter School and the system's 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 - The Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit plan which was established as of January 1, 1955. The PERS provides retirement, death, disability and medical benefits to certain qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5.5% of their annual covered salary. Effective July 1, 2011, however, in accordance with Chapter 78, P.L. 2011, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2007, the increase is effective with the payroll period that begins immediately after July 1, 2007. The State Treasurer has the right under the current law to make temporary reductions in member rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The School District is billed annually for its normal contribution plus any accrued liability.

The School District's contributions, equal to the required contribution for each fiscal year, was as follows:

<u>Public Employees Retirement System</u>					
<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Total Liability</u>	<u>Funded by State</u>	<u>Paid by District</u>
2012	N/A	N/A	N/A	N/A	N/A

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7. PENSION PLANS (CONTINUED)

Vesting and Benefit Provisions - The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B, and N.J.S.A. 18A:6 for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service, or under the disability provisions of the System. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/55 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provides for specified medical benefits for members 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 members' accounts.

Eligible retirees receiving monthly benefits are entitled to cost-of-living increases equal to 60% of the change in the average consumer price index for a 12 month period ending with each August 31st immediately preceding the year in which the adjustment becomes payable. The regular retirement allowance is multiplied by the 60% factor as developed and results in a dollar amount of the adjustment payable. Retired members become eligible for pension adjustment benefits (COLA) after 24 months of retirement.

Significant Legislation - During the year ended June 30, 1997, legislation was enacted (Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997) changed the asset valuation method from market related value to full-market value. This legislation also contained a provision to reduce the employee contribution rate by 1/2 of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 2000, providing excess valuation assets are available. The legislation also provided that the Charter Schools' normal contributions to the Fund might be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits; accordingly, the pension costs for TPAF and PERS were reduced. Chapter 415, P.L. 1999 provides for a reduction in this rate of 3% for the calendar years 2000 and 2001 and for a contribution rate reduction of up to 2% of compensation in future calendar years if the State Treasurer determines that excess valuation assets will be used to reduce the normal contributions made to the system by the State and local employers in a fiscal year beginning immediately prior to a calendar year. Where a contribution is required from the Board of Education, the board is billed annually for its normal contribution plus any accrued liability. There is no accrued liability for the Public Employees' Retirement System as of June 30, 2003 since the requirements were fully funded by the State of New Jersey.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7. PENSION PLANS (CONTINUED)

Contribution Requirements - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 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. TPAF and PERS provide for employee contributions of 5.5% of employees' annual compensation, as defined. 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, noncontributory death benefits, and post-retirement medical premiums. Under current statute the Charter School is a non-contributing employer of the TPAF.

Three-Year Trend Information for PERS

<u>Year</u> <u>Funding</u>		<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>		<u>Percentage</u> <u>of APC</u> <u>Contributed</u>		<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/12	\$	N/A		N/A	%	\$ N/A
6/30/11		N/A		N/A		N/A
6/30/10		N/A		N/A		N/A

Trend Information for TPAF (Paid on-behalf of the Charter School)

<u>Year</u> <u>Funding</u>		<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>		<u>Percentage</u> <u>of APC</u> <u>Contributed</u>		<u>Net</u> <u>Pension</u> <u>Obligation</u>
6/30/12	\$	N/A		N/A	%	\$ N/A
6/30/11		N/A		N/A		N/A
6/30/10		N/A		N/A		N/A

During the fiscal year ended June 30, 2012, the State of New Jersey did not contribute to the TPAF for normal and post-retirement benefits on behalf of the Charter School. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Charter School \$27,341 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries. This amount has been included in the basic financial statements, and the combining and individual fund schedules as a revenue and expenditure in accordance with GASB 27.

Legislation enacted during 1991 and 1993 provided early retirement incentives for certain members of TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1992 and 1994 fiscal years. The early retirement incentives included: (a) an additional five years of service credit for employees at least age 50 with a minimum of 25 years of service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; (c) an additional \$500 per month for two years for employees at least age 60 with 10 but less than 20 years of service. The Charter School assumed the increased cost for the early retirement as it was affected.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8. POST-RETIREMENT BENEFITS

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c.103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011 there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post retirement medical premiums changed from a pre-funding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to Chapter 126, P.L. 1992, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in fiscal year 2011.

NOTE 9. DEFERRED COMPENSATION

The Board currently offers its employees the Equivest deferred compensation plan created in accordance with Internal Revenue Code Section 403(b).

NOTE 10. 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, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance - The Charter School has elected to fund its New Jersey Unemployment Compensation Insurance under the Reserve method. Under this plan, the Charter School is required to contribute a percentage of wages to the New Jersey Unemployment Trust Fund on a quarterly basis. The following is a summary of Charter School contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Charter School's expendable trust fund for the current and prior year:

<u>Fiscal Year</u>	<u>Charter School Contributions</u>	<u>Employee Contributions</u>	<u>Amount Reimbursed</u>	<u>Ending Balance June 30,</u>
2011-2012	\$ N/A	\$ N/A	\$ N/A	\$ N/A

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2012:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 24,344	\$ 17,028
Special Revenue Fund		20,470
Food Service Fund		3,874
Before and After Care Fund	9,981	
Trust and Agency Fund	7,047	
Total	<u>\$ 41,372</u>	<u>\$ 41,372</u>

NOTE 12. FUND BALANCE APPROPRIATED

General Fund - Of the \$54,554 in General Fund balance at June 30, 2012, \$0 is reserved for encumbrances; nothing has been appropriated or included as anticipated revenue for the year ending June 30, 2012; and \$54,554 is unreserved and undesignated.

NOTE 13. LITIGATION

In the opinion of the administration and legal counsel, the Charter School is not involved as a defendant in any legal proceedings of which the potential losses, if any, would not be material to the financial statements.

NOTE 14. OPERATING LEASES

Lease Purchase Agreement of Building Space

On April 18, 2011, The Kingdom Charter School of Leadership entered into a lease purchase agreement to secure classroom and administrative office space from a commercial landlord to be utilized in the initial school year to operate Kindergarten through the second grade. The rental cost for the 2011-12 school year was \$100,000.

The term of the lease is April 18, 2011 through June 30, 2015. All lease payments are to be applied against the purchase option price of \$750,000. There will also be a required payment of \$50,000 at the time of the exercise of the option.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14. OPERATING LEASES (CONTINUED)

Lease of Original Building Space and Second Building (Continued)

A revised future minimum contracted lease payments are as follows:

<u>Fiscal Year</u>	<u>Original Building</u>
2011-12	\$ 100,000
2012-13	150,000
2013-14	175,000
2014-15	275,000
Total	<u>\$ 700,000</u>

NOTE 15. SUBSEQUENT EVENTS

In accordance with our mission, the school will be expanded to educate Grades K through Four in the 2012-13 fiscal school year.

End of Notes to Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION – PART II

BUDGETARY COMPARISON SCHEDULES

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Revenue/ Expenditures</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
REVENUES:					
"Local Tax Levy"- Local Share - Charter School Aid:					
Borough of Clayton	\$	\$	\$	\$ 3,249	\$ 3,249
Borough of Glassboro				7,486	7,486
Borough of Lindenwold				2,184	2,184
Borough of Pine Hill				7,749	7,749
Township of Gloucester	603,417		603,417	434,507	(168,910)
Township of Washington				5,062	5,062
Township of Winslow				38,203	38,203
Total - Local Levy	<u>603,417</u>		<u>603,417</u>	<u>498,440</u>	<u>(104,977)</u>
State Sources:					
Local Tax Levy"- State Share - Charter School Aid:					
Equalization Aid	492,907	119,405	612,312	595,311	(17,001)
Categorical Aids					
Special Education Aid	60,380	(34,901)	25,479	25,479	
School Choice/Charter School Aid - Non-public				208,279	208,279
Security Aid		6,602	6,602	6,374	(228)
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				27,341	27,341
Total State Aid	<u>553,287</u>	<u>91,106</u>	<u>644,393</u>	<u>862,784</u>	<u>218,391</u>
Revenue from Other Sources					
Interest On Investments				85	85
Miscellaneous				31,262	31,262
Total Revenue from Other Sources				<u>31,347</u>	<u>31,347</u>
TOTAL REVENUES	<u>\$ 1,156,704</u>	<u>\$ 91,106</u>	<u>\$ 1,247,810</u>	<u>\$ 1,392,571</u>	<u>\$ 144,761</u>
EXPENDITURES:					
CURRENT EXPENSES:					
Regular Programs - Instruction:					
Salaries of Teachers - Kindergarten	\$	\$	\$	\$	\$
Salaries of Teachers - Grades 1-5	320,000	(11,000)	309,000	309,000	
Other Salaries for Instruction	22,000	6,000	28,000	35,535	(7,535)
Regular Programs - Undistributed Instruction:					
Purchased Professional - Educational Services					
Purchased Professional - Technical Services	53,000	28,085	81,085	72,958	8,127
Other Purchased Services		26,640	26,640	33,733	(7,093)
General Supplies	31,500	14,000	45,500	44,837	663
Textbooks	54,000	6,840	60,840	57,695	3,145
Miscellaneous Expenditures	14,600	25,644	40,244	29,863	10,381
TOTAL REGULAR PROGRAMS - INSTRUCTION	<u>\$ 495,100</u>	<u>\$ 96,209</u>	<u>\$ 591,309</u>	<u>\$ 583,621</u>	<u>\$ 7,688</u>

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
UNDISTRIBUTED EXPENDITURES:					
Support Services/General Administration:					
Salaries - Administration	\$ 99,000	\$ 6,000	\$ 105,000	\$ 117,675	\$ (12,675)
Salaries - Secretarial /Clerical	15,000	17,000	32,000	25,760	6,240
Total Benefit Costs	104,014	(2,035)	101,979	62,703	39,276
Purchased Professional Technical Services	51,900	6,000	57,900	45,870	12,030
Other Purchased Professional Services					
Communications/Telephone	5,000	5,000	10,000	5,961	4,039
Other Purchased Services				2,700	(2,700)
Supplies and Materials	2,000		2,000	2,381	(381)
Interest on Current Loans	8,250	(8,250)			
Miscellaneous Expenditures		6,250	6,250	12,570	(6,320)
Total Support Services/General Administration	\$ 285,164	\$ 29,965	\$ 315,129	\$ 275,620	\$ 39,509
Support Services:					
Salaries	\$ 95,000	\$ (83,000)	\$ 12,000	\$ 6,560	\$ 5,440
Purchased Professional - Technical Services		90,000	90,000	94,743	(4,743)
Other Purchased Services	22,860	(12,860)	10,000	18,779	(8,779)
Rental of Land and Buildings	144,000	(44,000)	100,000	100,000	
Insurance for Property Liability & Fidelity	25,248	(5,064)	20,184	21,954	(1,770)
Supplies & Materials	4,000	2,500	6,500	10,922	(4,422)
Transportation - Other Than to/from School	2,000		2,000	6,305	(4,305)
Energy (Heat and Electricity)	24,000	14,000	38,000	29,482	8,518
Miscellaneous Expenditures		15,047	15,047	18,865	(3,818)
Total Support Services/School Administration:	317,108	(23,377)	293,731	307,610	(13,879)
Reimbursed TPAF Social Security Contrib. (Non-budgeted)				27,341	(27,341)
Total Undistributed Expenditures	602,272	6,588	608,860	610,571	(1,711)
TOTAL EXPENDITURES - CURRENT EXPENSE	\$ 1,097,372	\$ 102,797	\$ 1,200,169	\$ 1,194,192	\$ 5,977

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Capital Outlay					
Instructional - Equipment	\$ 32,050	\$ 42,550	\$ 74,600	\$ 59,159	\$ 15,441
Non-Instructional Equip.	27,050	(13,460)	13,590	13,789	(199)
Purchase of Land/Improvements		70,000	70,000	62,410	7,590
Total Capital Outlay	59,100	99,090	158,190	135,358	22,832
TOTAL EXPENDITURES	1,156,472	201,887	1,358,359	1,329,550	28,809
Excess (Deficiency) of Revenues Over (Under) Expenditures	232	(110,781)	(110,549)	63,021	173,570
Other Financing Sources (Uses):					
Transfer to Food Service Fund				(8,467)	(8,467)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	232	(110,781)	(110,549)	54,554	165,103
Fund Balances, July 1					
Fund Balances, June 30	\$ 232	\$ (110,781)	\$ (110,549)	\$ 54,554	\$ 165,103
RECAPITULATION :					
Reserved:					
Reserve for Encumbrances				\$	
Unreserved:					
Unrestricted Fund Balance				54,554	
TOTAL				\$ 54,554	

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
AS OF JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
State Sources	\$		\$		
Federal Sources		31,969	31,969	20,470	11,499
Total Revenues		<u>31,969</u>	<u>31,969</u>	<u>20,470</u>	<u>11,499</u>
EXPENDITURES:					
Instruction					
Teachers Salaries		5,000	5,000	2,970	2,030
Purchased Professional Services		7,148	7,148		7,148
Total Instruction		<u>12,148</u>	<u>12,148</u>	<u>2,970</u>	<u>9,178</u>
Support Services					
Personal Services - Employee Benefits		382	382		382
Purchased Professional & Technical Services - Other		18,756	18,756	17,500	1,256
Total Support Services		<u>19,138</u>	<u>19,138</u>	<u>17,500</u>	<u>1,638</u>
Facilities Acquisition and Construction Services:					
Equipment		683	683		683
Total Facilities Acquisition and Construction Services		<u>683</u>	<u>683</u>		<u>683</u>
Total Expenditures		<u>31,969</u>	<u>31,969</u>	<u>20,470</u>	<u>11,499</u>
Other Financing Sources (Uses)					
Total Outflows		<u>31,969</u>	<u>31,969</u>	<u>20,470</u>	<u>11,499</u>
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	\$	\$ -	\$ -	\$ -	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET-TO-GAAP RECONCILIATION
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

	General Fund	Special Revenue Fund
Sources/inflows of resources		
Actual amounts (budgetary basis) "revenue"		
from the budgetary comparison schedule	[C-1] \$ 1,392,571	[C-2] \$ 20,470
Difference - budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		
State aid payment recognized for budgetary purposes, not recognized for GAAP statements		
 Total revenues as reported on the statement of revenues, expenditures		
and changes in fund balances - governmental funds.	[B-2] \$ 1,392,571	[B-2] \$ 20,470
 Uses/outflows of resources		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 1,329,550	[C-2] \$ 20,470
Differences - budget to GAAP		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for <i>budgetary</i> purposes, but in the year the supplies are received for <i>financial reporting</i> purposes.		
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes.		
Net transfers (outflows) to general fund		
 Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	[B-2] \$ 1,329,550	[B-2] \$ 20,470

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUND

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

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Title 1</u> <u>Part A</u>	<u>IDEA</u> <u>Basic</u>	<u>Totals</u>	
			<u>2012</u>	<u>2011</u>
REVENUES:				
State Sources				
Federal Sources	\$ 2,970	\$ 17,500	\$ 20,470	
Total Revenues	<u>\$ 2,970</u>	<u>\$ 17,500</u>	<u>\$ 20,470</u>	
EXPENDITURES:				
Instruction:				
Salaries of Teachers	\$ 2,970	\$ -	\$ 2,970	
Purchased Prof. & Technical Services				
Total Instruction	<u>2,970</u>		<u>2,970</u>	
Support Services:				
Salaries				
Purchased Prof. & Technical Services		17,500	17,500	
Total Support Services		<u>17,500</u>	<u>17,500</u>	
Facilities Acquisitions & Const Serv:				
Property				
Total Facilities Acquisition & Const Serv				
Total Expenditures	<u>\$ 2,970</u>	<u>\$ 17,500</u>	<u>\$ 20,470</u>	

PROPRIETARY FUND

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the district’s board is that the costs of providing goods or services be financed through user charges.

Food Services Fund – This fund provides for the operation of food services in the school.

Before and After Care Program – This fund provides for the supervision of students due to the extended day beyond the regular school hours.

THIS SECTION HAS ALREADY BEEN INCLUDED IN STATEMENTS B-4, B-5 AND B-6.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
FOOD SERVICES ENTERPRISE FUND
COMBINING STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2011)

	<u>Food Service Fund</u>	<u>Before and After Care Program</u>	<u>Totals</u>	
			<u>2012</u>	<u>2011</u>
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$	\$	\$	\$
Accounts Receivable:				
State	109		109	
Federal	5,745		5,745	
Interfund Accounts Receivable	0	9,981	9,981	
Total Current Assets	\$ 5,854	\$ 9,981	\$ 15,835	\$
LIABILITIES AND FUND EQUITY:				
Current Liabilities:				
Accounts Payable	\$ 1,980	\$	\$ 1,980	\$
Interfund Accounts Payable	3,874		3,874	
Total Current Liabilities	5,854		5,854	
Fund Equity:				
Reserved for Capital Improvements				
Unreserved Retained Earnings	-	9,981	9,981	
Total Fund Equity	-	9,981	9,981	
Total Liabilities and Fund Equity	\$ 5,854	\$ 9,981	\$ 15,835	\$

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
FOOD SERVICES ENTERPRISE FUND
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

	Food Service Fund	Before and After Care Program	Totals	
			2012	2011
OPERATING REVENUES:				
Local Sources:				
Daily Sales - Reimbursable Programs: \$	7,515 \$		\$ 7,515	
Extended Day Fees		9,981	9,981	
Total Operating Revenue	7,515	9,981	17,496	
OPERATING EXPENSES:				
Food Costs	46,138		46,138	
Total Operating Expenses	46,138		46,138	
Operating Loss	(38,623)	9,981	(28,642)	
Non-Operating Revenues:				
State Sources:				
State School Lunch Program	595		595	
Federal Sources:				
School Breakfast Program	9,636		9,636	
National School Lunch Program	19,925		19,925	
Total Non-Operating Revenues	30,156		30,156	
Net Income before Operating Transfers	(8,467)	9,981	1,514	
Transfer from General Fund	8,467		8,467	
Net Income	-	9,981	9,981	
Net Assets - July 1				
Net Assets - June 30	\$ -	\$ 9,981	\$ 9,981	\$

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
FOOD SERVICES ENTERPRISE FUND
STATEMENT OF CASH FLOWS
AS OF JUNE 30, 2012 AND 2011

	<u>Food Service Fund</u>	<u>Before and After Care Program</u>	<u>Totals</u>	
			<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ (38,623)	\$ 9,981	\$ (28,642)	\$
Adjustments to Reconcile Operating Income (Loss) to Cash Used by Operating Activities:				
Change in Assets and Liabilities:				
Decrease/(Increase) in Accounts Receivable	(5,854)		(5,854)	
Decrease/(Increase) in Interfund Accounts Receivable	-	(9,981)	(9,981)	
(Decrease)/Increase in Accounts Payable	1,980		1,980	
Decrease/(Increase) in Interfund Accounts Payable	3,874		3,874	
Net Cash Used by Operating Activities	<u>(38,623)</u>		<u>(38,623)</u>	
Cash Flows from Non-capital Financing Activities				
Cash Received from General Fund Reimbursements	8,467		8,467	
Cash Received from State and Federal Reimbursements	30,156		30,156	
Net Cash Provided by Non-capital Financing Activities	<u>38,623</u>		<u>38,623</u>	
Net Cash Provided by Investment Interest Activities				
Net Increase in Cash	-	-	-	
Cash and Cash Equivalents, July 1				
Cash and Cash Equivalents, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$</u>

FIDUCIARY FUNDS

Fiduciary Funds are used to account for funds received by the school district for a specific purpose.

Agency Funds are used to account for assets held by the school district as an agent for individuals, private organizations, other governments an/or other funds.

Student Activity Fund – This agency fund is used to account for student funds held at the schools.

Payroll Fund – This agency fund is used to account for the payroll transactions of the school.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2011)

	<u>Student</u>		<u>Total</u>	
	<u>Activities</u>	<u>Payroll</u>	<u>2012</u>	<u>2011</u>
ASSETS:				
Cash and Cash Equivalents	\$ 3	\$	\$ 3	\$
Due from General Fund		7,047	7,047	
Total Assets	<u>\$ 3</u>	<u>\$ 7,047</u>	<u>\$ 7,050</u>	<u>\$</u>
LIABILITIES AND FUND BALANCES:				
Liabilities:				
Cash Overdraft	\$	\$ 7,047	\$ 7,047	\$
Due to Student Groups	3		3	
Total Liabilities	<u>3</u>	<u>7,047</u>	<u>7,050</u>	
Fund Balances:				
Total Liabilities and Fund Balances	<u>\$ 3</u>	<u>\$ 7,047</u>	<u>\$ 7,050</u>	<u>\$</u>

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Balance	Cash	Cash	Accounts	Balance
	July 1,	Receipts	Disbursements	Payable	June 30,
	2011			June 30,	2012
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Student Activity Fund	\$	\$ 171	\$ 168	\$	\$ 3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Not initiated as of June 30, 2012

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS:				
Cash and Cash Equivalents	\$	\$ 500,749	\$ 500,749	\$
Due from General Fund		7,047		7,047
Total Assets	\$	\$ 507,796	\$ 500,749	\$ 7,047
LIABILITIES AND RESERVES:				
Cash Overdraft	\$	\$ 7,047	\$	\$ 7,047
Payroll Deductions and Withholdings		500,749	500,749	
Total Liabilities		507,796	500,749	7,047
Total Liabilities and Reserves	\$	\$ 507,796	\$ 500,749	\$ 7,047

STATISTICAL SECTION

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NET ASSETS BY COMPONENT
FIRST FISCAL YEAR
(Accrual Basis of Accounting)

	<u>2012</u>
Governmental Activities	
Invested in Capital Assets, Net of Related Debt	\$ 114,527
Unrestricted	54,554
	<hr/>
Total Governmental Activities Net Assets	\$ 169,081
	<hr/> <hr/>
Business-Type Activities	
Invested in Capital Assets, Net of Related Debt	\$
Unrestricted	9,981
	<hr/>
Total Business-Type Activities Net Assets	\$ 9,981
	<hr/> <hr/>
District-Wide	
Invested in Capital Assets, Net of Related Debt	\$ 114,527
Capital Reserve	
Unrestricted	64,535
	<hr/>
Total District-Wide Net Assets	\$ 179,062
	<hr/> <hr/>

Source: CAFR Schedule A-1

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
CHANGES IN NET ASSETS
FIRST FISCAL YEAR
(Accrual Basis of Accounting)

	<u>2012</u>
Expenses	
Governmental activities	
Instruction	\$ 586,591
Support Services	
School Administrative Services	293,120
General Administrative Services	334,951
Other	20,831
Total Governmental Activities Expenses	<u>1,235,493</u>
Business-Type Activities	
Food Service	46,138
Extended Day	
Total Business-Type Activities Expense	<u>46,138</u>
Total District Expenses	<u>\$ 1,281,631</u>
Program Revenues	
Governmental Activities	
Charges for Services	\$ -
Operating Grants and Contributions	20,470
Total Governmental Activities Program Revenues	<u>20,470</u>
Business-Type Activities	
Charges for Services	
Food Service	7,515
Before and After Care	9,981
Operating Grants and Contributions	30,156
Total Business-Type Activities Program Revenues	<u>47,652</u>
Total District Program Revenues	<u>\$ 68,122</u>
Net (Expense)/Revenue	
Governmental Activities	\$ (1,215,023)
Business-Type Activities	1,514
Total District-Wide Net Expense	<u>\$ (1,213,509)</u>
General Revenues and Other Changes in Net Assets	
Governmental Activities	
Property Taxes Levied for General Purposes, net	\$ 498,440
Unrestricted Grants and Contributions	862,784
Investment Earnings	85
Miscellaneous Income	31,262
Transfers	(8,467)
Total Governmental Activities	<u>1,384,104</u>
Business-Type Activities	
Transfer	8,467
Total Business-Type Activities	<u>8,467</u>
Total District-Wide	<u>\$ 1,392,571</u>
Change in Net Assets	
Governmental Activities	\$ 169,081
Business-Type Activities	9,981
Total District-Wide	<u>\$ 179,062</u>

Source: CAFR Schedule A-2

EXHIBIT J-3

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
FUND BALANCES-GOVERNMENTAL FUNDS
THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
(Modified Accrual Basis of Accounting)

		<u>2012</u>
General Fund		
Reserved	\$	
Unreserved		54,554
Total General Fund	\$	<u>54,554</u>
All Other Governmental Funds		
Reserved	\$	
Unreserved, Reported in:		
Special Revenue Fund		
Capital Projects Fund		
Total All Other Governmental Funds	\$	<u> </u>

Source: CAFR Schedule B-1

EXHIBIT J-4

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
FIRST FISCAL YEAR

	<u>2012</u>
Revenues	
Tax Levy	\$ 498,440
Investment Earnings	85
Miscellaneous	31,262
State Sources	862,784
Federal Sources	20,470
	<hr/>
Total Revenues	1,413,041
	<hr/>
Expenditures	
Instruction	
Regular Instruction	586,591
Support Services	
School Administrative Services	293,120
General Administrative Services	334,951
Capital Outlay	135,358
	<hr/>
Total Expenditures	1,350,020
	<hr/>
Excess (Deficiency) of Revenues Over (Under) Expenditures	63,021
Other Financing Sources (Uses)	
Capital Lease (Non-budgeted)	
Transfers	(8,467)
	<hr/>
Total Other Financing Sources (Uses)	(8,467)
	<hr/>
Net Change in Fund Balances	\$ 54,554
	<hr/> <hr/>
Debt Service as a Percentage of Noncapital Expenditures	0.0%
	<hr/> <hr/>

Source: CAFR Schedule B-2

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
FIRST FISCAL YEAR
(UNAUDITED)

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Fundraisers</u>	<u>Donation</u>	<u>Misc.</u>	<u>Total</u>
2012	\$ 85	\$ 11,769	\$ 250	\$ 19,158	31,262

Source: District Records

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
DEMOGRAPHIC AND ECONOMIC STATISTICS**
FIRST FISCAL YEAR

<u>Year</u>	<u>Population^a</u>	<u>Personal Income (thousands of dollars)^b</u>	<u>Per Capita Personal Income^c</u>	<u>Unemployment Rate^d</u>
2012 *	64,575 \$	2,813,816,880 \$	43,574	9.2%

** The above demographics reflect the entire Gloucester Township.

The students of The Kingdom Charter School of Leadership represent approximately 3% of the total number of students in Gloucester Township.

* Estimate

Source:

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

^b Personal income

^c Per Capita (County vs Municipal information)

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

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES
BY FUNCTION/PROGRAM
FIRST FISCAL YEAR

<u>Function/Program</u>	<u>2012</u>
Instruction	
Regular	5.0
Special education	3.0
Other special education	
Vocational	
Other instruction	
Support Services:	
Student & instruction related services	
General administrative services	
School administrative services	
Business administrative services	
Plant operations and maintenance	
Pupil transportation	
Food Service	
Total	<u>8.0</u>

Source: District Personnel Records

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
OPERATING STATISTICS
FIRST FISCAL YEAR

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Teaching Staff</u>	<u>Pupil/Teacher Ratio Elem.</u>	<u>Average Daily Enrollment (ADE) ^c</u>	<u>Average Daily Attendance (ADA) ^c</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2012	119	8	14:01	117.6	114	NA	96.94%

First Year

Sources: District records, ASSA and Schedule J-14

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay; Schedule J-1
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS)

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHOOL BUILDING INFORMATION
FIRST FISCAL YEAR

2012

District Building

Elementary

Square Feet	13,360
Capacity (students)	120
Enrollment	119

Other

N/A

Number of Schools at June 30, 2012
Elementary = 1

Source: District records, ASSA

Note: Year of original construction is shown in parentheses. Increases in square footage and capacity are the result of any additions. Enrollment is based on the annual October district count.

KINGDOM CHARTER SCHOOL OF LEADERSHIP
INSURANCE SCHEDULE
FIRST FISCAL YEAR
(UNAUDITED)

Fortitude Insurance Group	Type of Coverage	Coverage	Deductible
	July 1, 2011 - June 30, 2012:		
Carolina Casualty Insurance Group	D&O/EPLI	1,000,000	
Stonington Ins Company	Package: Commercial General Liability Commercial Property Crime	5,000,000 5,000,000 5,000,000	
Stonington Ins Company	Automobile Hired/Non Owned Automobile	1,000,000	
Stonington Ins Company	Umbrella	5,000,000	
Castle Point Ins Company	Workers Compensation		
	Bodily injury by Accident	1,000,000	
	Bodily injury by Disease	1,000,000	
	Bodily injury by Disease	1,000,000	
Hartford Ins Company	Student Accident		
	Accidental Death Benefit	10,000	
	Accidental Dismemberment Benefit	10,000	
	Accident Medical Expense Benefit	25,000	
	<i>Deductible Amount</i>		
	<i>*Max Dental Limit</i>	1,000	

Source: District Records

SINGLE AUDIT SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

Certified Public Accountants

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November 29, 2012

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 Members of the Board of Trustees
The Kingdom Charter School of Leadership
County of Camden
121 West Church Street
Blackwood, NJ 08012

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Kingdom Charter School of Leadership, in the County of Camden, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise The Kingdom Charter School of Leadership basic financial statements and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of The Kingdom Charter School of Leadership, in the County of Camden, State of New Jersey, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered The Kingdom Charter School of Leadership, Board of Trustees' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Kingdom Charter School of Leadership, Board of Trustees' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Kingdom Charter School of Leadership Board of Trustees' internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We identified deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above labeled Findings 2012-1, 4, 5, 7, 11, 13 and 16.

We also noted certain other immaterial matters regarding internal control over financial reporting that we have reported to the Board of Trustees in a separate report entitled *Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance* dated November 29, 2012.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Kingdom Charter School of Leadership, Board of Trustees' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that is 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 labeled Findings 2012-1, 4, 7, 11, 13 and 16.

We also noted certain other immaterial matters regarding compliance that we have reported to the Board of Trustees in a separate report entitled *Auditors' Management Report on Administrative Findings - Financial, Compliance and Performance* dated November 29, 2012.

This report is intended solely for the information and use of the audit committee, management, The Kingdom Charter School of Leadership, Board of Trustees, the New Jersey Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA, RMA
Licensed Public School Accountant
No. 915

NIGHTLINGER, COLAVITA & VOLPA

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November 29, 2012

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH NEW JERSEY OMB CIRCULAR 04-04

The Members of the Board of Trustees
The Kingdom Charter School of Leadership
County of Camden
121 West Church Street
Blackwood, NJ 08012

Compliance

We have audited the Board of Trustees of The Kingdom Charter School of Leadership, in the County of Camden, State of New Jersey, compliance with the types of compliance requirements described in the New Jersey OMB Circular 04-04, the *New Jersey State Aid/Grant Compliance Supplement* that are applicable to each of its major state programs for the fiscal year ended June 30, 2012. The Kingdom Charter School of Leadership, Board of Trustees major state programs is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of The Kingdom Charter School of Leadership Board of Trustees' management. Our responsibility is to express an opinion on The Kingdom Charter School of Leadership Board of Trustees compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey; New Jersey's OMB's 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB's Circular 04-04, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about The Kingdom Charter School of Leadership Board of Trustees compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Kingdom Charter School of Leadership, Board of Trustees compliance with those requirements

In our opinion, the Board of Trustees of The Kingdom Charter School of Leadership in the County of Camden, State of New Jersey, complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the fiscal year ended June 30, 2012.

Internal Control Over Compliance

Management of the Board of Trustees of The Kingdom Charter School of Leadership is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered The Kingdom Charter School of Leadership Board of Trustees' internal control over compliance with requirements that could have a direct and material effect on a major state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Kingdom Charter School of Leadership Board of Trustees' internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We identified deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above and labeled Findings 2012-1, 4, 7, 11, 13 and 16.

This report is intended solely for the information and use of the audit committee, management, The Kingdom Charter School of Leadership Board of Trustees, the New Jersey State Department of Education, and other state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA


Raymond Colavita, CPA, RMA
Licensed Public School Accountant
No. 915

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SCHEDULE A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Federal Grantor/Pass-Through Grantor/ Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant or State Project Number</u>	<u>Program or Award Amount</u>	<u>Grant Period</u>		<u>Balance at June 30, 2011</u>	<u>Carryover (Walkover) Amount</u>	<u>Cash Received</u>	<u>Budgetary Expend- itures</u>	<u>Balance at June 30, 2012</u>		
				<u>From</u>	<u>To</u>					<u>(Accounts Receivable)</u>	<u>Deferred Revenue</u>	<u>Due to Grantor</u>
U.S. Department of Agriculture												
Passed-through State Department of Education:												
Enterprise Fund:												
National School Lunch Program	10.555	N/A	\$19,925	7/1/11	6/30/12			\$16,310	(\$19,925)	(\$3,615)		
School Breakfast Program	10.553	N/A	\$9,636	7/1/11	6/30/12			7,506	(9,636)	(2,130)		
Total Enterprise Fund:								23,816	(29,561)	(5,745)		
U.S. Department of Education												
Passed-through State Department of Education:												
Special Revenue Fund:												
Title I Part A	84.010	NCLB606712	12,530	7/1/11	8/31/12				(2,970)	(2,970)		
Title II A	84.367	NCLB606712	683	7/1/11	8/31/12							
IDEA Basic	84.027	IDEA606712	18,756	7/1/11	8/31/12				(17,500)	(17,500)		
									(20,470)	(20,470)		
Total Federal Financial Assistance								\$23,816	(\$50,031)	(\$26,215)		

The accompanying Notes to the Financial statements and Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (SCHEDULE B)
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To		Balance at June 30, 2011			Cash Received	Budgetary Expenditures	Balance at June 30, 2012		
					Deferred Revenue (Accts. Rec.)	Due to Grantor	Carryover (Walkover) Amount			(Accounts Receivable)	Deferred Revenue/ Interfund Payable	Due to Grantor
State Department of Education												
General Fund												
Equalization Aid	12-495-034-5120-078	\$595,311	7/1/11	6/30/12				\$546,499	(\$595,311)		(\$48,812)	
Special Education	12-495-034-5120-089	25,479	7/1/11	6/30/12				25,479	(25,479)			
Non-public - School Choice	12-495-034-5120-068	208,279	7/1/11	6/30/12				202,083	(208,279)		(6,196)	
Security Aid	12-495-034-5120-084	6,374	7/1/11	6/30/12				6,455	(6,374)			\$81
Reimbursed TPAF Social Security Contrib.	12-495-034-5095-002	27,341	7/1/11	6/30/12				27,341	(27,341)			
Total General Fund								807,857	(862,784)		(55,008)	81
State Department of Agriculture												
Enterprise Fund - State Share:												
National School Lunch Program	12-100-010-3350-023	595	7/1/11	6/30/12				486	(595)		(109)	
								486	(595)		(109)	
Total State Financial Assistance								\$808,343	(\$863,379)		(\$55,117)	\$81

he accompanying Notes to the Financial statements and Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedul

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2012

NOTE 1: GENERAL

The accompanying schedules of expenditures of awards and financial assistance present the activity of all federal and state award programs of the Board of Trustees, The Kingdom Charter School of Leadership. The board of trustees is defined in Note 1 to the Board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies are included on the schedules of expenditures of federal awards and state financial assistance.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal awards and state financial assistance are presented using the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 2 to the Board's basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

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 a modified accrual basis. The special revenue fund is presented in the accompanying schedules on the grant accounting basis, which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not.

There was no net adjustment to reconcile from the budgetary basis to the GAAP basis for the special revenue fund. See Note 1 for a reconciliation of the budgetary basis to the GAAP basis of accounting for the general and special revenue fund. Awards and financial assistance revenues are reported in the Board's basic financial statements on a GAAP basis as follows:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund	\$	\$ 862,784	\$ 862,784
Special Revenue Fund	20,470		20,470
Food Service Fund	<u>29,561</u>	<u>595</u>	<u>30,156</u>
Total Awards & Financial Assistance	\$ <u>50,031</u>	\$ <u>863,379</u>	\$ <u>913,410</u>

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2012

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: FEDERAL AND STATE LOANS OUTSTANDING

The Kingdom Charter School of Leadership had no outstanding loans at June 30, 2012.

NOTE 6: OTHER

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported if any as TPAF Pension Contributions represents the amount paid by the state on behalf of the Charter School for the year ended June 30, 2012. TPAF Social Security Contributions represent the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 2012.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- 1) Material weakness (es) identified? _____ yes X no
- 2) Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to basic financial statements noted? _____ yes X no

Federal Awards N/A

Internal control over major programs:

- 1) Material weakness (es) identified? _____ yes _____ no
- 2) Significant deficiencies identified that are not considered to be material weaknesses? _____ yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133? _____ yes _____ no

CFDA Number(s)

Name of Federal Program or Cluster

No Major Federal Programs

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000.00
Auditee qualified as low-risk auditee? _____ yes _____ no

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(continued)

Section I - Summary of Auditor's Results (continued)

State Awards

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000.00

Auditee qualified as low-risk auditee? _____ yes _____ X no

Internal control over major programs:

1) Material weakness (es) identified? _____ X yes _____ no

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ yes _____ X none reported

Type of auditor's report issued on compliance for major programs: Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 04-04 _____ X yes _____ no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
12-495-034-5120-078	Equalization Aid
12-495-034-5120-089	Special Education
12-495-034-5120-084	Security Aid
12-495-034-5120-068	School Choice

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(continued)

Section II - Financial Statement Findings

Finding: NONE

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

Effect:

Cause:

Recommendation:

Management's response:

Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs

FEDERAL AWARDS

Finding: NONE

Information on the state program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Effect:

Cause:

Recommendation:

Management's response:

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs**

STATE AWARDS

Information on the state program: Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Adjustment Aid (GMIS No. 495-034-5120-085), Special Education Aid (GMIS No. 495-034-5120-089), School Choice Aid (GMIS No. 495-034-5120-068)

Finding 2012-1

Criteria or specific requirement: In addition to being required by state statute, it is considered essential to maintain expenditures of a New Jersey Charter School through a fully operational encumbrance method, utilizing properly prepared purchase orders that include various approvals and other information.

Condition: Expenditures were not supported by appropriate purchase orders and vouchers during the year under audit. Our examination was limited to testing invoices.

Context: As a New Jersey Charter School, it is considered necessary to maintain adequate internal control as well as being compliant with state statute, to maintain a fully functioning encumbrance expenditure system that includes properly prepared purchase orders and related vouchers.

Questioned Costs: NONE

Effect: The required and necessary internal control process was not maintained over expenditures in the absence of maintaining a fully functional encumbrance accounting system that includes properly prepared purchase orders and vouchers.

Cause: The Business Administrator did not appear to be aware of this requirement

Recommendation: Procedures to approve and record expenditures should be reviewed and revised in order to maintain a fully operational encumbrance expenditure system that will properly support expenditures.

Management's response: The school district has engaged another district to revise the expenditure procedures to include a fully functional encumbrance accounting system

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs**

Information on the state program: Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Adjustment Aid (GMIS No. 495-034-5120-085), Special Education Aid (GMIS No. 495-034-5120-089), School Choice Aid (GMIS No. 495-034-5120-068) (Continued)

Finding 2012-3

Criteria or specific requirement: It is considered necessary and required for retirement purposes to properly withhold pension and insurance amounts from each employee by preparing various employee documents for submission to the payroll service and the state pension system.

Condition: Pension and insurance amounts were not properly deducted from employees pay during the year under audit.

Questioned Costs: NONE

Context: There are necessary and required timelines to prepare and file various payroll documents to initiate the retirement and insurance benefits for each employee.

Effect: It does not appear that the proper withholdings were made from various employees during the initial year of operations.

Cause: Inadvertent oversight

Recommendation: Procedures to withdraw and remit pension and health insurance deductions should be reviewed and revised in order to insure that the proper amounts are deducted and paid to various agencies in a timely manner

Management's response: The school district has engaged another district to supervise the processing of payroll and the related withholdings for remittance to various agencies.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs**

Information on the state program: Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Adjustment Aid (GMIS No. 495-034-5120-085), Special Education Aid (GMIS No. 495-034-5120-089), School Choice Aid (GMIS No. 495-034-5120-068) (Continued)

Finding 2012-4

Criteria or specific requirement: Federal and state income tax laws require that compensation be paid through the payroll system and not by voucher

Condition: Some employees were paid by voucher, rather than through the payroll system. In addition, employees were not always reported in the proper classifications of TPAF or PERS.

Questioned Costs: NONE

Context: When an employee is hired, all compensation should be provided for, based on information forms provided by the employee that distinguishes them from an independent contractor, or other registered business

Effect: Compensation was not paid through the payroll system and as a result taxes were not properly withheld or deposited with the appropriate state or federal agency

Cause: Inadvertent oversight

Recommendation: All employees should be paid through the payroll system, as processed by an outside vendor and properly classified as TPAF or PERS.

Management's response: The school district has engaged another district to supervise procedures to maintain a fully compliant payroll system.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs**

Information on the state program: Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Adjustment Aid (GMIS No. 495-034-5120-085), Special Education Aid (GMIS No. 495-034-5120-089), School Choice Aid (GMIS No. 495-034-5120-068) (Continued)

Finding 2012-5

Criteria or specific requirement: NJSA 18A:23-2.1 requires that a test be made to determine that documentation for income tax related purposes complies fully with requirements of federal and state laws and regulations regarding the compensation, which is required to be reported

Condition: The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators to the NJ Department of Treasury was not available for audit.

Questioned Costs: NONE

Context: While compensation was paid by the district, the required certification was not available to document the acceptance of official responsibility, regarding compliance with federal and state income tax laws

Effect: No school official certified that the district complies with the required state and federal income tax laws

Cause: Inadvertent oversight

Recommendation: The Charter School Board of Trustees should designate an individual to prepare and submit an E-CERT1 form, as required by N.J.S.A 18A:14.4

Management's response: The school district has engaged another district to provide the certification in the future.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs**

Information on the state program: Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Adjustment Aid (GMIS No. 495-034-5120-085), Special Education Aid (GMIS No. 495-034-5120-089), School Choice Aid (GMIS No. 495-034-5120-068) (Continued)

Finding 2012-7

Criteria or specific requirement: NJSA 18A: 17 requires that proper reports of the Board Secretary and treasurer be filed with the Board. In addition, NJAC 6A:23A-16.10 prohibits a district from incurring an obligation or approving any payment in excess of the amount appropriated in an applicable line item.

Condition: The board secretary did not properly prepare a monthly report in the prescribed format, file a monthly certification of the budgetary line item status or request transfers for approval of additional appropriations prior to expending funds in excess of available appropriations, resulting in numerous over-expenditures of budget line items.

Questioned Costs: NONE

Context: The district was in need of numerous line item transfers that did not appear to be entertained and the Secretary's report was not in the prescribed format for a New Jersey Charter School.

Effect: The Secretary's report reflected numerous prohibited over-expenditures and did not provide for appropriate preparation of annual financial statements.

Cause: The Business Administrator did not appear to be aware of the requirement.

Recommendation: The Board Secretary should prepare a monthly report in an appropriate format, maintain the prescribed monthly transfer worksheet, file a monthly certification of budgetary line item status and submit a list of transfers to the board for approval as required, in order to avoid over expenditures as required by N.J.A.C. 6A:23A-16, as well as comply with statutory monthly reporting requirements.

Management's response: The school district has engaged another district to maintain the accounting records through a shared service agreement.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs**

Information on the state program: Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Adjustment Aid (GMIS No. 495-034-5120-085), Special Education Aid (GMIS No. 495-034-5120-089), School Choice Aid (GMIS No. 495-034-5120-068) (Continued)

Finding 2012-11

Criteria or specific requirement: NJSA 18A: 17 requires that proper reports of the Board Secretary and treasurer be filed.

Condition: The general fund bank account was not properly reconciled to the general ledger and the list of outstanding checks reflected in the treasurer's report did not appear accurate.

Questioned Costs: NONE

Context: The routine accounting functions necessary to reconcile the bank account to the general ledger were not completed.

Effect: The general ledger, as well as the bank reconciliation, were inaccurate and it was necessary, as part of the audit, to acquire a reconciliation from the shared business office of another district.

Cause: The Business administrator/Treasurer Designee resigned from the position before completing the tasks of reconciling various records.

Recommendation: The treasurer designee should properly reconcile the bank accounts to the general ledger on a monthly basis and provide an accurate list of outstanding checks as part of the treasurer's report.

Management's response: The school district has engaged another district to supervise the preparation of a proper monthly Treasurer Report that includes a bank reconciliation which agrees with the general ledger.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Costs**

Information on the state program: Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Adjustment Aid (GMIS No. 495-034-5120-085), Special Education Aid (GMIS No. 495-034-5120-089), School Choice Aid (GMIS No. 495-034-5120-068) (Continued)

Finding 2012-13

Criteria or specific requirement: NJSA 18A: 18A-3 and 18A37 require advertisement for bids and solicitation of quotes, along with various related procedures and documentation.

Condition: Based on our examination, we identified one expenditure in excess of the \$26,000 bid threshold that did not appear to be solicited for bids or approved in the minutes and four expenditures in excess of the quote threshold, of which quotes were not available for audit.

Questioned Costs: As one bid and four quotes did not appear properly sought, there is no assurance that the best price was incurred, all factors considered.

Context: It is assumed that acquiring bids and quotes will achieve the goal of incurring the best price for goods and services.

Effect: The school was not in compliance with the required expenditure procedure.

Cause: The Business Administrator did not appear to be aware of the requirement.

Recommendation: Procedures should be strengthened to ensure that all expenditures in excess of the bid and quote thresholds are properly solicited for bids or quotes in accordance with the local public contracts law.

Management's response: The school district has engaged another district to maintain the accounting records through a shared service agreement.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(continued)**

**Section III - Federal Awards and State Financial Assistance
Findings and Questioned Cost**

Information on the state program: Equalization Aid (GMIS No. 495-034-5120-078), Security Aid (GMIS No. 495-034-5120-084), Adjustment Aid (GMIS No. 495-034-5120-085), Special Education Aid (GMIS No. 495-034-5120-089), School Choice Aid (GMIS No. 495-034-5120-068) (Continued)

Finding 2012-15

Criteria or specific requirement: Districts are required by the N.J. Dept. of Education Division of Finance to properly complete an ASSA report (Application for State School Aid), including workpapers that document the compilation of data and provide an audit trail for testing such data.

Condition: In several instances, the number of days reported as enrolled did not appear accurate and transfer cards were not available for all students, where required.

Questioned Costs: NONE

Context: ASSA information is utilized by New Jersey State Department of Education to calculate the amount of aid a charter school is entitled to based on state statute and related formulas.

Effect: The proper information was not available for the New Jersey State Department of Education to calculate the correct amount of charter school aid.

Cause: Inadvertent oversight

Recommendation: Procedures to accumulate the number of days enrolled per student should be recorded and revised, in order to provide accurate enrollment information and student transfer cards should be available in all cases required.

Management's response: The school district has engaged another district to supervise the preparation of the required ASSA reports.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

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 Government Auditing Standards, US OMB Circular A-133 (Section .315 (a) (b)) and New Jersey OMB's Circular 04-04.

STATUS OF PRIOR - YEAR FINDINGS

NONE: This is the initial year of operations.