

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2016

**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, 2016

Prepared by

The Kingdom Charter School of Leadership Board of Trustees

Finance Department

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
TABLE OF CONTENTS**

INTRODUCTORY SECTION

<u>Exhibit</u>	<u>Page</u>
Letter of Transmittal	1 - 4
Organizational Chart	5
Roster of Officials	6
Consultants and Advisors	7

FINANCIAL SECTION

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

Required Supplementary Information – Part I Management's Discussion and Analysis (Unaudited)	11-19
--	-------

Basic Financial Statements

A. Charter School-wide Financial Statements:

A-1	Statement of Net Position	20
A-2	Statement of Activities	21

B. Fund Financial Statements:

Governmental Funds:

B-1	Balance Sheet	22
B-2	Statement of Revenues, Expenditures and Changes in Fund Balance	23
B-3	Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balance of Governmental Funds to the Statement of Activities	24

Proprietary Funds:

B-4	Statement of Net Position	25
B-5	Statement of Revenues, Expenses, and Changes in Fund Net Position	26
B-6	Statement of Cash Flows	27

Fiduciary Funds:

B-7	Statement of Fiduciary Net Position	28
B-8	Statement of Change in Fiduciary Net Position	29

Notes to the Financial Statements	30-56
--	-------

Required Supplementary Information – Part II

C. Budgetary Comparison Schedules: (Unaudited)

C-1	Budgetary Comparison Schedule – General Fund	57-59
C-1a	Combining Schedule of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual	N/A
C-1b	Community Development Block Grant – Budget and Actual	N/A
C-2	Budgetary Comparison Schedule – Special Revenue Fund	60

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
TABLE OF CONTENTS**

FINANCIAL SECTION (Continued)

<u>Exhibit</u>	<u>Page</u>
Notes to the Required Supplementary Information - Part II	
C-3 Budget-to-GAAP Reconciliation	61
Required Supplementary Information - Part III (Unaudited)	
L. Schedules Related to Accounting and Reporting for Pensions (GASB 68)	
L-1 Schedule of the District's Proportionate Share of the Net Pension Liability – PERS	62
L-2 Schedule of District Contributions – PERS	63
L-3 Schedule of the District's Proportionate Share of the Net Pension Liability – TPAF	64
L-4 Schedule of District Contributions – TPAF	65
Notes to the Required Supplementary Information – Part III	66
Other Supplementary Information	
D. School Level Schedules:	
D-1 Combining Balance Sheet	N/A
D-2 Blended Resource Fund – Schedule of Expenditures Allocated by Resource Type – Actual	N/A
D-3 Blended Resource Fund – Schedule of Blended Expenditures – Budget and Actual	N/A
E. Special Revenue Fund:	
E-1 Combining Schedule of Revenues and Expenditures Special Revenue Fund – Budgetary Basis	67
E-2 Demonstrably Effective Program Aid Schedule of Expenditures – Budgetary Basis	N/A
E-3 Early Childhood Program Aide Schedule of Expenditures – Budgetary Basis	N/A
E-4 Distance Learning Network Aid Schedule of Expenditures – Budgetary Basis	N/A
E-5 Instructional Supplement Aide Schedule of Expenditures – Budgetary Basis	N/A
F. Capital Projects Fund:	
F-1 Summary Schedule of Project Expenditures	N/A
F-2 Summary Schedule of Revenues and Expenditures	N/A
F-2a Schedule of Project Revenues and Expenditures	N/A

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
TABLE OF CONTENTS**

<u>Exhibit</u>	<u>Page</u>
Other Supplementary Information (Continued)	
G. Proprietary Funds:	
Enterprise Fund:	
G-1 Combining Statement of Net Position	68
G-2 Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	69
G-3 Statement of Cash Flows	70
Internal Service Fund:	
G-4 Combining Statement of Net Position	N/A
G-5 Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	N/A
G-6 Combining Statement of Cash Flows	N/A
H. Fiduciary Funds:	
H-1 Combining Statement of Fiduciary Net Position	71
H-2 Combining Statement of Changes in Fiduciary Net Position	72
H-3 Student Activity Agency Fund Schedule of Receipts and Disbursements	73
H-4 Payroll Agency Fund Schedule of Receipts and Disbursements	74
I. Long-Term Debt:	
I-1 Schedule of Serial Bonds	N/A
I-2 Schedule of Obligations under Capital Leases	N/A
I-3 Debt Service Fund Budgetary Comparison Schedule	N/A

STATISTICAL SECTION (UNAUDITED)

Introduction to the Statistical Section

Financial Trends

J-1 Net Position by Component	75
J-2 Changes in Net Position	76
J-3 Fund Balances, Governmental Funds	77
J-4 Changes in Fund Balances, Governmental Funds	78
J-5 General Fund Other Local Revenue by Source	79

Revenue Capacity

J-6 Assessed Value and Estimated Actual Value of Taxable Property	N/A
J-7 Direct and Overlapping Property Tax Rates	N/A
J-8 Principal Property Tax Payers	N/A
J-9 Property Tax Levies and Collections	N/A

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
TABLE OF CONTENTS**

<u>Exhibit</u>	<u>Page</u>
Debt Capacity	
J-10 Ratio of Outstanding Debt by Type	N/A
J-11 Ratios of Net General Bonded Debt Outstanding	N/A
J-12 Direct and Overlapping Governmental Activities Debt	N/A
J-13 Legal Debt Margin Information	N/A
Demographic and Economic Information	
J-14 Demographic and Economic Statistics	80
J-15 Principal Employers	N/A
Operating Information	
J-16 Full-time Equivalent District Employees by Function/Program	81
J-17 Operating Statistics	82
J-18 School Building Information	83
J-19 Schedule of Required Maintenance Expenditures by School Facilities	N/A
J-20 Insurance Schedule	84
Charter School Performance Framework Financial Indicators	
J-21 Charter School Performance Framework-Financial Performance, Fiscal Ratios	85

SINGLE AUDIT SECTION

K-1 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	86-87
K-2 Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedules of Expenditures Required by the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB Circular 15-08	88-89
K-3 Schedule of Expenditures of Federal Awards, Schedule A	90
K-4 Schedule of Expenditures of State Financial Assistance, Schedule B	91
K-5 Notes to the Schedules of Awards and Financial Assistance	92-93
K-6 Schedule of Findings and Questioned Costs	94-104
K-7 Summary Schedule of Prior Audit Findings	105

INTRODUCTORY SECTION

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP

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

Ms. Wandria Hampton
School Lead
Telephone: (856) 232-0100

Ms. Riscee Langhorne
Business Administrator/
Board Secretary

November 28, 2016

Members of the Board of Trustees of
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, 2016, 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 Title 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), "Audits of States, Local Governments, and Non-Profit Organizations" and the State Treasury Circular Letter 15-08 OMB, "Single Audit Policy for recipients of federal grants, State grants and state aid payments". Information related to this single audit, including the 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's Board of Trustees and it's 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 2015 - 2016 fiscal year with an enrollment of 196.5 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.

In addition, the financial condition of the District has improved during the 2015-16 school year.

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, 2016.

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:

Management Company

As of July 1, 2014, the District hired a management company, Renaissance School Services, to support the curriculum and other operational goals of the school.

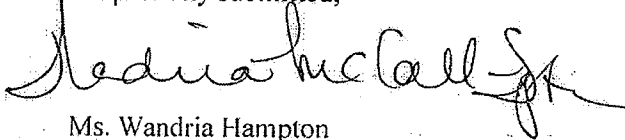
Independent Audit

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nightlinger, Colavita and Volpa, Pa. was appointed by the Board. In addition to meeting the requirements set forth in State statutes, the audit also was designed to meet the requirements of the Title 2 CFR 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards(Uniform Guidance), and State of New Jersey Treasury Circular 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid. The auditor's report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of this report. The auditor's report 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,

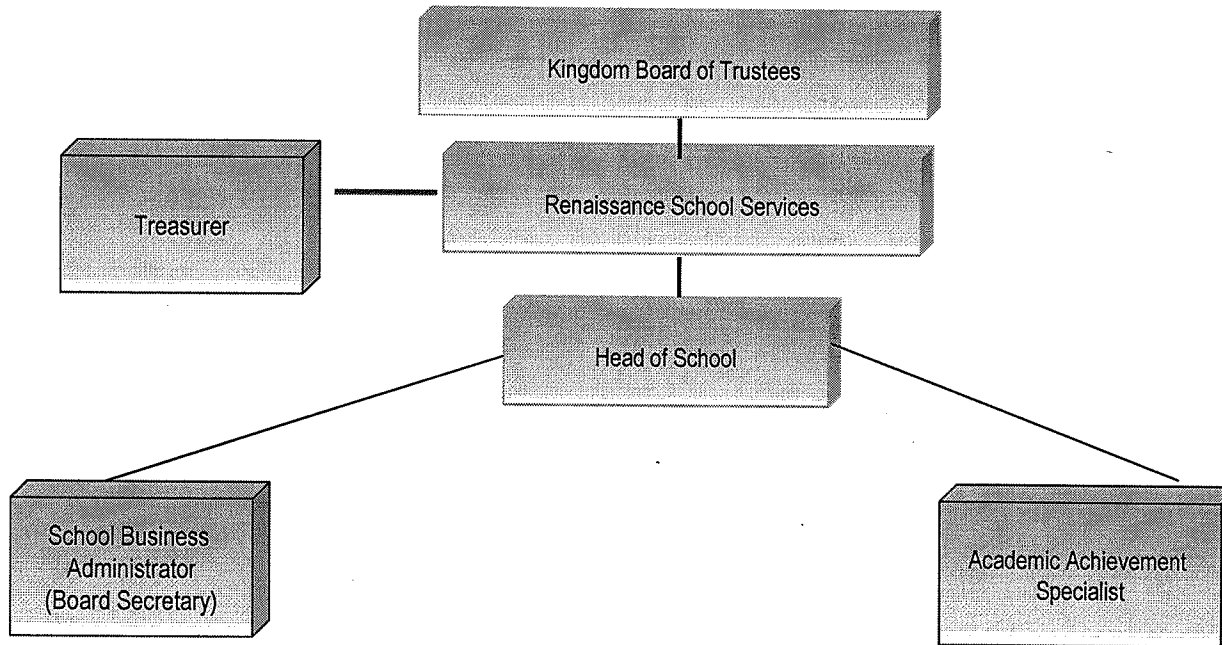
A handwritten signature in cursive script, appearing to read "Wandria Hampton".

Ms. Wandria Hampton
School Lead

A handwritten signature in cursive script, appearing to read "Risce Langhorne".

Ms. Risce Langhorne
Business Administrator/Board Secretary

Kingdom Charter School of Leadership Organizational Chart



The Kingdom Charter School of Leadership a
Renaissance Partnership School

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
BLACKWOOD, NEW JERSEY

ROSTER OF OFFICIALS

June 30, 2016

<u>MEMBERS OF THE BOARD OF TRUSTEES</u>	<u>TERM EXPIRES</u>
Maravi Melendez-Davis, President	2016
Kamilah Cobbs, Vice President	2017
Bob Fensterer, Finance Chairman	2016
Christian Holland	2016
Andrea Willis	2018
<u>OTHER OFFICIALS</u>	
Wandria McCall-Hampton, Head of School	
Riscee Langhorne, Business Administrator	\$100,000
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

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The Wollman Law Firm
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Gibbsboro, New Jersey 08026

Paul Barger
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Iselin, New Jersey 08830

OFFICIAL DEPOSITORY

TD Bank
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Stratford, New Jersey 08084

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association
Certified Public Accountants

991 S. Black Horse Pike
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Williamstown, NJ 08094

(856) 629-3111
Fax (856) 728-2245
www.colavita.net

November 28, 2016

INDEPENDENT AUDITOR'S REPORT

To The Members of
The Board of Trustees
Kingdom Charter School of Leadership
County Of Camden, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the 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, 2016, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, 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, 2016, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedule of the Charter School's proportionate share of the net pension liability and schedule of the Charter School's contributions, identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of 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.

Other Information

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 Trustee's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual non-major fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

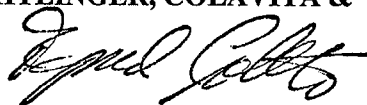
The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016 on our consideration of the Kingdom Charter School of Leadership's 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.

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, 2016

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, 2016. 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 2016 are as follows:

- ❖ The 2016 school year was the fifth year of operations and educated students from Kindergarten through Fifth Grade.
- ❖ Total revenues of the school were \$3,049,452, of which general revenues accounted for \$2,539,299 or 83.3% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions, and capital grants accounted for \$510,153 or 16.2% percent of all Revenues.
- ❖ Total net position of governmental activities at the year was \$1,120,217.
- ❖ The School had \$2,907,948 in total expenses, of which \$510,153 were 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 \$2,679,000 in revenues and \$2,471,922 in expenditures. The General Fund's balance, as of June 30, 2016 was \$289,817.

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 Position 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 Position 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 2016?" The Statement of Net Position 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 position and changes in those assets. This change in net position 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 Position 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, Summer Enrichment 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 22. 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 Position 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 Position provides the perspective of the School as a whole.

Table 1 provides a summary of the School's net position for the years ended 2016 and 2015 in accordance with GASB Statement 34. The following net position comparisons are for the years ended in 2016 and 2015.

Table 1
Net Position

	<u>2016</u>	<u>2015</u>
Assets		
Cash and Cash Equivalents	\$ 44,165	\$ 69,536
Receivables, Net	326,285	164,339
Interfund Receivable	7,876	3,743
Other Assets		25,000
Capital Assets, Net	926,368	112,811
Total Assets	<u>1,304,694</u>	<u>375,429</u>
Deferred Outflows of Resources	<u>351,067</u>	<u>215,337</u>
Liabilities		
Accounts Payable	11,491	37,450
Interfund Payable		11,903
Unearned Revenue	5,869	1,256
Due to Other Governments	62,900	61,183
Net Pension Liability	439,961	240,942
Total Liabilities	<u>520,221</u>	<u>352,734</u>
Deferred Inflows of Resources	<u>7,074</u>	<u>14,359</u>
Net Position		
Invested in capital assets, net of debt	926,368	112,811
Restricted - Escrow Fund	45,000	30,000
Unrestricted	157,098	80,862
Total Net Position	<u>\$ 1,128,466</u>	<u>\$ 223,673</u>

Table 2 shows the changes in net position from fiscal years 2016 and 2015, in accordance with GASB Statement 34. The following comparison of changes in net position, represent data for the years ended in 2016 and 2015.

Table 2
Changes in Net Position

	2016	2015
Revenues		
Programs Revenues		
Charges for services	\$ 32,312	\$ 33,033
Operating grants and contributions	477,841	246,548
General Revenues		
Property taxes	1,174,796	1,092,017
Grants and entitlements	1,346,707	1,244,749
Miscellaneous	13,290	2,005
Other	767,795	
Total Revenues	3,812,741	2,618,352
Program Expenses		
Instruction	910,730	908,932
Support Services		
Health Benefits	105,214	
School Administration	1,097,390	1,085,509
General administration	331,138	463,808
Employee Benefits	292,001	39,964
Enterprise Funds	141,583	102,977
Other	29,892	27,605
Total Expenses	2,907,948	2,628,795
Increase in Net Position	\$ 904,793	\$ (10,443)

Governmental Activities

The School's total revenue for the fiscal year ended June 30, 2016 was \$3,812,741, of which governmental revenues were \$3,735,502. As a charter school, voter approval for the School operations is not required in New Jersey. Property taxes made up 32.0% of revenues for governmental activities of The Kingdom Charter School of Leadership, Federal, State and Local grants accounted for 48.7%. The school's total expenses were \$2,907,948, of which the net cost of governmental expenses were \$2,325,887 or 79.9%. In addition, instruction comprises 37.8% of governmental expenses, while support services made up 60.9% and the remaining 1.3% represents depreciation.

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.

Table 3

	<u>Total Cost of Services 2016</u>	<u>Net Cost of Services 2016</u>	<u>Total Cost of Services 2015</u>	<u>Net Cost of Services 2015</u>
Instruction	\$ 910,730	\$ 878,925	\$ 908,932	\$ 908,559
Support services				
Health Services	105,214	105,214		
School Administrative Services	1,389,391	1,046,164	1,085,509	987,268
General administration, school administration, business	331,138	265,692	463,808	356,164
Other	29,892	29,892	27,605	27,605
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 2,766,365</u>	<u>\$ 2,325,887</u>	<u>\$ 2,485,854</u>	<u>\$ 2,279,596</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.

Business-Type Activities

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

- ❖ The Food Service Program received a Board subsidy of \$60,057 during the 2015-16 school year.
- ❖ Charges paid by patrons for daily food services were \$10,072.
- ❖ Extended Day revenues were \$19,690 and Extended Day expenses were \$15,102.
- ❖ Summer Enrichment revenues were \$2,550 and Summer Enrichment expenses were \$11,425. A board subsidy was also necessary in the amount of \$8,875.

The School’s Funds

Information about the School’s major funds starts on page 22. 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 \$2,776,251 and expenditures of \$2,569,173. The net positive change in the General Fund balance, after transfers to other funds, was \$142,652. This result shows that the School was able to meet current operating costs, without the 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, 2016, and the amount and percentage of increases and decreases in relation to prior year revenues.

Revenue	Amount	Percent of Total	Increase/ (Decrease) from 2015	Percent Increase (Decrease)
Local Sources	\$ 1,180,522	43%	\$ 86,500	7.9%
State Sources	1,498,478	54%	113,024	8.2%
Federal Sources	97,251	3%	(1,363)	-1.4%
Total	\$ 2,776,251	100%	\$ 198,161	7.7%

The increase in Local Sources is attributed to an increase in the local tax levy from sending districts of \$82,779, interest of \$21 and miscellaneous income of \$3,700.

The increase in State Sources is due to increases in the state share of the local tax levy of \$51,323, on-behalf pensions and social security reimbursements of \$11,066 and categorical state aid of \$50,635.

The decrease in Federal Sources represents the net decrease in various federal awards.

The following schedule presents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2016, and the amount and percentage of increases and decreases in relation to prior year expenditures.

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2015</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$ 910,730	35.4%	\$ 1,798	0.2%
Health Services	105,214	4.1%	105,214	100.0%
General Administrative Expenses	331,138	12.9%	(165,731)	-33.4%
School Administrative Expenses	1,141,931	44.4%	56,422	5.2%
Capital Outlay	80,160	3.2%	38,154	90.8%
Total	\$ 2,569,173	100%	\$ 35,857	1.4%

The overall increase in Instructional expenditures was the result of a decreases in salaries of \$12,967 and undistributed expenditures of \$16,667, offset by an increase in federal grant expenditures of \$31,432.

The School Administrative Support and Health Services expenditures increased by \$161,636, while General Administrative expenditures decreased by \$165,731, resulting in a net decrease of \$4,095 in Administrative expenses.

The capital outlay expenditures are attributed to equipment purchases and leasehold improvements, which increased by \$38,154.

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 2016, 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 \$142,652 in revenue over expenditures.

- ❖ Actual revenues were \$42,145 less than expected, excluding on behalf state aid of \$151,771. This revenue variance is driven by enrollment.
- ❖ The actual expenditures were lower than expected in various line items, in the total amount of \$249,231, excluding the on-behalf social security and TPAF pension contribution state aid payments of \$151,771 per Exhibit C-1. This indicated that expenditures were made within the budget.
- ❖ The general fund made transfers to the Food Service and Summer Enrichment Funds during the 2015-16 School Year, in the amount of \$60,057 and \$8,875 respectively.

Capital Assets

At the end of the fiscal year 2016, the School had \$926,368 invested in a building, leasehold improvements, machinery and equipment. Table 4 shows fiscal 2016 balances compared to 2015.

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

	<u>2016</u>	<u>2015</u>
Leasehold Improvements	\$ 133,368	83,740
Machinery and Equipment		29,071
Building	793,000	
Totals	<u>\$ 926,368</u>	<u>112,811</u>

Overall capital assets increased \$813,557 from fiscal year 2015 to fiscal year 2016. The increase was attributed to the addition and adjustment of depreciable assets of \$50,449, offset by depreciation expense of \$29,892. In addition, the fixed assets also reflect a building that was purchased through a lease purchase option on June 30, 2016, in the amount of \$793,000.

Operating Leases

The School currently leases two copiers. Future minimum lease payments for each copier can be found in Note 14 of the Notes to Financial Statements.

For the Future

The Kingdom Charter School of Leadership will continue to enhance its financial position and its academic position, as it has over the past year. The school is striving to be the most academically successful public school in Gloucester Township, and will continue to invest in its programming and facilities as it continues to make significant strides toward that goal.

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 Risce 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 position 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 POSITION
JUNE 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 44,385	\$ (220)	\$ 44,165
Receivables, Net	317,816	8,469	326,285
Interfund Receivable	7,876		7,876
Capital Assets, Net (Note 5):	926,368		926,368
Total Assets	<u>1,296,445</u>	<u>8,249</u>	<u>1,304,694</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Pension Outflow	<u>351,067</u>		<u>351,067</u>
LIABILITIES			
Accounts Payable	11,491		11,491
Unearned Revenue	5,869		5,869
Due to Other Governments	62,900		62,900
Non-Current Liabilities:			
Net Pension Liability	<u>439,961</u>		<u>439,961</u>
Total Liabilities	<u>520,221</u>		<u>520,221</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Pension Inflow	<u>7,074</u>		<u>7,074</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	926,368		926,368
Restricted:			
Escrow Fund	45,000		45,000
Unrestricted	148,849	8,249	157,098
Total Net Position	<u>\$ 1,120,217</u>	<u>\$ 8,249</u>	<u>\$ 1,128,466</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, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</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	\$ 910,730		\$ 31,805	\$ (878,925)		\$ (878,925)
Support Services:						
Health Services	105,214			(105,214)		(105,214)
School Administrative Services	1,141,931		65,446	(1,076,485)		(1,076,485)
Employee Benefits	292,001		235,997	(56,004)		(56,004)
General and Business Administrative Services	286,597		107,230	(179,367)		(179,367)
Unallocated Depreciation	29,892			(29,892)		(29,892)
Total Governmental Activities	<u>2,766,365</u>		<u>440,478</u>	<u>(2,325,887)</u>		<u>(2,325,887)</u>
Business-type Activities:						
Food Service	115,056	10,072	37,363		(67,621)	(67,621)
Before and After Care	15,102	19,690			4,588	4,588
Summer Enrichment	11,425	2,550			(8,875)	(8,875)
Total Business-type Activities	<u>141,583</u>	<u>32,312</u>	<u>37,363</u>		<u>(71,908)</u>	<u>(71,908)</u>
Total Primary Government	<u>\$ 2,907,948</u>	<u>\$ 32,312</u>	<u>\$ 477,841</u>	<u>\$ (2,325,887)</u>	<u>\$ (71,908)</u>	<u>\$ (2,397,795)</u>
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, net				\$ 1,174,796		\$ 1,174,796
Federal and State Aid Not Restricted				1,346,707		1,346,707
Investment Earnings				70		70
Miscellaneous				5,656	7,564	13,220
Transfers				(68,932)	68,932	
Prior Year Order and Other Adjustments				4,506		4,506
Fixed Asset Adjustment				763,289		763,289
Total General Revenues, Special Items, Extraordinary Items and Transfers				<u>3,226,092</u>	<u>76,496</u>	<u>3,302,588</u>
Change in Net Position				900,205	4,588	904,793
Net Position—Beginning				220,012	3,661	223,673
Net Position—Ending				<u>\$ 1,120,217</u>	<u>\$ 8,249</u>	<u>\$ 1,128,466</u>

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 SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 10,841	\$ 7,321	\$ 18,162
Interfund Receivable	54,759		54,759
Other Governmental Receivable	87,914		87,914
Federal Aid Receivable		19,388	19,388
State Aid Receivable	210,514		210,514
Total Assets	\$ 364,028	\$ 26,709	\$ 390,737
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 11,311	\$ 180	\$ 11,491
Interfund Payable		20,660	20,660
Unearned Revenue		5,869	5,869
Due to Other Governments	62,900		62,900
Total Liabilities	74,211	26,709	100,920
Fund Balances:			
Restricted			
Escrow Fund	45,000		45,000
Assigned:			
Year-End Encumbrances			
Unrestricted, Reported in:			
General Fund	244,817		244,817
Total Fund Balances	289,817		289,817
Total Liabilities and Fund Balances	\$ 364,028	\$ 26,709	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$1,049,188 and the accumulated depreciation is \$122,820 (Note 5).

	926,368
Long Term Net Pension Liability	(439,961)
Deferred Pension Outflows	351,067
Deferred Pension Inflows	(7,074)
Net position of governmental activities	\$ 1,120,217

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, 2016

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Local Sources:			
Local Tax Levy	\$ 1,174,796	\$	\$ 1,174,796
Investment Earnings	70		70
Miscellaneous	5,656		5,656
	<hr/>		<hr/>
Total - Local Sources	1,180,522		1,180,522
State Sources	1,498,478		1,498,478
Federal Sources		97,251	97,251
	<hr/>		<hr/>
Total Revenues	2,679,000	97,251	2,776,251
	<hr/>		<hr/>
EXPENDITURES			
Current:			
Regular Instruction	878,925	31,805	910,730
Support Services:			
Health Services	105,214		105,214
Other Administrative Services	265,692	65,446	331,138
School Administrative Services	1,141,931		1,141,931
Capital Outlay	80,160		80,160
	<hr/>		<hr/>
Total Expenditures	2,471,922	97,251	2,569,173
	<hr/>		<hr/>
Excess (Deficiency) of Revenues Over Expenditures	207,078		207,078
	<hr/>		<hr/>
OTHER FINANCING SOURCES (USES)			
Transfer to Food Service Fund	(60,057)		(60,057)
Transfer to Summer Enrichment Fund	(8,875)		(8,875)
Cancellation Prior Year Accounts Payable	4,506		4,506
	<hr/>		<hr/>
Total Other Financing Sources and Uses	(64,426)		(64,426)
	<hr/>		<hr/>
Net Change in Fund Balances	142,652		142,652
Fund Balance—July 1	147,165		147,165
	<hr/>		<hr/>
Fund Balance—June 30	\$ 289,817	\$	\$ 289,817
	<hr/> <hr/>		<hr/> <hr/>

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, 2016

Total net change in fund balances - governmental funds (from B-2)	\$ 142,652
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
Pension Contributions are reported in governmental funds as expenditures. However, in the statement of activities, the contributions are adjusted for actuarial valuation adjustments, including service and interest costs, administrative costs, investment returns, and experience/assumption. This is the amount by which net pension liability and deferred inflows/outflows related to pension changed during the period.	
	(56,004)
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	\$ (29,892)
Capital outlays	80,160
Fixed Asset Adjustment	763,289
	<hr/>
	813,557
Change in net position of governmental activities (A-2)	\$ 900,205
	<hr/> <hr/>

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

PROPRIETARY FUNDS

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2016

	Business-type Activities - Enterprise Funds			Totals
	Food Service	Before and After Care Program	Summer Enrichment	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 5,478	\$ 20,525	\$	26,003
Intergovernmental Receivables	8,023			8,023
Accounts Receivable - Other	446			446
Total Current Assets	13,947	20,525		34,472
Total Assets	\$ 13,947	\$ 20,525	\$	\$ 34,472
LIABILITIES AND NET POSITION:				
Current Liabilities:				
Accounts Payable	\$	\$	\$	\$
Interfund Accounts Payable	13,947	12,276		26,223
Total Current Liabilities:	13,947	12,276		26,223
Net Position				
Unrestricted		8,249		8,249
Total Net Position		8,249		8,249
Total Liabilities and Net Position	\$ 13,947	\$ 20,525	\$	\$ 34,472

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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Business-type Activities			Total
	Food Service	Before and After Care Program	Summer Enrichment	
Operating revenues:				
Charges for Services:				
Daily Sales - Reimbursable Programs:	\$ 10,072	\$	\$	\$ 10,072
Tuition			2,550	2,550
Extended Day Fees		19,690		19,690
Other	7,564			7,564
Total Operating Revenue:	17,636	19,690	2,550	39,876
Operating expenses:				
Salaries	21,800	12,500	6,570	40,870
Food Costs	93,218			93,218
Other	38	2,602	4,855	7,495
Total Operating Expenses	115,056	15,102	11,425	141,583
Operating Income (Loss)	(97,420)	4,588	(8,875)	(101,707)
Non-operating Revenues (Expenses):				
State Sources:				
State School Lunch Program	526			526
Federal Sources:				
School Breakfast Program	9,026			9,026
National School Lunch Program	27,811			27,811
Total Non-operating Revenues (Expenses)	37,363			37,363
Income (Loss) before Contributions & Transfers	(60,057)	4,588	(8,875)	(64,344)
Transfer from General Fund	60,057		8,875	68,932
Change in Net Position		4,588		4,588
Total Net Position—Beginning		3,661		3,661
Total Net Position—Ending	\$	\$ 8,249	\$	\$ 8,249

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, 2016

	Business-type Activities Enterprise Funds			
	Food Service	Before and After Care Program	Summer Enrichment	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 17,636	\$ 19,690	\$ 2,550	\$ 39,876
Payments to Employees	(21,800)	(12,500)	(6,570)	(40,870)
Payments to Suppliers	(88,287)	(2,602)	(12,326)	(103,215)
Net Cash Provided by (Used for) Operating Activities	(92,451)	4,588	(16,346)	(104,209)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers from/to Other Funds	60,057		8,875	68,932
Cash Received from State and Federal Reimbursement	37,363			37,363
Net Cash Provided by (Used for) Non-capital Financing Activities	97,420		8,875	37,363
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	4,969	4,588	(7,471)	2,086
Balances—Beginning of Year	509	15,937	7,471	23,917
Balances—End of Year	\$ 5,478	\$ 20,525	\$	\$ 26,003
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (97,420)	\$ 4,588	\$ (8,875)	\$ (101,707)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
(Increase)/Decrease in Accounts Receivable, Net	(3,641)			(3,641)
(Increase)/Decrease in Interfund Accounts Receivable	5,864			5,864
Increase/(Decrease) in Accounts Payable	(14,944)		(7,471)	(22,415)
Increase/(Decrease) in Interfund Accounts Payable	17,690			17,690
Total Adjustments	4,969		(7,471)	(2,502)
Net Cash Provided by (Used for) Operating Activities	\$ (92,451)	\$ 4,588	\$ (16,346)	\$ (104,209)

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 POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Unemployment Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$	\$ 16,300
Total Assets		16,300
LIABILITIES		
Payroll Deductions & Withholdings		5,275
Due to Student Groups		3,149
Due to General		7,876
Total Liabilities	\$	\$ 16,300
NET POSITION		
Held in Trust for Unemployment Claims and Other Purposes	\$	

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

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions:	
Plan Member	\$
Contributions	
Other	

Total Additions	_____
DEDUCTIONS	
Scholarships Awarded	
Unemployment Claims	6,183

Total Deductions	6,183

Change in Net Position	(6,183)
Net Position—Beginning of the Year	6,183

Net Position—End of the Year	\$
	=====

The 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, 2016

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 5 and not more than 11 voting persons. There will be 3 non-voting members; one management company headquarters staff member, the Lead Person as long as this person is a founder of the school, and the Head of School/Principal.

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. Fourth Grade was added in the 2012-13 school year and Fifth Grade was added in 2013-14. The enrollment at June 30, 2016 was 197, which is 2 students less than in 2014-15. 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.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. New Accounting Standards:

The Charter School has adopted the following GASB statements:

- GASB No. 80 - *Blending Requirements for Certain Component Units - an Amendment of GASB No. 14*: The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 80, did not impact the financial statements of the School District.
- GASB No. 79 - *Certain External Investment Pools and Pool Participants*: This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 79, did not impact the financial statements of the Charter School.
- GASB Statement No. 78 - *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*: The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for fiscal years beginning after December 15, 2015. The adoption of GASB 78, did not impact the financial statements of the Charter District.
- GASB No. 77, *Tax Abatement Disclosures*: This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. This Statement is effective for fiscal years beginning after December 15, 2015. The adoption of GASB 77, did not impact the financial statements of the Charter District.
- GASB No. 76 - *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*: The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and no authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 76, did not impact the financial statements of the Charter District.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. New Accounting Standards (Continued):

- GASB No. 73 - *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*: The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 73, did not impact the financial statements of the Charter District.
- GASB No. 72 - *Fair Value Measurement and Application*: This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015. The adoption of GASB 72, did not impact the financial statements of the Charter District.

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

- GASB No. 82 - *Pensions - an Amendment of GASB No. 67, No. 68 and No. 73*: The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Management is evaluating the potential impact of the adoption of GASB 82 on the School District's financial statements.
- GASB No. 81 - *Irrevocable Split-Interest Agreements*: The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Management is evaluating the potential impact of the adoption of GASB 81 on the School District's financial statements.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. New Accounting Standards (Continued):

- **GASB No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions:*** The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement will be effective for reporting periods beginning after June 15, 2017. Management is evaluating the potential impact of the adoption of GASB 75 on the School District's financial statements.

- **GASB No. 74 - *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans:*** The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The requirements of this Statement will be effective for reporting periods beginning after June 15, 2016. Management is evaluating the potential impact of the adoption of GASB 74 on the School District's financial statements.

A. Basis of Presentation:

The Charter School basic financial statements consist of Charter School-wide statements, including a statement of net position 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 position 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 position 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.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Basis of Presentation (Cont'd):

- 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.

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. Each fund’s operations 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.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND TYPE (Continued)

General Fund -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 are 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:

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.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (continued):

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.

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 unearned 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 KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting and Measurement Focus (Cont'd):

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 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.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgets/Budgetary Control (Cont'd):

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 unearned revenues at fiscal year end.

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, 2016.

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, 2016.

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 Position. 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.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Assets, Liabilities and Equity (Cont'd):

Capital Assets (Cont'd) - 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

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 Position. There is presently no balance in compensated absences liability at June 30, 2016.

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

I. Unearned Revenue:

Unearned 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.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 Position:

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is 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 position is 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.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Revenues – Exchange and Non-exchange Transactions (Cont'd):

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.

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, 2016.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Position.

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. Lease Acquisition Costs:

As part of any long-term lease agreement, providing for the use of school buildings, payments constituting professional lease acquisition and other related professional fees will be expensed when incurred in accordance with GASB Statement No. 65. There were no such leases for the year ended June 30, 2016.

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 KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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.

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, 2016, cash and cash equivalents in the fund financial statements of the Charter School consisted of the following:

		<u>Cash and Cash Equivalents</u>
Checking Accounts	\$	60,465
Total	\$	60,465

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 Charter School's deposits may not be recovered. Although the Charter School does not have a formal policy regarding custodial credit risk, NJSA 17:9-41 t seq. requires that the governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA is a supplemental insurance program set forth by the New Jersey Legislature to protect the deposits of local government agencies. The program is administered by the Commissioner of the NJ Department of Banking and Insurance. Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by FDIC. Funds owned by the Charter School in excess of FDIC insured amounts are protected by GUDPA. As of June 30, 2016, the Charter School's bank balance of \$181,887 was not exposed to custodial credit risk as follows:

Insured	\$ 181,887
Uninsured and collateralized with securities held by pledging financial institutions	
	\$ 181,887
	\$ 181,887

New Jersey Cash Management Fund – During the fiscal year, the Charter School 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, 2016, 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 at June 30, 2016.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Adjustments/ Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital Assets that are Not Being Depreciated:				
Land	\$	\$	\$	\$
Leasehold Improvement	118,496	30,160	34,584	183,240
Machinery and Equipment	89,038		(16,090)	72,948
Building		50,000	743,000	793,000
Total at Historical Cost	<u>207,534</u>	<u>80,160</u>	<u>761,494</u>	<u>1,049,188</u>
Less Accumulated Depreciation for:				
Leasehold Improvement	(34,756)	(15,302)	186	(49,872)
Machinery and Equipment	(59,967)	(14,590)	1,609	(72,948)
Building				
Total Accumulated Depreciation	<u>(94,723)</u>	<u>(29,892)</u>	<u>1,795</u>	<u>(122,820)</u>
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	<u>112,811</u>	<u>50,268</u>	<u>763,289</u>	<u>926,368</u>
Governmental Activities Capital Assets, Net	<u>\$ 112,811</u>	<u>\$ 50,268</u>	<u>\$ 763,289</u>	<u>\$ 926,368</u>
				<u>To A-1</u>
Business-type Activities Capital Assets, Net	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

NOTE 6. GENERAL LONG-TERM DEBT

As of June 30, 2016, there was no debt.

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.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7. PENSION PLANS (CONT'D)

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.

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

For the year ended June 30, 2016, the Charter School recognized pension expense of \$235,997 and revenue of \$235,997 for support provided by the State.

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 Charter School is billed annually for its normal contribution plus any accrued liability. The Charter School's contributions, which equal the required contribution for each fiscal year, were as follows:

Public Employees Retirement System					
Fiscal Year	Normal Contribution	Accrued Liability	Total Liability	Funded by State	Paid by District
2016	\$ 2,853	\$ 13,141	\$ 15,994	\$ N/A	\$ 15,994

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7. PENSION PLANS (CONT'D)

Vesting and Benefit Provisions

Teachers' Pension and Annuity Fund - The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. 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.

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A.43:15A and 43:3B. The PERS provides retirement, death and disability benefits. All benefits vest after 8 to 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of the PERS.

The following represents the membership tiers for TPAF and PERS:

Tier Definition

- 1 Members enrolled before July 1, 2007
- 2 Members eligible for enrollment on or after July 1, 2007 and before November 2, 2008
- 3 Members eligible for enrollment on or after November 2, 2008 and on or before May 21, 2010
- 4 Members eligible for enrollment after May 21, 2010 and before June 28, 2011
- 5 Members eligible for enrollment on or after June 28, 2011

The membership tiers for PERS are the same as previously noted for TPAF. Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 before age 62 with 25 or more years of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

Teachers' Pension and Annuity Fund - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7. PENSION PLANS (CONT'D)

Contributions (Cont'd)

Teachers' Pension and Annuity Fund (Cont'd) - The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2015, the State's pension contribution was less than the actuarial determined amount. Under current statute, all employer contributions are made by the State of New Jersey on-behalf of the Charter School and all other related non-contributing employers. No normal or accrued liability contribution by the Charter School has been required over several preceding fiscal years. These on-behalf contributions by the State of New Jersey are considered a special funding situation, under the definition of GASB 68, Accounting and Financial Reporting for Pensions. The Charter School was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2016 because of the 100.00% special funding situation with the State of New Jersey.

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>
6/30/16	\$	97,577	100	%	\$	N/A
6/30/15		85,547	100			N/A
6/30/14		N/A	N/A			N/A

During the fiscal year ended June 30, 2016, the State of New Jersey contributed \$44,541 to the TPAF for pension contributions and \$53,036 for normal and post-retirement benefits on behalf of the School. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Charter School \$54,194 during the year ended June 30, 2016 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Members contribute at a uniform rate. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate increased from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years beginning in July 2012. The member contribution rate was 7.06% in State fiscal year 2016. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. The State Treasurer has the right under the current law to make temporary reductions in 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 Charter School's contribution amounts are based on an actuarially determined rate which included the normal cost and unfunded accrued liability.

Contributions to the pension plan from the Charter School were \$16,850 for the fiscal year ended June 30, 2016. Employee contributions were \$2,618 for the fiscal year ended June 30, 2016.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7. PENSION PLANS (CONT'D)

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

Teachers' Pension and Annuity Fund - At June 30, 2016, the Charter School was not required to report a liability for its proportionate share of the net pension liability because of a 100% reduction for State of New Jersey pension support provided to the Charter School.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2016. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers and the State of New Jersey, actuarially determined.

Public Employees' Retirement System - At June 30, 2016, the Charter School reported a liability of \$439,961 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. The Charter School's proportion of the net pension liability was based on a projection of the Charter School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Charter School's proportion was .001960%, which represents a .0007% increase from the prior year.

For the fiscal year ended June 30, 2016, the Charter School recognized \$89,701 in the government-wide financial statements, for pension expense for PERS.

At June 30, 2016, the Charter School reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Differences between expected and actual experience	\$ 10,496	\$
Changes of assumptions	47,248	
Net difference between projected and actual earnings on pension plan investments		7,074
Changes in proportion and differences between District contributions and proportionate share of contributions	276,473	
Charter contributions subsequent to the measurement date	16,850	
Total	<hr/> \$ 351,067 <hr/>	<hr/> \$ 7,074 <hr/>

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7. PENSION PLANS (CONT'D)

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

Public Employees' Retirement System (Continued) - \$16,850 reported as deferred outflows of resources related to pensions will be included as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>PERS</u>
2017	\$ 53,875
2018	53,875
2019	53,875
2020	53,875
2021	53,875
Thereafter	57,770
Total	<u>\$ 327,143</u>

Collective Balances at June 30, 2015 and 2016 are as follows:

	<u>Actuarial Valuation Date</u>	
	<u>6/30/2015</u>	<u>6/30/2014</u>
Collective deferred outflows of resources	\$ 5,086,138,484	\$ 1,032,618,058
Collective deferred inflows of resources	\$ 478,031,236	\$ 1,726,631,532
Collective net pension liability	\$ 46,170,131,656	\$ 38,849,838,953
Charter's Proportion	0.0019599135%	0.0012868978%

Actuarial Assumptions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2015. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PERS</u>	<u>TPAF</u>
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Valuation Date	July 1, 2014	July 1, 2014
Interest Rate	7.90%	7.90%
Salary Scale (Based on Age):		
2012-2021	2.15% - 4.40%	Varies based
Thereafter	3.15% - 5.40%	on Experience
Inflation	3.04%	2.50%

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7. PENSION PLANS (CONT'D)

Actuarial Assumptions (Continued)

For TPAF, mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements were based on Scale AA. Preretirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Postretirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

For PERS, mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pension and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of returns for each major asset class included in TPAF's and PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

Asset Class	PERS		TPAF	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Cash	5.00%	1.04%	5.00%	0.53%
U.S. Treasuries	1.75%	1.64%	1.75%	1.39%
Investment Grade Credit	10.00%	1.79%	13.50%	2.72%
Mortgages	2.10%	1.62%	2.10%	2.54%
High Yield Bonds	2.00%	4.03%	2.00%	4.57%
Inflation-Indexed Bonds	1.50%	3.25%	1.50%	1.47%
Broad US Equities	27.25%	8.52%	27.25%	5.63%
Developed Foreign Equities	12.00%	6.88%	12.00%	6.22%
Emerging Market Equities	6.40%	10.00%	6.40%	8.46%
Private Equity	9.25%	12.41%	9.25%	9.15%
Hedge Funds/Absolute Return	12.00%	4.72%	12.00%	14.57%
Real Estate (Property)	2.00%	6.83%	4.25%	3.97%
Commodities	1.00%	5.32%	1.00%	3.58%
Timber	n/a	n/a	1.00%	4.61%
Farmland	n/a	n/a	1.00%	4.61%
Global Debt ex US	3.50%	-0.40%	n/a	n/a
Real Estate (REITS)	4.25%	5.12%	n/a	n/a
Total	100%		100%	

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 7. PENSION PLANS (CONT'D)

Actuarial Assumptions (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 4.13% and 4.68% for TPAF as of June 30, 2015 and 2014, respectively, and 4.90% and 5.39% for PERS as of June 30, 2015 and 2014, respectively. For TPAF and PERS, these single blended discount rates were based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.80% and 4.29% as of June 30, 2015 and 2014, respectively, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/ Aa or higher. The projection of cash flows used to determine the discount rates for TPAF and PERS assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027 for TPAF and 2033 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2027 for TPAF and 2033 for PERS, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

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

Teachers' Pension and Annuity Fund (TPAF) - As indicated above, TPAF has a special funding situation where the State pays 100% of the Charter School's annual required contribution.

Public Employees' Retirement System (PERS) - The following presents the Charter School's proportionate share of the net pension liability at June 30, 2016 calculated using a discount rate of 4.90% for PERS, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	1% Decrease (3.9%)	Current Discount (4.9%)	1% Increase (5.9%)
Charter's proportionate share of the net pension liability	\$ 546,818	\$ 439,961	\$ 350,373

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued New Jersey Division of Pension and Benefits financial report. Information on where to obtain the report is indicated at the beginning of this note.

NOTE 8. DEFERRED COMPENSATION

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

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 9. 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, 2015, there were 107,314 retirees receiving post retirement medical benefits and the State contributed \$1.25 billion on their behalf. 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 benefits 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 P.L. 1992 c. 126, which provides employer paid 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 \$214.1 million toward Chapter 126 benefits for 19,056 eligible retired members in Fiscal Year 2015.

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>
2015-2016	\$ N/A	\$ 5,276	\$ N/A	\$ 0
2014-2015	N/A	2,617	N/A	6,183
2013-2014	N/A	3,566	N/A	3,566

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2016:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 54,759	\$
Special Revenue Fund		20,660
Food Service Fund		13,947
Before and After Care Fund		12,276
Agency Fund		7,876
Total	<u>\$ 54,759</u>	<u>\$ 54,759</u>

NOTE 12. FUND BALANCE APPROPRIATED

General Fund – Of the \$289,817 General Fund balance at June 30, 2016, \$45,000 was restricted as a required escrow and the remaining \$244,817 was unrestricted.

In accordance with NJDOE stipulations, \$15,000 will be added to the escrow account each year, until such time as the amount reaches \$75,000.

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 with a commercial landlord to secure classroom and administrative office space. The rental cost for the 2015-16 school year was \$131,579.

The term of the lease was April 18, 2011 through June 30, 2016. 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, of which any security deposits are included.

On June 30, 2016, the lease purchase option was exercised by The Kingdom Charter School of Leadership, in the amount of \$793,000.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 14. OPERATING LEASES (CONT'D)

Copiers

The District leases two copiers under an operating lease agreement. The future minimum lease payments associated with each lease is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 9,376
2018	5,328
2019	5,328
2020	3,996
Total	<u>\$ 24,028</u>

NOTE 15. RENAISSANCE SERVICE AGREEMENT

On May 30, 2014, The Kingdom Charter School of Leadership entered into a service agreement with Renaissance School Services, LLC (RSS). In accordance with the agreement, RSS shall provide specialized educational management services with a focus on assisting school performance and the overall educational program. For the services provided The Kingdom Charter School of Leadership shall pay RSS as follows:

- **On-Site Personnel Costs** - Board shall pay to RSS a monthly fee equal one-twelfth (1/12th) of 130% of RSS's cost for the annual salaries of the RSS On-Site Personnel.
- **Management Fee** - In addition to the On-Site Personnel Costs fees, Board shall pay to RSS on a monthly basis, 9% of total annual School public and private revenues.
- **Retained** - In consideration for the substantial resources required to plan for an implement the transition of services, at the time of commencement of this Agreement, the school will pay to RSS \$30,000. This retainer will be applied against any Winding Down Costs assessed. RSS shall return as a refund the Retainer funds upon natural expiration of the Renewal Term of this Agreement if the Board has paid all other monies due RSS.
- **Winding Down Costs** - Upon termination or expiration of the Agreement for any reason by the Board, other than cause, prior to the natural expiration of the Renewal Term, the Board shall pay RSS within 30 days of the non-renewal or termination notice \$500,000. If the agreement expires naturally at the end of its initial and all renewal terms, the Board will pay Renaissance \$100,000 in Winding Down Costs.

This service agreement was renewed April 21, 2016 for a two year term of July 1, 2016 through June 30, 2018.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 16. LEASEHOLD IMPROVEMENT LOAN

On August 11 2015, The Kingdom Charter School of Leadership was approved for a leasehold improvement loan by the Community Loan Fund of New Jersey Inc., in the amount of \$50,000. The term of the loan was for December 1, 2015 through April 1, 2016 and had a fixed interest rate of 7.25%. As of June 30, 2016, the Charter School had no balance due to the Community Loan Fund of New Jersey Inc. in connection with this loan.

NOTE 17. SUBSEQUENT EVENTS

There were no events between year-end and the date of the audit that require additional disclosure.

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, 2016**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual Revenue/ Expenditures</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
REVENUES:					
"Local Tax Levy"- Local Share - Charter School Aid:					
Borough of Barrington	\$	\$ 10,772	\$ 10,772	\$ 10,772	\$
City of Camden		1,169	1,169	1,169	
Township of Cherry Hill		19,155	19,155	19,155	
Township of Berlin		3,781	3,781	3,781	
Borough of Clayton		10,146	10,146	10,146	
Borough of Clementon		14,496	14,496	14,496	
Borough of Collingswood		2,759	2,759	2,759	
Township of Deptford		43,616	43,616	43,616	
Borough of Glassboro		14,498	14,498	14,498	
Township of Gloucester	1,209,350	(550,232)	659,118	633,318	(25,800)
Borough of Lawnsdale		13,667	13,667	13,667	
Borough of Lindenwold		69,103	69,103	69,103	
Township of Monroe		29,251	29,251	29,251	
Borough of Pine Hill		51,571	51,571	51,571	
Township of Runnemede		10,673	10,673	10,673	
Borough of Somerdale		1,517	1,517	1,517	
Township of West Deptford		35,340	35,340	35,340	
Township of Washington		143,042	143,042	143,042	
Township of Winslow		66,922	66,922	66,922	
Total - Local Levy	1,209,350	(8,754)	1,200,596	1,174,796	(25,800)
State Sources:					
Local Tax Levy"- State Share - Charter School Aid:					
Equalization Aid	1,304,241	(29,875)	1,274,366	1,255,746	(18,620)
Categorical Aids					
Special Education Aid	27,807	41,830	69,637	68,101	(1,536)
Security Aid	27,984	(4,130)	23,854	22,860	(994)
On-behalf TPAF Pension Contributions (Non-budgeted)				44,541	44,541
On-behalf TPAF Post Retirement Medical Insurance (Non-budgeted)				53,036	53,036
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				54,194	54,194
Total State Aid	1,360,032	7,825	1,367,857	1,498,478	130,621
Revenue from Other Sources					
Interest On Investments				70	70
Miscellaneous		921	921	5,656	4,735
Total Revenue from Other Sources		921	921	5,726	4,805
TOTAL REVENUES	\$ 2,569,382	\$ (8)	\$ 2,569,374	\$ 2,679,000	\$ 109,626
EXPENDITURES:					
CURRENT EXPENSES:					
Regular Programs - Instruction:					
Salaries of Teachers - Kindergarten	\$ 94,073	\$ (9,073)	\$ 85,000	\$ 85,000	\$
Salaries of Teachers - Grades 1-5	732,677	(94,035)	638,642	636,467	2,175
Other Salaries for Instruction	28,840	39,465	68,305	56,453	11,852
Regular Programs - Undistributed Instruction:					
Purchased Professional - Technical Educational Services		50,400	50,400	47,551	2,849
Purchased Professional - Technical Services	71,354	(71,354)			
Other Purchased Services	3,000	(3,000)			
General Supplies	16,200	(7,599)	8,601	7,444	1,157
Textbooks	47,846	(5,828)	42,018	31,527	10,491
Other Objects	2,000	18,000	20,000	6,889	13,111
TOTAL REGULAR PROGRAMS - INSTRUCTION	995,990	(83,024)	912,966	871,331	41,635
School-Sponsored Cocurricular Activities - Instruction					
Salaries		16,776	16,776	6,970	9,806
Purchased Services		624	624	624	
		17,400	17,400	7,594	9,806
TOTAL INSTRUCTION	\$ 995,990	\$ (65,624)	\$ 930,366	\$ 878,925	\$ 51,441

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<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:					
Health Services	\$	\$	\$	\$	\$
Salaries		78,000	78,000	78,000	
Purchased Professional - Technical Services		27,066	27,066	27,066	
Supplies & Materials		2,667	2,667	148	2,519
Total Health Services		107,733	107,733	105,214	2,519
General Administrative Services:					
Salaries - Administrative	67,080	(67,080)			
Legal Services		32,792	32,792	15,807	16,985
Audit Fees		12,975	12,975	10,485	2,490
Total Benefits Cost	238,037	63,951	301,988	202,174	99,814
Purchased Professional - Technical Services	664,222	(664,222)			
Other Purchased Professional Services	22,670	(6,170)	16,500	12,657	3,843
Communications/Telephone	4,625	(1,875)	2,750	2,529	221
Other Purchased Services		3,500	3,500	3,337	163
General Supplies	17,800	(2,300)	15,500	13,845	1,655
Miscellaneous Expenditures	28,358	(15,000)	13,358	2,358	11,000
BOE Membership Dues and Fees		6,909	6,909	2,500	4,409
Total Support Services/General Administration	\$ 1,042,792	\$ (636,520)	\$ 406,272	\$ 265,692	\$ 140,580
Support Services/School Administration:					
Salaries	\$ 28,000	\$ 379,808	\$ 407,808	\$ 342,852	\$ 64,956
Purchased Professional - Technical Services	54,000	256,937	310,937	310,814	123
Other Purchased Services		(68,000)			
Rental of Land and Buildings	131,579		131,579	131,579	
Insurance for Property Liability & Fidelity	35,000		35,000	21,983	13,017
Supplies & Materials	7,000	43,011	50,011	50,011	
Transportation - Other Than to/from School					
Energy (Heat and Electricity)	59,000	(24,294)	34,706	30,386	4,320
Miscellaneous Expenditures		104,170	104,170	102,535	1,635
Total Support Services/School Administration:	382,579	691,632	1,074,211	990,160	84,051
On-behalf TPAF Pension Contributions (Non-budgeted)				44,541	(44,541)
On-behalf TPAF Post Retirement Medical Insurance (Non-budgeted)				53,036	(53,036)
Reimbursed TPAF Social Security Contrib. (Non-budgeted)				54,194	(54,194)
Total Undistributed Expenditures	1,425,371	162,845	1,588,216	1,512,837	75,379
TOTAL EXPENDITURES - CURRENT EXPENSE	\$ 2,421,361	\$ 97,221	\$ 2,518,582	\$ 2,391,762	\$ 126,820

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Original</u> <u>Budget</u>	<u>Budget</u> <u>Transfers</u>	<u>Final</u> <u>Budget</u>	<u>Expenditures</u>	<u>Variance</u> <u>Final to Actual</u> <u>Favorable/</u> <u>(Unfavorable)</u>
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Capital Outlay					
Undistributed	\$	\$	\$	\$	\$
Special Schools		50,800	50,800	30,160	20,640
Non-instructional Equipment	83,200	(83,200)			
Buildings Other than Lease Purchase Agreements				50,000	(50,000)
Total Capital Outlay	83,200	(32,400)	50,800	80,160	(29,360)
TOTAL EXPENDITURES	2,504,561	64,821	2,569,382	2,471,922	97,460
Excess (Deficiency) of Revenues Over (Under)					
Expenditures	64,821	(64,829)	(8)	207,078	207,086
Other Financing Sources (Uses):					
Transfer to Food Service Fund				(60,057)	(60,057)
Transfer to Summer Enrichment Fund				(8,875)	(8,875)
Prior Year Order and Other Adjustments				4,506	4,506
Total Other Financing Sources (Uses):				(64,426)	(64,426)
Excess (Deficiency) of Revenues and Other Financing					
Sources Over (Under) Expenditures					
and Other Financing Uses	64,821	(64,829)	(8)	142,652	142,660
Fund Balances, July 1	147,165		147,165	147,165	
Fund Balances, June 30	\$ 211,986	\$ (64,829)	\$ 147,157	\$ 289,817	\$ 142,660
RECAPITULATION :					
Restricted:					
Escrow Fund				\$ 45,000	
Assigned to Year-end Encumbrances					
Unrestricted:					
Unassigned Fund Balance				244,817	
TOTAL				\$ 289,817	

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
AS OF JUNE 30, 2016

	<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	97,251		97,251	97,251	
Total Revenues	<u>97,251</u>		<u>97,251</u>	<u>97,251</u>	
EXPENDITURES:					
Instruction					
General Supplies	31,805		31,805	31,805	
Total Instruction	<u>31,805</u>		<u>31,805</u>	<u>31,805</u>	
Support Services					
Purchased Prof. & Technical Services	65,446		65,446	65,446	
Total Support Services	<u>65,446</u>		<u>65,446</u>	<u>65,446</u>	
Facilities Acquisition and Construction Services:					
Equipment					
Total Facilities Acquisition and Construction Services					
Total Expenditures	<u>97,251</u>		<u>97,251</u>	<u>97,251</u>	
Other Financing Sources (Uses)					
Total Outflows	<u>97,251</u>		<u>97,251</u>	<u>97,251</u>	
Excess (Deficiency) of Revenues Over (Under)					
Expenditures and Other Financing Sources (Uses)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION -
PART II

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
REQUIRED SUPPLEMENTARY INFORMATION
BUDGET-TO-GAAP RECONCILIATION
NOTE TO RSI
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

		<u>General Fund</u>		<u>Special Revenue Fund</u>
Sources/inflows of resources				
Actual amounts (budgetary basis) "revenue"				
from the budgetary comparison schedule	[C-1]	\$ 2,679,000	[C-2]	\$ 97,251
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]	<u>\$ 2,679,000</u>	[B-2]	<u>\$ 97,251</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 2,471,922	[C-2]	\$ 97,251
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]	<u>\$ 2,471,922</u>	[B-2]	<u>\$ 97,251</u>

REQUIRED SUPPLEMENTARY INFORMATION - PART III

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
Schedules of Required Supplementary Information Part III

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

Public Employee's Retirement System

	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability(Asset)	0.001960%	0.001287%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 439,961	\$ 240,942
District's Covered-Employee Payroll	\$ 37,080	\$ 52,534
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll	1186.52%	458.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.93%	52.08%

Note: The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

SCHEDULE L-2

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP

Schedules of Required Supplementary Information Part III

SCHEDULE OF THE DISTRICT CONTRIBUTIONS

Public Employee's Retirement System (PERS)

	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 16,850	\$ 10,069
Contributions in Relation to the Contractually Required Contribution	<u>(16,850)</u>	<u>(10,069)</u>
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>
 District's Covered-Employee Payroll	 \$ 37,080	 \$ 52,534
 Contributions as a Percentage of Covered-Employee Payroll	 45.44%	 19.17%

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
Schedules of Required Supplementary Information Part III

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

Teachers Pension Plan

	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability(Asset)	0.006115%	N/A
State's proportionate share of the net pension liability (asset) associated with the District	\$ 3,865,066 *	N/A
District's Covered-Employee Payroll	\$ 652,356	\$ 483,100
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage Percentage of its covered-employee	592.48%	N.A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	28.71%	33.64%

Note: The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

* The Charter School was not enrolled in the Teachers Pension Plan as of the measurement period used to determine the net pension liability.

SCHEDULE L-4

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP

Schedules of Required Supplementary Information Part III

SCHEDULE OF THE DISTRICT CONTRIBUTIONS

Teachers Pension Plan

The School District was not required to make any contributions towards TPAF.

Note: This schedule is required by GASB 68 to show information for a 10 year period. However, information is only currently available for three years. Additional years will be presented as they become available.

**NOTES TO THE REQUIRED SUPPLEMENTARY
INFORMATION - PART III**

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PART III
Pension Schedules**

For the Fiscal Year Ended June 30, 2016

Teachers' Pension and Annuity Fund (TPAF)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. 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.

Change of assumptions. Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

Public Employees' Retirement System (PERS)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Change of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 Based on Projection Scale AA.

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, 2016

	NCLB				Totals	
	Title I	Title II	IDEA	IDEA		
	Part A	Part A	Preschool	Basic	2016	2015
REVENUES:						
Federal Sources	\$ 56,505	\$ 802	\$ 406	\$ 39,538	\$ 97,251	\$ 98,614
Total Revenues	<u>\$ 56,505</u>	<u>\$ 802</u>	<u>\$ 406</u>	<u>\$ 39,538</u>	<u>\$ 97,251</u>	<u>\$ 98,614</u>
EXPENDITURES:						
Instruction:						
Salaries of Teachers	\$	\$	\$	\$	\$	\$
Supplies and Materials	31,805				31,805	373
Total Instruction	<u>31,805</u>				<u>31,805</u>	<u>373</u>
Support Services:						
Employee Benefits						
Purchased Prof. & Technical Services	24,700	802	406	39,538	65,446	98,241
Total Support Services	<u>24,700</u>	<u>802</u>	<u>406</u>	<u>39,538</u>	<u>65,446</u>	<u>98,241</u>
Facilities Acquisitions & Const Serv:						
Property						
Total Facilities Acquisition & Const Serv						
Total Expenditures	<u>\$ 56,505</u>	<u>\$ 802</u>	<u>\$ 406</u>	<u>\$ 39,538</u>	<u>\$ 97,251</u>	<u>\$ 98,614</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 POSITION
AS OF JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

	<u>Food Service Fund</u>	<u>Before and After Care Program</u>	<u>Summer Enrichment</u>	<u>Totals</u>	
				<u>2016</u>	<u>2015</u>
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 5,478	\$ 20,525	\$	\$ 26,003	\$ 23,917
Accounts Receivable:					
State	73			73	116
Federal	7,950			7,950	4,673
Other	446			446	39
Interfund Receivable - Payroll					3,743
Interfund Receivable - General Fund					5,864
Total Current Assets	<u>\$ 13,947</u>	<u>\$ 20,525</u>	<u>\$</u>	<u>\$ 34,472</u>	<u>\$ 38,352</u>
LIABILITIES AND NET POSITION:					
Current Liabilities:					
Accounts Payable	\$	\$	\$	\$	\$ 14,944
Interfund Accounts Payable	13,947	12,276		26,223	19,747
Total Current Liabilities	<u>13,947</u>	<u>12,276</u>		<u>26,223</u>	<u>34,691</u>
Net Position:					
Unreserved Retained Earnings		8,249		8,249	3,661
Total Net Position		<u>8,249</u>		<u>8,249</u>	<u>3,661</u>
Total Liabilities and Net Position	<u>\$ 13,947</u>	<u>\$ 20,525</u>	<u>\$</u>	<u>\$ 34,472</u>	<u>\$ 38,352</u>

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
FOOD SERVICES ENTERPRISE FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	<u>Food Service Fund</u>	<u>Before and After Care Program</u>	<u>Summer Enrichment</u>	<u>Totals</u>	
				<u>2016</u>	<u>2015</u>
OPERATING REVENUES:					
Local Sources:					
Daily Sales - Reimbursable Programs: \$	10,072	\$	\$	10,072	\$ 14,287
Tuition			2,550	2,550	9,144
Extended Day Fees		19,690		19,690	9,602
Other	7,564			7,564	
Total Operating Revenue	<u>17,636</u>	<u>19,690</u>	<u>2,550</u>	<u>39,876</u>	<u>33,033</u>
OPERATING EXPENSES:					
Salaries	21,800	12,500	6,570	40,870	42,839
Food Costs	93,218			93,218	56,522
Other Expenses	38	2,602	4,855	7,495	3,616
Total Operating Expenses	<u>115,056</u>	<u>15,102</u>	<u>11,425</u>	<u>141,583</u>	<u>102,977</u>
Operating Loss	<u>(97,420)</u>	<u>4,588</u>	<u>(8,875)</u>	<u>(101,707)</u>	<u>(69,944)</u>
Non-Operating Revenues:					
State Sources:					
State School Lunch Program	526			526	697
Federal Sources:					
School Breakfast Program	9,026			9,026	7,317
National School Lunch Program	27,811			27,811	32,276
Total Non-Operating Revenues	<u>37,363</u>			<u>37,363</u>	<u>40,290</u>
Net Income before Operating Transfers	<u>(60,057)</u>	<u>4,588</u>	<u>(8,875)</u>	<u>(64,344)</u>	<u>(29,654)</u>
Transfer from General Fund	<u>60,057</u>		<u>8,875</u>	<u>68,932</u>	<u>30,449</u>
Net Income		<u>4,588</u>		<u>4,588</u>	<u>795</u>
Net Position - July 1		<u>3,661</u>		<u>3,661</u>	<u>2,866</u>
Net Position - June 30	<u>\$</u>	<u>\$ 8,249</u>	<u>\$</u>	<u>\$ 8,249</u>	<u>\$ 3,661</u>

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
FOOD SERVICES ENTERPRISE FUND
STATEMENT OF CASH FLOWS
AS OF JUNE 30, 2016 AND 2015

	<u>Food Service Fund</u>	<u>Before and After Care Program</u>	<u>Summer Enrichment</u>	<u>Totals</u>	
				<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:					
Receipts from Customers	\$ 17,636	\$ 19,690	\$ 2,550	\$ 39,876	\$ 33,033
Payments to Employees	(21,800)	(12,500)	(6,570)	(40,870)	(42,839)
Payments to Suppliers	(88,287)	(2,602)	(12,326)	(103,215)	(51,195)
Net Cash Used by Operating Activities	<u>(92,451)</u>	<u>4,588</u>	<u>(16,346)</u>	<u>(104,209)</u>	<u>(61,001)</u>
Cash Flows from Non-capital Financing Activities					
Cash Received from General Fund Reimbursements	60,057		8,875	68,932	30,449
Cash Received from State and Federal Reimbursements	37,363			37,363	40,290
Net Cash Provided by Non-capital Financing Activities	<u>97,420</u>		<u>8,875</u>	<u>106,295</u>	<u>70,739</u>
Net Cash Provided by Investment Interest Activities					
Net Increase in Cash	4,969	4,588	(7,471)	2,086	9,738
Cash and Cash Equivalents, July 1	509	15,937	7,471	23,917	14,179
Cash and Cash Equivalents, June 30	<u>\$ 5,478</u>	<u>\$ 20,525</u>	<u>\$</u>	<u>\$ 26,003</u>	<u>\$ 23,917</u>
Operating Income (Loss)	\$ (97,420)	\$ 4,588	\$ (8,875)	\$ (101,707)	\$ (69,944)
Adjustments to Reconcile Operating Income (Loss)					
to Cash Used by Operating Activities:					
Decrease/(Increase) in Accounts Receivable	(3,641)			(3,641)	2,524
Decrease/(Increase) in Interfund Accounts Receivable	5,864			5,864	7,402
(Decrease)/Increase in Accounts Payable	(14,944)		(7,471)	(22,415)	(8,454)
(Decrease)/Increase in Interfund Accounts Payable	17,690			17,690	
Net Cash Used by Operating Activities	<u>\$ (92,451)</u>	<u>\$ 4,588</u>	<u>\$ (16,346)</u>	<u>\$ (104,209)</u>	<u>\$ (68,472)</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 POSITION
JUNE 30, 2016
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2015)

	<u>Unemployment</u>	<u>Student</u>		<u>Total</u>	
	<u>Trust</u>	<u>Activities</u>	<u>Payroll</u>	<u>2016</u>	<u>2015</u>
ASSETS:					
Cash and Cash Equivalents	\$	\$ 3,149	\$ 13,151	\$ 16,300	\$ 5,636
Due from Payroll Agency					2,617
Due from General Fund					6,039
Total Assets	\$	\$ 3,149	\$ 13,151	\$ 16,300	\$ 14,292
LIABILITIES AND NET POSITION:					
Liabilities:					
Due to Student Groups	\$	\$ 3,149	\$	\$ 3,149	\$ 1,749
Due to Food Service					3,743
Due to Unemployment Account					2,617
Payroll Deductions & Withholdings			5,275	5,275	
Due to General			7,876	7,876	
Total Liabilities		3,149	13,151	16,300	8,109
Net Position:					
Held in Trust for Unemployment Claims and Other Purposes					6,183
Total Liabilities and Net Position	\$	\$ 3,149	\$ 13,151	\$ 16,300	\$ 14,292

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
FIDUCIARY FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016 AND 2015

	<u>Expendable Trust</u>		
	<u>Unemployment</u>	<u>Total</u>	<u>Total</u>
	<u>Funds</u>	<u>2016</u>	<u>2015</u>
ADDITIONS:			
Contributions	\$	\$	\$
Employee Deductions			2,617
Total Additions			2,617
DEDUCTIONS:			
Total Deductions	6,183	6,183	
Change in Net Position	(6,183)	(6,183)	2,617
Net Position - Beginning of the Year	6,183	6,183	3,566
Net Position - End of the Year	\$	\$	\$ 6,183

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1,</u> <u>2015</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2016</u>	<u>Balance</u> <u>June 30,</u> <u>2016</u>
Student Activity Fund	\$ 1,749	\$ 14,278	\$ 12,878	\$	\$ 3,149

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
ASSETS:				
Cash and Cash Equivalents	\$ 321	\$ 1,135,182	\$ 1,122,352	\$ 13,151
Due from General Fund	6,039		6,039	
Total Assets	<u>\$ 6,360</u>	<u>\$ 1,135,182</u>	<u>\$ 1,128,391</u>	<u>\$ 13,151</u>
LIABILITIES AND RESERVES:				
Net Payroll	\$	\$ 707,052	\$ 707,052	\$
Payroll Deductions & Withholdings		417,596	412,321	5,275
Due to Food Service	3,743		3,743	
Due to Unemployment	2,617	2,658	5,275	
Due to General		7,876		7,876
Total Liabilities and Reserves	<u>\$ 6,360</u>	<u>\$ 1,135,182</u>	<u>\$ 1,128,391</u>	<u>\$ 13,151</u>

STATISTICAL SECTION

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NET POSITION BY COMPONENT
LAST FIVE FISCAL YEARS
(Accrual Basis of Accounting)
(UNAUDITED)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 114,527	\$ 108,177	\$ 98,410	\$ 112,811	\$ 926,368
Restricted - Escrow			15,000	30,000	45,000
Unrestricted	54,554	(9,148)	117,840	77,201	148,849
Total Governmental Activities Net Position	<u>\$ 169,081</u>	<u>\$ 99,029</u>	<u>\$ 231,250</u>	<u>\$ 220,012</u>	<u>\$ 1,120,217</u>
Business-Type Activities					
Invested in Capital Assets, Net of Related Debt	\$	\$	\$	\$	\$
Unrestricted	9,981	9,981	2,866	3,661	8,249
Total Business-Type Activities Net Position	<u>\$ 9,981</u>	<u>\$ 9,981</u>	<u>\$ 2,866</u>	<u>\$ 3,661</u>	<u>\$ 8,249</u>
District-Wide					
Invested in Capital Assets, Net of Related Debt	\$ 114,527	\$ 108,177	\$ 98,410	\$ 112,811	\$ 926,368
Restricted			15,000	30,000	45,000
Unrestricted	64,535	833	120,706	80,862	157,098
Total District-Wide Net Position	<u>\$ 179,062</u>	<u>\$ 109,010</u>	<u>\$ 234,116</u>	<u>\$ 223,673</u>	<u>\$ 1,128,466</u>

Source: CAFR Schedule A-1

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP

CHANGES IN NET POSITION

LAST FIVE FISCAL YEARS

(Accrual Basis of Accounting)

(UNAUDITED)

	2012	2013	2014	2015	2016
Expenses					
Governmental activities					
Instruction	\$ 586,591	\$ 846,326	\$ 987,261	\$ 908,932	\$ 910,730
Support Services					
Health Services					105,214
School Administrative Services	293,120	407,728	617,671	1,085,509	1,141,931
General Administrative Services	334,951	609,703	573,399	503,772	286,597
Employee Benefits					292,001
Other	20,831	22,440	23,847	27,605	29,892
Total Governmental Activities Expenses	1,235,493	1,886,197	2,202,178	2,525,818	2,766,365
Business-Type Activities					
Food Service	46,138	55,953	53,864	77,632	115,056
Extended Day		23,204	26,300	7,745	15,102
Summer Enrichment				17,600	11,425
Total Business-Type Activities Expense	46,138	79,157	80,164	102,977	141,583
Total District Expenses	\$ 1,281,631	\$ 1,965,354	\$ 2,282,342	\$ 2,628,795	\$ 2,907,948
Program Revenues					
Governmental Activities					
Charges for Services	\$	\$	\$	\$	\$
Operating Grants and Contributions	20,470	88,663	84,793	206,258	440,478
Total Governmental Activities Program Revenues	20,470	88,663	84,793	206,258	440,478
Business-Type Activities					
Charges for Services					
Food Service	7,515	14,356	13,684	14,287	10,072
Before and After Care	9,981	23,204	18,123	9,602	19,690
Summer Enrichment				9,144	2,550
Operating Grants and Contributions	30,156		41,242	40,290	37,363
Total Business-Type Activities Program Revenues	47,652	37,560	73,049	73,323	69,675
Total District Program Revenues	\$ 68,122	\$ 126,223	\$ 157,842	\$ 279,581	\$ 510,153
Net (Expense)/Revenue					
Governmental Activities	\$ (1,215,023)	\$ (1,797,534)	\$ (2,117,385)	\$ (2,319,560)	\$ (2,325,887)
Business-Type Activities	1,514	(41,597)	(7,115)	(29,654)	(71,908)
Total District-Wide Net Expense	\$ (1,213,509)	\$ (1,839,131)	\$ (2,124,500)	\$ (2,349,214)	\$ (2,397,795)
General Revenues and Other Changes in Net Position					
Governmental Activities					
Property Taxes Levied for General Purposes, net	\$ 498,440	\$ 765,932	\$ 993,596	\$ 1,092,017	\$ 1,174,796
Unrestricted Grants and Contributions	862,784	1,003,075	1,188,689	1,244,749	1,346,707
Investment Earnings	85	72	43	49	70
Miscellaneous Income	31,262		67,278	1,956	13,220
Prior Period Cancellation					4,506
Fixed Asset Adjustment					763,289
Transfers	(8,467)	(41,597)		(30,449)	(68,932)
Total Governmental Activities	1,384,104	1,727,482	2,249,606	2,308,322	3,233,656
Business-Type Activities					
Transfer	8,467	41,597		30,449	68,932
Total Business-Type Activities	8,467	41,597		30,449	68,932
Total District-Wide	\$ 1,392,571	\$ 1,769,079	\$ 2,249,606	\$ 2,338,771	\$ 3,302,588
Change in Net Position					
Governmental Activities	\$ 169,081	\$ (70,052)	\$ 132,221	\$ (11,238)	\$ 907,769
Business-Type Activities	9,981		(7,115)	795	(2,976)
Total District-Wide	\$ 179,062	\$ (70,052)	\$ 125,106	\$ (10,443)	\$ 904,793

Source: CAFR Schedule A-2

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
FUND BALANCES-GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS
(Modified Accrual Basis of Accounting)
(UNAUDITED)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund					
Restricted - Escrow	\$	\$	\$ 15,000	\$ 30,000	\$ 45,000
Assigned- Year-End-Encumbrances				12,720	
Unrestricted (Deficit)	54,554	(9,148)	117,840	104,445	244,817
Total General Fund	<u>\$ 54,554</u>	<u>\$ (9,148)</u>	<u>\$ 132,840</u>	<u>\$ 147,165</u>	<u>\$ 289,817</u>
All Other Governmental Funds					
Restricted	\$	\$	\$	\$	\$
Unrestricted, Reported in: Special Revenue Fund					
Total All Other Governmental Funds	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Source: CAFR Schedule B-1

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS
(UNAUDITED)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues					
Tax Levy	\$ 498,440	\$ 765,932	\$ 993,596	\$ 1,092,017	\$ 1,174,796
Investment Earnings	85	72	43	49	70
Miscellaneous	31,262		67,278	1,956	5,656
State Sources	862,784	1,003,075	1,188,689	1,385,454	1,498,478
Federal Sources	20,470	88,663	84,793	98,614	97,251
Total Revenues	1,413,041	1,857,742	2,334,399	2,578,090	2,776,251
Expenditures					
Instruction					
Regular Instruction	586,591	846,326	987,261	908,932	910,730
Support Services					
Health Services					105,214
School Administrative Services	293,120	407,728	617,671	1,085,509	331,138
General Administrative Services	334,951	609,703	573,399	496,869	1,141,931
Capital Outlay	135,358	16,090	14,080	42,006	80,160
Total Expenditures	1,350,020	1,879,847	2,192,411	2,533,316	2,569,173
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	63,021	(22,105)	141,988	44,774	207,078
Other Financing Sources (Uses)					
Transfers	(8,467)	(41,597)		(30,449)	(68,932)
Prior Period Orders and Other Adjustments					4,506
Total Other Financing Sources (Uses)	(8,467)	(41,597)		(30,449)	(64,426)
Net Change in Fund Balances	\$ 54,554	\$ (63,702)	\$ 141,988	\$ 14,325	\$ 142,652
Debt Service as a Percentage of					
Noncapital Expenditures	0.0%	0.0%	0.0%	0.0%	0.0%

Source: CAFR Schedule B-2

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST FIVE FISCAL YEARS
(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>Prior Year</u> <u>Expenditure</u> <u>Adjustments</u>	<u>Misc.</u>	<u>Total</u>
2016	\$ 70	\$	\$	\$ 3,600	\$ 2,056	\$ 5,726
2015	49				1,956	2,005
2014	43			60,466	6,769	67,278
2013	72					72
2012	85	11,769	250		19,158	31,262

Source: District Records

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
DEMOGRAPHIC AND ECONOMIC STATISTICS**
LAST FIVE FISCAL YEARS
(UNAUDITED)

<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>
2016 *	64,003	\$ 3,006,846,482	\$ 46,980	5.6%
2015	63,939	3,000,841,798	46,933	5.7%
2014	63,973	2,999,438,078	46,886	7.1%
2013	64,160	2,892,140,320	45,077	8.1%
2012	64,458	2,883,979,836	44,742	9.4%

** The above demographics reflect the entire Township of Gloucester.

The students of The Kingdom Charter School of Leadership represent approximately 2.9% 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
LAST FIVE FISCAL YEARS
(UNAUDITED)

<u>Function/Program</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Instruction					
Regular	5.0	7.0	12.0	14.0	15.0
Special education	3.0	3.0	2.0	2.0	2.0
Other special education					
Vocational					
Other instruction					
Support Services:					
Student & instruction related services			3.0	2.0	3.0
General administrative services			1.0	1.0	2.0
School administrative services			2.0		
Business administrative services					
Plant operations and maintenance					
Pupil transportation			3.0	2.0	
Food Service					2.0
Total	<u>8.0</u>	<u>10.0</u>	<u>23.0</u>	<u>21.0</u>	<u>24.0</u>

Source: District Personnel Records

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
OPERATING STATISTICS
LAST FIVE FISCAL YEARS
(UNAUDITED)

Fiscal Year	Enrollment	Operating Expenditures	Cost Per Pupil	Teaching Staff	Pupil/Teacher Ratio Elem.	Average Daily Enrollment (ADE)^c	Average Daily Attendance (ADA)^c	% Change in Average Daily Enrollment	Student Attendance Percentage
2016	197	\$ 2,489,013	\$ 12,635	23	12:01	197.0	186.8	-1.01%	94.82%
2015	199	2,491,310	12,519	16	12:01	199.0	190.0	10.56%	95.48%
2014	180	2,178,331	12,102	14	13:01	180.0	166.0	25.00%	92.22%
2013	145	1,863,757	12,853	10	14:01	144.0	129.2	22.45%	89.72%
2012	119	1,214,662	10,207	8	14:01	117.6	114.0	NA	96.94%

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
LAST FIVE FISCAL YEARS
(UNAUDITED)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>District Building</u>					
<u>Elementary</u>					
Square Feet	13,360	13,360	13,360	13,360	13,360
Capacity (students)	210	210	210	210	210
Enrollment	119	145	180	199	197

Other

Number of Schools at June 30, 2016

 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
LAST FIVE FISCAL YEARS
(UNAUDITED)

Lamb Financial Group	Type of Coverage	Coverage	Deductible
	July 1, 2015 - June 30, 2016:		
Carolina Casualty Insurance Group	D&O / EPLI	1,000,000	5,000
Markel Insurance Company	Package:		
	Commercial General Liability	3,000,000	
	Commercial Property	400,000	1,000
	Crime	100,000	500
Markel Insurance Company	Automobile	1,000,000	
Markel Insurance Company	Umbrella	5,000,000	10,000
Rochdale Insurance Company	Workers Compensation		
	Bodily injury by Accident	500,000	
	Bodily injury by Disease - Policy	500,000	
	Bodily injury by Disease - Per Employee	500,000	
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

**KINGDOM CHARTER SCHOOL OF LEADERSHIP
CHARTER SCHOOL PERFORMANCE FRAMEWORK
FINANCIAL PERFORMANCE - FISCAL RATIOS**

**JUNE 30, 2016
(UNAUDITED)**

	2014	2015	2016		Source
Cash	\$ 77,425	\$ 69,536	\$ 44,165		Audit: Exhibit A-1
Current Assets	287,519	262,618	334,161		Audit: Exhibit A-1
Total Assets	385,929	375,429	1,304,694		Audit: Exhibit A-1
Current Liabilities	151,813	111,792	80,260		Audit: Exhibit A-1
Total Liabilities	151,813	352,734	520,221		Audit: Exhibit A-1
Net Position	\$ 234,116	\$ 223,673	\$ 1,128,466		Audit: Exhibit A-1
Total Revenue	\$ 2,407,448	\$ 2,618,352	\$ 3,044,946		Audit: Exhibit A-2
Total Expenses	2,282,342	2,628,795	2,907,948		Audit: Exhibit A-2
Change in Net Position	\$ 125,106	\$ (10,443)	\$ 136,998		
Depreciation Expense	\$ 23,847	\$ 27,605	\$ 29,892		Financial Statements/ Audit Workpapers
Interest Expense					Financial Statements/ Audit Workpapers
Principal Payments					Financial Statements/ Audit Workpapers
Interest Payments					Financial Statements/ Audit Workpapers
Final Average Daily Enrollment	180	199	197		DOE Enrollment Reports
March 30th Budgeted Enrollment	180	199	197		Charter School Budget
	2014	2015	2016	3 Year Cumulative	Source
Near Term Indicators					
Current Ratio	1.89	2.35	4.16	2.57	Current Assets/ Current Liabilities
Unrestricted Days Cash	12.38	9.65	5.54	8.92	Cash/ (Total Expenses/365)
Enrollment Variance	100%	100%	100%	100%	Average Daily Enrollment / Budgeted Enrollment
Default	N/A	N/A	N/A	N/A	Audit
Sustainability Indicators					
Total Margin	5%	0%	4%	3%	Change in Net Position/ Total Revenue
Debt to Asset	0.39	0.94	0.40	0.50	Total Liabilities/ Total Assets
Cash Flow	(33,191)	(7,889)	(25,371)	(25,371)	Net change in cash flow from prior years
Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	(Change in Net Position+Interest Expense) (Principal & Interest Payments)

SINGLE AUDIT SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

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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

INDEPENDENT AUDITOR'S REPORT

To The Members of
The Board of Trustees
The Kingdom Charter School of Leadership
County of Camden, New Jersey

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 Board of Trustees 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, 2016, and the related notes to the financial statements, which collectively comprise the Board of Trustees of The Kingdom Charter School of Leadership's basic financial statements and have issued our report thereon dated November 16, 2016. 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 the audit requirements as prescribed by the Office of School Finance, Department of Education, and State of New Jersey.

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. We considered the deficiency described in the accompanying schedule of findings and questioned costs to be a material weaknesses, labeled Finding 2016-7.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We considered the deficiencies described in the accompanying schedule of findings and questioned costs to be significant, labeled Finding 2016-2, 3, 4, 5 and 6.

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. Given these limitations, additional material weaknesses may exist that have not been identified.

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 three instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey and are described in the accompanying schedule of findings and questioned costs as items labeled finding 2016-1 and 3.

The Kingdom Charter School of Leadership Board of Trustees' Response to Findings

The Kingdom Charter School of Leadership Board of Trustees' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Their response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

This report is intended solely for the information and use of management, The Kingdom Charter School of Leadership Board of Trustees, the New Jersey State 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 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
Licensed Public School Accountant
No. 915
November 28, 2016

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association

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**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE
OF EXPENDITURES REQUIRED BY THE UNIFORM ADMINISTRATIVE REQUIREMENTS,
COST PRINCIPLES AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS
(UNIFORM GUIDANCE) AND NEW JERSEY OMB CIRCULAR 15-08**

INDEPENDENT AUDITOR'S REPORT

The Honorable President and
Members of the Board of Trustees
The Kingdom Charter School of Leadership
County of Camden, New Jersey

Report on Compliance for Each Major Federal and State Program

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 *OMB Compliance Supplement and the New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the The Kingdom Charter School of Leadership's major federal and state programs for the fiscal year ended June 30, 2016. The The Kingdom Charter School of Leadership Board of Trustees' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of The Kingdom Charter School of Leadership Board of Trustees' major federal and state compliance based on our audit of the types of compliance requirements referred above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and as prescribed by the Office of School Finance, *Department of Education, State of New Jersey, Uniform Guidance* and New Jersey OMB 15-08. Those standards, Uniform Guidance and New Jersey OMB 15-08, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and 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 on compliance for each major federal and state program. Our audit does not provide a legal determination of The Kingdom Charter School of Leadership Board of Trustees' compliance with those requirements.

Opinion on Each Major Program

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 compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of The Kingdom Charter School of Leadership's Board of Trustees is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to major federal and state programs. In planning and performing our audit, we considered The Kingdom Charter School of Leadership Board of Trustees' internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance in accordance with Uniform Guidance and New Jersey OMB 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal or 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 federal or state program will not be prevented or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a major federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We considered the deficiency described in the accompanying schedule of findings and questioned costs to be significant, labeled Finding 2016-2.

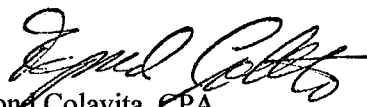
Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above or any instance of deficiency in internal control over compliance that we have to report to the Board of Trustees in a separate report entitled *Auditors' Management Report on Administrative Findings-Financial, Compliance and Performance* dated November 28, 2016. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance and New Jersey OMB 15-08.

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, 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.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, PA



Raymond Colavita, CPA
Licensed Public School Accountant
No. 915
November 28, 2016

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SCHEDULE A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through G Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2015	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Budgetary Expenditures Direct	Total Budgetary Expenditures	Balance at June 30, 2016					
					From	To				Pass Through Funds			(Accounts Receivable)	Unearned Revenue	Due to Grantor			
U.S. Department of Agriculture																		
Passed-through State Department of Education:																		
Enterprise Fund:																		
National School Lunch Program	10.555	16161NJ304N1099	N/A	27,811	7/1/15	to 6/30/16			\$ 21,914		\$ (27,811)	\$ (27,811)	\$ (5,897)					
National School Lunch Program	10.555	16161NJ304N1099	N/A	32,276	7/1/14	to 6/30/15	\$ (3,658)		3,658									
School Breakfast Program	10.553	16161NJ304N1099	N/A	9,026	7/1/15	to 6/30/16			6,973	(9,026)		(9,026)	(2,053)					
School Breakfast Program	10.553	16161NJ304N1099	N/A	7,317	7/1/14	to 6/30/15	(1,015)		1,015									
Total Enterprise Fund:							(4,673)		33,560	(36,837)		(36,837)	(7,950)					
U.S. Department of Education																		
Passed-through State Department of Education:																		
Special Revenue Fund:																		
Title I Part A	84.010	S010A150030	NCLB606716	56,505	7/1/15	6/30/16			56,505	(56,505)		(56,505)						
Title I Part A	84.010	S010A150030	NCLB606715	60,436	7/1/14	6/30/15	4,613							\$ 4,613				
Title I Part A Carryover	84.010	S010A150030	NCLB606714	68,201	7/1/13	6/30/14	(3,662)						(3,662)					
Title II A	84.367A	S367A150029	NCLB606716	802	7/1/15	6/30/16			802	(802)		(802)						
Title II A	84.367A	S367A150029	NCLB606714	294	7/1/13	6/30/14	(609)						(609)					
Title II A	84.367A	S367A150029	NCLB606713	1,611	7/1/12	8/31/13	(219)						(219)					
IDEA Basic	84.027	H027A150100	IDEA606716	39,538	7/1/15	6/30/16			32,860	(39,538)		(39,538)	(6,678)					
IDEA Basic	84.027	H027A150100	IDEA606715	34,233	7/1/14	6/30/15	(19,624)		11,810				(7,814)					
IDEA Basic	84.027	H027A150100	IDEA606712	18,756	9/1/11	8/31/12	1,256								1,256			
IDEA Preschool	84.173	H173A150114	IDEA606716	406	7/1/15	6/30/16				(406)		(406)	(406)					
Total Federal Financial Awards							(18,245)		101,977	(97,251)		(97,251)	(19,388)	5,869				
							\$ (22,918)		\$135,537	\$ (134,088)		\$ (134,088)	\$ (27,338)	\$ 5,869				

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 this schedule.

These funds were not audited in accordance with the Uniform Guidance since the total of all grant expenditures did not exceed \$750,000.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE (SCHEDULE B)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To		Balance at June 30, 2015			Budgetary Expenditures	Adjustment	Balance at June 30, 2016		
					Unearned Revenue (Accts. Rec.)	Due to Grantor	Cash Received			(Accounts Receivable) From District	From State	Unearned Revenue/ Interfund Payable
State Department of Education												
General Fund												
Equalization Aid	16-495-034-5120-078	\$1,255,746	7/1/15	6/30/16			\$ 1,067,116	\$ (1,255,746)		\$ (188,630)		
Equalization Aid	15-495-034-5120-078	1,204,423	7/1/14	6/30/15	\$ (26,518)	\$8,686	26,518					\$ 8,686
Special Education	16-495-034-5120-089	68,101	7/1/15	6/30/16			51,186	(68,101)		(16,915)		
Special Education	15-495-034-5120-089	16,323	7/1/14	6/30/15	(2,156)		2,156					
Security Aid	16-495-034-5120-084	22,860	7/1/15	6/30/16			20,226	(22,860)		(2,634)		
Security Aid	15-495-034-5120-084	24,003	7/1/14	6/30/15	(2,664)	1,573	2,664					1,573
Reimbursed TPAF Social Security Contrib.	16-495-034-5095-002	54,194	7/1/15	6/30/16			51,859	(54,194)			\$ (2,335)	
Total General Fund					(31,338)	10,259	1,221,725	(1,400,901)		(208,179)	(2,335)	10,259
State Department of Agriculture												
Enterprise Fund - State Share:												
National School Lunch Program	16-100-010-3350-023	526	7/1/15	6/30/16			453	(526)		(73)		
National School Lunch Program	15-100-010-3350-023	697	7/1/14	6/30/15	(116)		116					
					(116)		569	(526)		(73)		
Total State Financial Assistance Subject to OMB 15-08					\$ (31,454)	#####	\$ 1,222,294	\$ (1,401,427)		\$ (208,252)	\$ (2,335)	\$ 10,259
State Financial Assistance Not Subject to OMB 15-08												
On-Behalf TPAF Post Retirement Medical	16-495-034-5095-001	53,036	7/1/15	6/30/16			\$ 53,036	\$ (53,036)				
On-Behalf TPAF Pension Contribution	16-495-034-5095-006	44,541	7/1/15	6/30/16			44,541	(44,541)				
Total State Financial Assistance							\$ 1,319,871	\$ (1,499,004)				

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 this schedule.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2016

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 2 CFR 200- *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB 15-08. 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	\$	\$ 1,498,478	\$ 1,498,478
Special Revenue Fund	97,251		97,251
Food service Fund	<u>36,837</u>	<u>526</u>	<u>37,363</u>
Total Awards & Financial Assistance	\$ <u>134,088</u>	\$ <u>1,499,004</u>	\$ <u>1,633,092</u>

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2016

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, 2016.

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, 2016. 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, 2016.

NOTE 7: SCHOOL-WIDE PROGRAM FUNDS

The District's Federal Programs are on a school-wide programs in the District.

NOTE 8: MAJOR PROGRAMS

Major programs are identified in the Summary of Auditor's Results Section of the Schedule of Findings and Questioned Cost.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- 1) Material weakness (es) identified? X yes no
- 2) Significant deficiencies identified? X yes none reported

Noncompliance material to basic financial statements noted? X yes no

Federal Awards

Internal control over major programs: N/A

- 1) Material weakness (es) identified? yes no
- 2) Significant deficiencies identified? Yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a) of Uniform Guidance? yes no

<u>CFDA Number(s)</u>	<u>FAIN Number(s)</u>	<u>Name of Federal Program or Cluster</u>
-----------------------	-----------------------	---

N/A

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

Auditee qualified as low-risk auditee? X yes no

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(continued)

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

State Awards

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

Auditee qualified as low-risk auditee? X yes no

Internal control over major programs:

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

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

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

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08 X yes no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
16-495-034-5120-078	Equalization Aid
16-495-034-5120-089	Special Education Categorical Aid
16-495-034-5120-084	Security Aid

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(continued)**

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weakness, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements for which Government Auditing Standards and with audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey that requires reporting in the Uniform Guidance, New Jersey OMB Circular 15-08 audit.

Finding: 2016-1 (AMR Finding 2016-1)

Criteria or specific requirement:

N.J.S.A. 18A:17-32 requires a school treasurer to maintain Surety Bond coverage in accordance with the limits set forth in N.J.A.C. 6A:23A-16.4.

Condition:

The current Treasurer does not have a surety bond.

Context:

The District did not obtain Surety Bond coverage for the new Treasurer during the 2015-16 school year.

Effect:

The new Treasurer was not covered by a Surety Bond in the 2015-16 school year.

Cause:

The interpretation of surety bond coverage is in the process of being sought.

Recommendation:

A review of the Charter School's surety bonds should be conducted, in order to ensure the Treasurer maintains adequate coverage in future periods.

Management's response:

Management is aware of the necessary procedures to be updated and followed.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(continued)

Section II - Financial Statement Findings (continued)

Finding: 2016-2 (AMR Finding 2016-2)

Criteria or specific requirement:

Proper internal control dictates that where detailed information is not accurately reflected in the General Ledger, adjusting journal entries should be recorded on a timely basis.

Condition:

Revenue from the various sending districts, as recorded in a subsidiary worksheet, included numerous posting errors requiring adjustment as part of the audit. This included various formula errors in the worksheet, of which the result was inconsistent subtotals.

Context:

Amounts due to or from the various sending districts at year end were not accurately reflected in the Client's General Ledger.

Effect:

The General Ledger did not reflect accurate accounts receivables and or payables from sending districts prior to reflecting adjustments submitted as part of the audit.

Cause:

Inadvertent oversight

Recommendation:

Procedures to record revenue of the various sending district should be reviewed and revised, in order to provide accurate revenue and accounts receivable amounts per district.

Management's response:

Management is aware of the necessary procedures to be updated and followed.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(continued)

Section II - Financial Statement Findings (continued)

Finding: 2016-3 (AMR Finding 2016-3)

Criteria or specific requirement:

N.J.A.C. 6A:23A-16.10 states that the Board Office shall only approve an expenditure that, when added to the total of existing expenditures, does not exceed the amount appropriated by the Board of Trustees.

Condition:

During the course of the audit, it was determined that building improvements in the amount of \$50,000 were not charged against the budget nor was there adequate provision for these expenditures. As a result, the Capital Outlay section of the budget was overexpended.

Context:

The Charter School Budget did not provide for sufficient funds to cover an overexpenditure in the Capital Outlay section.

Effect:

The Capital Outlay section of the Charter School Budget reflects an overexpenditure of \$29,360, as of June 30, 2016.

Cause:

Certain budget ramifications were not entertained with respect to a security deposit expenditure made during the School Year.

Recommendation:

The Board Office should monitor the issuance and payment of purchase orders that would cause an overexpenditure in any line item account charged prior to the Board approving a requested transfer from funds and other appropriations.

Management's response:

Management is aware of the necessary procedures to be updated and followed.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(continued)

Section II - Financial Statement Findings (continued)

Finding: 2016-4 (AMR Finding 2016-4)

Criteria or specific requirement:

N.J.S.A. 18A: 17-19 states that the chief school administrator or board designee other than the secretary shall prepare the monthly reconciliation of bank account statements and in conjunction with the secretary take any steps necessary to bring the cash record balance and reconciled bank balance into agreement prior to completion of the secretary's monthly report.

Condition:

The General Fund bank account was not properly reconciled to the General Ledger for several months during the year. In addition, the Payroll Agency bank account contained numerous reconciling items that were not cleared from the records.

Context:

The June 30, 2016 General Fund and Payroll Agency bank reconciliations contained numerous reconciling items.

Effect:

As a result of the above condition, adjusting journal entries were identified and submitted to the Board Office, as of June 30, 2016.

Cause:

There appears to be more training needed in the area of payroll accounting.

Recommendation:

Procedures to reconcile the General Fund and Payroll Agency bank accounts should be reviewed and revised, in order to provide proper balances that are in agreement with the General Ledger and subsidiary records.

Management's response:

Management is aware of the necessary procedures to be updated and followed.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(continued)**

Section II - Financial Statement Findings (continued)

Finding: 2016-5 (AMR Finding 2016-5)

Criteria or specific requirement:

The N.J. Department of Education, as well as Federal requirements, stipulates that allowable expenditures be properly recorded under the Grant or budget line items and accurately reflected on the appropriate periodic reports.

Condition:

The approved budget for Title II was not in agreement with amounts recorded in the budget expenditure reports.

Context:

The budget figures reflected in the Charter School's accounting records for Title II were not in alignment with the final EWEG reports.

Effect:

As a result of the above condition, adjusting journal entries were identified and submitted to the Board Office, as of June 30, 2016.

Cause:

Inadvertent omission of the necessary comparison steps.

Recommendation:

The approved budget for Title II should be reconciled to the budget expenditure records on a periodic basis, in order to assure they are in agreement.

Management's response:

Management is aware of the necessary procedures to be updated and followed.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(continued)**

Section II - Financial Statement Findings (continued)

Finding: 2016-6 (AMR Finding 2016-6)

Criteria or specific requirement:

The N.J. Department of Education, as well as Federal requirements, stipulates that allowable expenditures be properly recorded under the Grant or budget line items and accurately reflected on the appropriate periodic reports.

Condition:

The final reports for the I.D.E.A. Basic and Preschool Programs were not in agreement with the budget expenditure records.

Context:

The June 30, 2016 Accounts Receivable balance reflected in the District's General Ledger for I.D.E.A. Basic and Preschool Programs were not in agreement with the supporting grant documentation.

Effect:

As a result of the above condition, adjusting journal entries were identified and submitted to the Board Office, as of June 30, 2016.

Cause:

Inadvertent omission of the necessary comparison steps.

Recommendation:

Procedures to complete final reports for the I.D.E.A Programs should be reviewed and revised, in order to assure the amounts are in agreement with the actual expenditures.

Management's response:

Management is aware of the necessary procedures to be updated and followed.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(continued)**

Section II - Financial Statement Findings (continued)

Finding: 2016-7 (AMR Finding 2016-7)

Criteria or specific requirement:

It is considered necessary, as well as required, to record adjusting journal entries into the General Ledger, prior to the year-end financial close-out.

Condition:

The General Ledger was not sufficiently analyzed, with regard to adjusting the various balance sheet accounts maintained in the Food Service Fund.

Context:

Various balance sheet accounts including cash, interfunds payable and accounts receivable were not properly adjusted prior to the year-end financial close-out.

Effect:

As a result of the above condition, adjusting journal entries were identified and submitted to the Board Office, as of June 30, 2016.

Cause:

An adequate review of the balance sheet accounts, within the Food Service Fund, was not performed prior to the year-end financial close-out.

Recommendation:

As part of the year end close out procedures, an additional review of the Food Service Fund should be conducted, in order to provide complete and accurate balances for the Charter School's financial statements.

Management's response:

Management is aware of the necessary procedures to be updated and followed.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016
(continued)**

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

This section identifies the audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Guidance Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and New Jersey OMB Circular Letter 15-08, as applicable, for State Financial Assistance.

FEDERAL AWARDS

Finding: NONE

Information on the federal program:

Criteria or specific requirement:

Condition:

Questioned Costs:

Context:

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, 2016
(continued)**

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

STATE AWARDS

Finding: 2016-2

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

Criteria or specific requirement:

Proper internal control dictates that where detailed information is not accurately reflected in the General Ledger, adjusting journal entries should be recorded on a timely basis.

Condition:

Revenue from the various sending districts, as recorded in a subsidiary worksheet, included numerous posting errors requiring adjustment as part of the audit. This included various formula errors in the worksheet that resulted inconsistent subtotals.

Questioned Costs: NONE

Context:

Amounts due to or from the various sending districts at year end were not accurately reflected in the Client's General Ledger.

Effect:

The General Ledger did not reflect accurate accounts receivables and or payables from sending districts prior to reflecting adjustments submitted as part of the audit.

Cause:

Inadvertent oversight

Recommendation:

Procedures to record revenue of the various sending district should be reviewed and revised, in order to provide accurate revenue and accounts receivable amounts per district.

Management's response:

Management is aware of the necessary procedures to be updated and followed.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This section identifies the status of prior - year findings related to the basic financial statements and Federal Awards and State Financial Assistance that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, US OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* section .511(a) (b) and New Jersey OMB's Circular 04-04 and/or 15-08, as applicable.

STATUS OF PRIOR - YEAR FINDINGS

Finding 2015-1

Condition: The Treasurer's surety bond coverage, for the 2014-15 School Year, did not meet the minimum amount required by N.J.A.C. 6A:23A-16.4.

Status: Unresolved, see Finding 2016-1

Finding 2015-2

Condition: While revenue and cash receipts from the various sending districts appeared to be recorded in the supporting revenue subsidiary worksheet, the General Ledger was not adequately adjusted to accurately reflect various accounts receivables and or payables.

Status: Unresolved, see Finding 2016-2

Finding 2015-5

Condition: In several instances, the number of days reflected as enrolled in the Charter School Enrollment System did not appear accurately calculated, regarding students transferring in/out of the Charter School.

Status: Resolved