

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2018

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, 2018

Prepared by

The Kingdom Charter School of Leadership Board of Trustees

Finance Department

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THE KINGDOM CHARTER SCHOOL OF LEADERSHIP

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

Ms. Riscee Langhorne
Business Administrator/
Board Secretary

Telephone: (856) 232-0100

January 25, 2019

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, 2018 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 2017 - 2018 fiscal year with an enrollment of 205 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 2017-18 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, 2018.

5. ACCOUNTING SYSTEM AND REPORTS:

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

6. RISK MANAGEMENT:

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

7. OTHER INFORMATION:

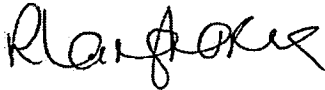
Independent Audit

State statutes require an annual audit by independent certified public accountants or registered municipal accountants. 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,



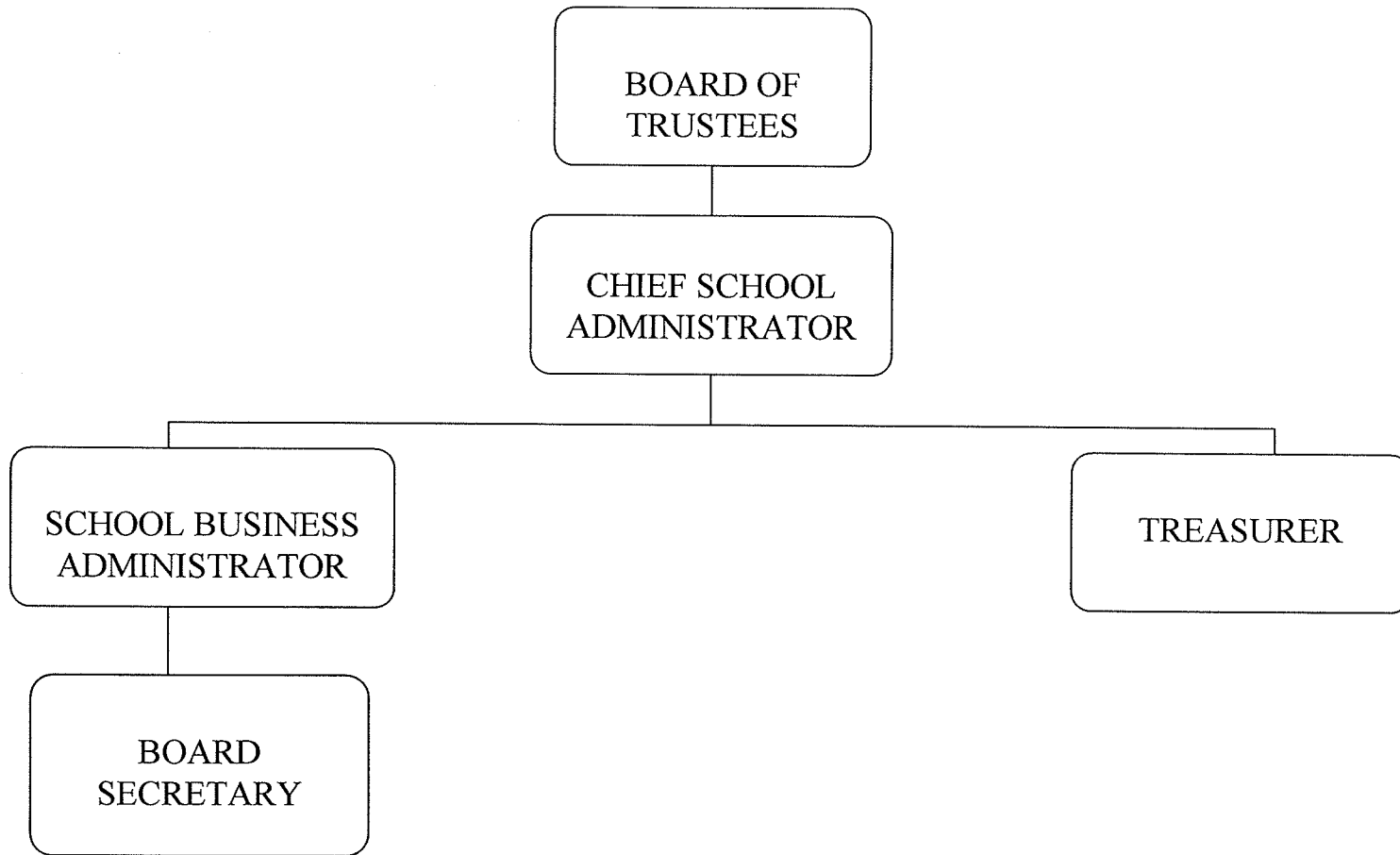
Ms. Risce Langhorne
Business Administrator/Board Secretary

The Kingdom Charter School of Leadership

Blackwood, New Jersey

Camden County

(UNIT CONTROL)



THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
BLACKWOOD, NEW JERSEY

ROSTER OF OFFICIALS

June 30, 2018

<u>MEMBERS OF THE BOARD OF TRUSTEES</u>	<u>TERM EXPIRES</u>
Maravi Melendez-Davis, President	2019
Bob Fensterer, Interim Vice President	2019
Peter Shoemaker	2019
LaShond Ellis	2019
Andrea Willis	2019
<u>OTHER OFFICIALS</u>	
Edward Green, School Principle	
Risce Langhorne, Business Administrator	\$150,000
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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Gibbsboro, New Jersey 08026

Paul Barger
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Iselin, New Jersey 08830

OFFICIAL DEPOSITORY

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Stratford, New Jersey 08084

FINANCIAL SECTION

NIGHTLINGER, COLAVITA & VOLPA

A Professional Association
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To The Members of
The Board of Trustees
The 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, 2018, 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, 2018, 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, budgetary comparison information and schedules related to accounting and reporting for pensions 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 accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards and state financial assistance 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 and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 January 25, 2019 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 effectiveness of the Kingdom Charter School of Leadership's Board of Education's of 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
January 25, 2019

REQUIRED SUPPLEMENTARY INFORMATION – PART I

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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, 2018. 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 2018 are as follows:

- ❖ The 2018 school year was the seventh year of operations and educated students from Kindergarten through Fifth Grade.
- ❖ Total revenues of the school were \$3,597,895, of which general revenues accounted for \$2,868,209 or 79.7% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions, and capital grants accounted for \$729,686 or 20.3% percent of all Revenues.
- ❖ Total net position of governmental activities at the year was \$1,295,074.
- ❖ The School had \$3,510,644 in total expenses, of which \$729,686 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 \$2,926,979 in revenues and \$2,860,795 in expenditures. The General Fund's balance, as of June 30, 2018 was \$404,317.

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 2018?” 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 2018 and 2017 in accordance with GASB Statement 34. The following net position comparisons are for the years ended in 2018 and 2017.

Table 1
Net Position

	2018	2017
Assets		
Cash and Cash Equivalents	\$ 429,134	\$ 318,136
Receivables, Net	170,177	330,323
Capital Assets, Net	939,078	945,957
Total Assets	<u>1,538,389</u>	<u>1,594,416</u>
Deferred Outflows of Resources	<u>191,118</u>	<u>261,337</u>
Liabilities		
Accounts Payable	20,915	33,922
Unearned Revenue	32	
Due to Other Governments	80,973	224,900
Net Pension Liability	124,610	154,989
Total Liabilities	<u>226,530</u>	<u>413,811</u>
Deferred Inflows of Resources	<u>207,903</u>	<u>234,119</u>
Net Position		
Invested in capital assets, net of debt	939,078	945,957
Restricted - Escrow Fund	75,000	60,000
Unrestricted	280,996	201,866
Total Net Position	<u>\$ 1,295,074</u>	<u>\$ 1,207,823</u>

Table 2 shows the changes in net position from fiscal years 2018 and 2017, in accordance with GASB Statement 34. The following comparison of changes in net position, represent data for the years ended in 2018 and 2017.

Table 2
Changes in Net Position

	2018	2017
Revenues		
Programs Revenues		
Charges for services	\$ 62,253	\$ 44,615
Operating grants and contributions	667,433	640,988
General Revenues		
Property taxes	1,180,220	963,654
Grants and entitlements	1,666,953	1,684,874
Miscellaneous	21,036	11,252
Total Revenues	3,597,895	3,345,383
Program Expenses		
Instruction	1,095,489	1,085,305
Support Services		
Health Benefits	108,330	122,090
School Administration	791,162	1,122,681
General Administration	926,871	456,898
Employee Benefits	397,931	291,474
Enterprise Funds	134,903	132,847
Other	55,958	54,731
Total Expenses	3,510,644	3,266,026
Increase in Net Position	\$ 87,251	\$ 79,357

Governmental Activities

The School's total revenue for the fiscal year ended June 30, 2018 was \$3,597,895, of which net governmental activity revenues were \$3,412,839. As a charter school, voter approval for the School operations is not required in New Jersey. Property taxes made up 34.6% of revenues for governmental activities of The Kingdom Charter School of Leadership school. Federal, State and Local grants accounted for 65.1% and other revenue made up .3%. The school's total expenses were \$3,510,644, of which the net cost of governmental activity expenses were \$2,822,528 or 80.4%. In addition, instructional expenses comprises 32.5% of governmental expenses, while support services made up 65.9% and the remaining 1.6% 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 2018</u>	<u>Net Cost of Services 2018</u>	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2017</u>
Instruction	\$ 1,095,489	\$ 1,095,489	\$ 1,085,305	\$ 1,085,305
Support services				
Health Services	108,330	108,330	122,090	122,090
School Administrative Services	791,162	681,026	1,122,681	1,029,527
General and Business Administrativ	926,871	926,871	456,898	456,898
Employee Benefits	397,931	(45,146)	291,474	(160,350)
Other	55,958	55,958	54,731	54,731
 Total Expenses	 <u>\$ 3,375,741</u>	 <u>\$ 2,822,528</u>	 <u>\$ 3,133,179</u>	 <u>2,588,201</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 \$8,583 during the 2017-18 school year, to offset the excess of expenses over revenues. Total food service costs were \$99,507.
- ❖ Charges paid by patrons for daily food services were \$7,324.
- ❖ Extended Day revenues were \$67,625 and Extended Day expenses were \$27,544.
- ❖ Summer Enrichment revenues were \$17,924 and Summer Enrichment expenses were \$7,852.

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 \$3,037,115 and expenditures of \$2,970,931. The net positive change in the General Fund balance, after transfers to other funds, was 57,601. 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, 2018, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenue</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase/ (Decrease) from 2017</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$ 1,201,256	39.6%	\$ 44,456	3.8%
State Sources	1,725,723	56.8%	40,849	2.4%
Federal Sources	110,136	3.6%	16,982	18.2%
Total	\$ 3,037,115	100%	\$ 102,287	3.5%

The increase in Local Sources is attributed to a, increase in the local tax levy from sending districts of \$24,413 and other miscellaneous revenue of \$20,043.

The increase in State Sources is due to an increase in on-behalf pensions and social security reimbursements of \$63,554, offset by decrease of the state share in the local tax levy of \$5,461 and categorical state aid of \$17,244.

The increase in Federal Sources represents the net increase 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, 2018, 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 2017</u>	<u>Percent Increase (Decrease)</u>
Current:				
Instruction	\$ 1,095,489	36.9%	\$ 10,184	0.9%
Health Services	108,330	3.6%	(13,760)	-11.3%
Child Study Team	34,438	1.2%	34,438	100.0%
General Administrative Expenses	926,871	31.2%	469,973	102.9%
School Administrative Expenses	756,724	25.5%	(365,957)	-32.6%
Capital Outlay	49,079	1.6%	(25,241)	-34.0%
Total	\$ 2,970,931	100%	\$ 109,637	3.8%

The overall increase in Instructional expenditures was the result of an increase in salaries of \$14,504, offset by a decrease in undistributed expenditures of \$4,320.

The Health Services expenditures decreased by \$13,760 and Child Study Team expenses were \$34,438.

General and School Administrative expenditures had a net increase of \$104,016, resulting in a total increase of \$124,694 in Support Service expenses.

The capital outlay expenditures are attributed to building improvements, which decreased by \$25,241.

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 2018, 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 \$57,601 in revenue over expenditures.

- ❖ Actual revenues were \$16,152 less than expected, excluding on behalf state aid of \$256,589. This revenue variance was driven by the actual enrollment.
- ❖ The actual expenditures were lower than expected in various line items, in the total amount of \$139,281, excluding the on-behalf social security and TPAF pension contribution state aid payments of \$256,589 per Exhibit C-1. This indicated that expenditures were made within the budget, with positive variances in General and School Administration totaling \$103,705.
- ❖ The general fund also made transfers to the Food Service program during the 2017-18 School Year, in the amount of \$8,583.

Capital Assets

At the end of the fiscal year 2018, the School had \$939,078 invested in a building, leasehold improvements, machinery and equipment. Table 4 shows fiscal 2018 balances compared to 2017.

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

	<u>2018</u>	<u>2017</u>
Building Improvements	\$ 166,822	\$ 135,719
Machinery and Equipment	32,122	43,671
Building	740,134	766,567
Totals	<u>\$ 939,078</u>	<u>\$ 945,957</u>

Overall capital assets decreased \$6,879 from fiscal year 2017 to fiscal year 2018. The increase was attributed to the addition and adjustment of depreciable assets of \$49,079, offset by depreciation expense of \$55,958.

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 Riscee 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, 2018

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 338,702	\$ 90,432	\$ 429,134
Receivables, Net	164,171	6,006	170,177
Capital Assets, Net (Note 5):	939,078		939,078
Total Assets	<u>1,441,951</u>	<u>96,438</u>	<u>1,538,389</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Pension Outflow	<u>191,118</u>		<u>191,118</u>
LIABILITIES			
Accounts Payable	17,583	3,332	20,915
Due to Other Governments	80,973		80,973
Unearned Revenue		32	32
Non-Current Liabilities:			
Net Pension Liability	<u>124,610</u>		<u>124,610</u>
Total Liabilities	<u>223,166</u>	<u>3,364</u>	<u>226,530</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Pension Inflow	<u>207,903</u>		<u>207,903</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	939,078		939,078
Restricted:			
Escrow Fund	75,000		75,000
Unrestricted	<u>187,922</u>	<u>93,074</u>	<u>280,996</u>
Total Net Position	<u>\$ 1,202,000</u>	<u>\$ 93,074</u>	<u>\$ 1,295,074</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, 2018

<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	\$ 1,095,489	\$	\$	\$ (1,095,489)		\$ (1,095,489)
Support Services:						
Health Services	108,330			(108,330)		(108,330)
School Administrative Services	791,162		110,136	(681,026)		(681,026)
Employee Benefits	397,931		443,077	45,146		45,146
General and Business Administrative Services	926,871			(926,871)		(926,871)
Unallocated Depreciation	55,958			(55,958)		(55,958)
Total Governmental Activities	3,375,741		553,213	(2,822,528)		(2,822,528)
Business-type Activities:						
Food Service	99,507	7,324	83,600		(8,583)	(8,583)
Before and After Care	27,544	37,005	30,620		40,081	40,081
Summer Enrichment	7,852	17,924			10,072	10,072
Total Business-type Activities	134,903	62,253	114,220		41,570	41,570
Total Primary Government	\$ 3,510,644	\$ 62,253	\$ 667,433	\$ (2,822,528)	\$ 41,570	\$ (2,780,958)
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, net				\$ 1,180,220		\$ 1,180,220
Federal and State Aid Not Restricted				1,666,953		1,666,953
Investment Earnings				113		113
Miscellaneous				20,923		20,923
Transfers				(8,583)	8,583	
Total General Revenues, Special Items, Extraordinary Items and Transfers				2,859,626	8,583	2,868,209
Change in Net Position				37,098	50,153	87,251
Net Position—Beginning				1,164,902	42,921	1,207,823
Net Position—Ending				\$ 1,202,000	\$ 93,074	\$ 1,295,074

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, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 292,903	\$ 8,481	\$ 301,384
Interfund Receivable	44,459		44,459
State Aid Receivable	164,171		164,171
Total Assets	\$ 501,533	\$ 8,481	\$ 510,014
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 16,243	\$ 1,340	\$ 17,583
Interfund Payable		7,141	7,141
Due to Other Governments	80,973		80,973
Total Liabilities	97,216	8,481	105,697
Fund Balances:			
Restricted			
Escrow Fund	75,000		75,000
Unassigned, Reported in:			
General Fund	329,317		329,317
Total Fund Balances	404,317		404,317
Total Liabilities and Fund Balances	\$ 501,533	\$ 8,481	

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 \$1,172,587 and the accumulated depreciation is \$233,509 (Note 5).

	939,078
Long Term Net Pension Liability	(124,610)
Deferred Pension Outflows	191,118
Deferred Pension Inflows	(207,903)
Net position of governmental activities	\$ 1,202,000

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, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Local Sources:			
Local Tax Levy	\$ 1,180,220	\$	\$ 1,180,220
Investment Earnings	113		113
Miscellaneous	20,923		20,923
Total - Local Sources	1,201,256		1,201,256
State Sources	1,725,723		1,725,723
Federal Sources		110,136	110,136
Total Revenues	2,926,979	110,136	3,037,115
 EXPENDITURES			
Current:			
Regular Instruction	1,095,489		1,095,489
Support Services:			
Health Services	108,330		108,330
Child Study Team	34,438		34,438
Other Administrative Services	816,735	110,136	926,871
School Administrative Services	756,724		756,724
Capital Outlay	49,079		49,079
Total Expenditures	2,860,795	110,136	2,970,931
 Excess (Deficiency) of Revenues Over Expenditures			
	66,184		66,184
 OTHER FINANCING SOURCES (USES)			
Transfer to Food Service Fund	(8,583)		(8,583)
Total Other Financing Sources and Uses	(8,583)		(8,583)
 Net Change in Fund Balances			
	57,601		57,601
Fund Balance—July 1	346,716		346,716
Fund Balance—June 30	\$ 404,317	\$	\$ 404,317

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, 2018

Total net change in fund balances - governmental funds (from B-2)	\$	57,601
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.		
		(13,624)
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	\$	(55,958)
Capital outlays		49,079
		<hr style="width: 100%; border: 0.5px solid black;"/>
		(6,879)
Change in net position of governmental activities (A-2)	\$	<hr style="width: 100%; border: 0.5px solid black;"/> 37,098

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, 2018

	Business-type Activities - Enterprise Funds			
	Food Service	Before and After Care Program	Summer Enrichment	Totals
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 35,897	\$ 81,781	\$ 10,072	\$ 127,750
Intergovernmental Receivables	4,712	746		5,458
Accounts Receivable - Other	64	484		548
Total Current Assets	<u>40,673</u>	<u>83,011</u>	<u>10,072</u>	<u>133,756</u>
Total Assets	<u>\$ 40,673</u>	<u>\$ 83,011</u>	<u>\$ 10,072</u>	<u>\$ 133,756</u>
LIABILITIES AND NET POSITION:				
Current Liabilities:				
Accounts Payable	\$ 3,332	\$	\$	\$ 3,332
Interfund Accounts Payable	37,318			37,318
Deferred Revenue	23	9		32
Total Current Liabilities:	<u>40,673</u>	<u>9</u>		<u>40,682</u>
Net Position				
Unrestricted		83,002	10,072	93,074
Total Net Position		<u>83,002</u>	<u>10,072</u>	<u>93,074</u>
Total Liabilities and Net Position	<u>\$ 40,673</u>	<u>\$ 83,011</u>	<u>\$ 10,072</u>	<u>\$ 133,756</u>

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

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities Enterprise Fund			
	Food Service	Before and After Care Program	Summer Enrichment	Total Enterprise
Operating revenues:				
Charges for Services:				
Daily Sales - Reimbursable Programs:	\$ 7,324			\$ 7,324
Tuition			17,924	17,924
Extended Day Fees		37,005		37,005
Total Operating Revenue:	7,324	37,005	17,924	62,253
Operating expenses:				
Salaries	30,588	22,949	3,500	57,037
Food Costs - Reimbursable Prog	66,955			66,955
Other	1,964	4,595	4,352	10,911
Total Operating Expenses	99,507	27,544	7,852	134,903
Operating Income (Loss)	(92,183)	9,461	10,072	(72,650)
Non-operating Revenues (Expenses):				
State Sources:				
School Lunch Program	1,008			1,008
School Before and After Care Program		30,620		30,620
Federal Sources:				
School Breakfast Program	30,085			30,085
National School Lunch Program	52,507			52,507
Total Non-operating Revenues (Expenses)	83,600	30,620		114,220
Income (Loss) before Contributions & Transfers	(8,583)	40,081	10,072	41,570
Transfer from General Fund	8,583			8,583
Change in Net Position		40,081	10,072	50,153
Total Net Position—Beginning		42,921		42,921
Total Net Position—Ending	\$	\$ 83,002	\$ 10,072	\$ 93,074

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, 2018

	Business-type Activities Enterprise Funds			
	Food Service	Before and After Care Program	Summer Enrichment	Total Enterprise
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 9,658	\$ 35,877	\$ 17,924	\$ 63,459
Payments to Employees	(30,588)	(22,949)	(3,500)	(57,037)
Payments to Suppliers	(43,582)	(4,595)	(4,352)	(52,529)
Net Cash Provided by (Used for) Operating Activities	(64,512)	8,333	10,072	(46,107)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating Subsidies and Transfers from/to Other Funds	8,583			8,583
Cash Received from State and Federal Reimbursement	83,600	30,620		114,220
Net Cash Provided by (Used for) Non-capital Financing Activities	92,183	30,620		122,803
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	27,671	38,953	10,072	76,696
Balances—Beginning of Year	8,226	42,828		51,054
Balances—End of Year	\$ 35,897	\$ 81,781	\$ 10,072	\$ 127,750
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (92,183)	\$ 9,461	\$ 10,072	\$ (72,650)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
(Increase)/Decrease in Accounts Receivable, Net	2,311	(1,137)		1,174
Increase/(Decrease) in Accounts Payable	3,332			3,332
Increase/(Decrease) in Interfund Accounts Payable	22,005			22,005
Increase/(Decrease) in Deferred Revenue	23	9		32
Total Adjustments	27,671	(1,128)		26,543
Net Cash Provided by (Used for) Operating Activities	\$ (64,512)	\$ 8,333	\$ 10,072	\$ (46,107)

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, 2018

	<u>Unemployment Trust</u>	<u>Agency Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ 5,234	\$ 5,925
Total Assets		<u>5,925</u>
LIABILITIES		
Due to Student Groups		<u>5,925</u>
Total Liabilities	\$	<u><u>5,925</u></u>
NET POSITION		
Held in Trust for Unemployment Claims and Other Purposes	\$ 5,234	

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, 2018

	<u>Unemployment Compensation Trust</u>
ADDITIONS	
Contributions:	
Contributions	\$ 16,989
Total Additions	<u>16,989</u>
DEDUCTIONS	
Unemployment Claims and Fees	<u>18,210</u>
Total Deductions	<u>18,210</u>
Change in Net Position	(1,221)
Net Position—Beginning of the Year	<u>6,455</u>
Net Position—End of the Year	<u><u>\$ 5,234</u></u>

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, 2018

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, 2018 was 205, which is 2 students more than in 2016-17. 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, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Standards:

The Charter School has adopted the following GASB statements:

- 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 inter-period equity, and creating additional transparency. The requirements of this Statement will be effective for reporting periods beginning after June 15, 2017. The adoption of GASB 75 will impact the financial statements of the Charter School.
- GASB No. 85 - *Omnibus 2017*: The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of Statement will be effective for reporting periods beginning after June 15, 2017. The adoption of GASB 85 is not expected to impact the financial statements of the Charter School.
- GASB No. 86 - *Certain Debt Extinguishment Issues*: The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of Statement will be effective for reporting periods beginning after June 15, 2017. The adoption of GASB 86 is not expected to impact the financial statements of the Charter School.

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

- GASB No. 83 - *Certain Asset Retirement Obligations*: This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of Statement will be effective for reporting periods beginning after June 15, 2018. Management is evaluating the potential impact of the adoption of GASB 83 on the Charter School's financial statements.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New Accounting Standards (Cont'd):

- GASB No. 84 - *Fiduciary Activities*: The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of Statement will be effective for reporting periods beginning after December 15, 2018. Management is evaluating the potential impact of the adoption of GASB 84 on the Charter School's financial statements.

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

- GASB No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*: The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management is evaluating the potential impact of the adoption of GASB 88 on the Charter School's financial statements.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New Accounting Standards (Cont'd):

- GASB No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*: The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management is evaluating the potential impact of the adoption of GASB 89 on the Charter School's financial statements.

- GASB Statement - No. 90 - *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*: The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management is evaluating the potential impact of the adoption of GASB 90 on the Charter School's financial statements.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

- 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:

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

GOVERNMENTAL FUND TYPE

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

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

Resources for budgeted capital outlay purposes are normally derived from the "local levy" local share - charter school aid, "local levy" state share - charter school aid, categorical aid, revenues from other sources and appropriated fund balance. Expenditures are those in excess of \$2,000, which result in the acquisition of or additions to capital assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to Current Expense by Board resolution.

Special Revenue Fund - The Charter School accounts for the proceeds of specific revenue sources from the state and federal government (other than expendable trusts, major capital projects or enterprise funds) and local appropriations that 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 Charter School currently has no debt service obligations, and, therefore, the accounting system of the Charter School does not include a debt service fund.

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 KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Fund Accounting (Cont'd):

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

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

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

FIDUCIARY FUND TYPE

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

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

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

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

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.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 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 NJ 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.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the last state aid payment for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are to be maintained to allow for the presentation of GAAP basis financial reports.

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

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of fund balances at fiscal year-end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services. The budget, as detailed on Exhibit C-1, includes all amendments to the adopted budget, if any. Open encumbrances in the special revenue fund for which the Charter School has received advances (if any) are reflected in the balance sheet as 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, 2018.

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.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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, 2018.

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.

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, 2018. 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).

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

J. Fund Equity:

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

K. Operating Revenues and Expenses:

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

L. CharterSchool 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.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

N. Revenues – Exchange and Non-exchange Transactions:

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

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

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.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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, 2018.

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 CharterSchool 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 expensed when incurred in accordance with GASB Statement No. 65. There were no such leases for the year ended June 30, 2018.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

New Jersey Schools are limited as to the types of investments and types of financial institutions they may invest in. New Jersey statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Schools. Investments are stated at cost, or amortized cost, which approximates market.

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

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.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONT'D)

As of June 30, 2018, cash and cash equivalents in the fund financial statements of the Charter School consisted of the following:

	<u>Cash and Cash</u> <u>Equivalents</u>
Checking Accounts	\$ 440,293
Total	<u>\$ 440,293</u>

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, 2018, the Charter School's bank balance of \$503,045 was exposed to custodial credit risk as follows:

Insured	\$ 250,000
Uninsured and collateralized with securities held by pledging financial institutions	253,045
	<u>\$ 503,045</u>

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, 2018, 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, 2018.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance July 1, 2017	Additions	Adustments/ Retirements	Ending Balance June 30, 2018
Governmental activities:				
Capital Assets that are Not Being Depreciated:				
Land	\$	\$	\$	\$
Building Improvement	202,340	49,079		251,419
Machinery and Equipment	128,168			128,168
Building	793,000			793,000
Total at Historical Cost	1,123,508	49,079		1,172,587
Less Accumulated Depreciation for:				
Building Improvement	(66,621)	(17,976)		(84,597)
Machinery and Equipment	(84,497)	(11,549)		(96,046)
Building	(26,433)	(26,433)		(52,866)
Total Accumulated Depreciation	(177,551)	(55,958)		(233,509)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	945,957	(6,879)		939,078
Governmental Activities Capital Assets, Net	\$ 945,957	\$ (6,879)	\$	\$ 939,078
				To A-1
Business-type Activities Capital Assets, Net	\$	\$	\$	\$

NOTE 6. GENERAL LONG-TERM DEBT

As of June 30, 2018, there was no debt.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7. PENSION PLANS

Description of Plans- All required employees of the Charter School are covered by either the Public Employees' Retirement System (PERS) or the Teachers' Pension and Annuity Fund (TPAF) 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. For additional information about PERS or TPAF, please refer to Division's Comprehensive Annual Financial Report (CAFR) which can be found at <http://www.nj.gov/treasury/pensions/financial-reports.shtml>.

The following represents the membership tiers for PERS and TPAF:

Tier	Definition
1	Members who are enrolled prior to July 1, 2007.
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008.
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010.
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011.
5	Members who were eligible to enroll on or after June 28, 2011.

Public Employees' Retirement System

The PERS is a cost sharing multiple-employer defined benefit pension plan that was established in 1955. The PERS provides retirement, death and disability, and medical benefits to qualified members. The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A. All benefits vest after ten years of service, except for medical benefits that vest after 25 years of service or under the disability provisions of PERS.

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 with 25 years or more of service credit before age 62, and tier 5 with 30 years or more 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 - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provides for employee contributions of 7.34% of employees' annual compensation through June 30, 2018. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 13.37% of covered payroll. The Charter School's contributions to PERS for the years ended June 30, 2018, and 2017, were \$5,299 and \$4,807 respectively, equal to the required contributions for each year. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7. PENSION PLANS (CONT'D)

Public Employees' Retirement System (Cont'd)

The total payroll for the year ended June 30, 2018 was \$1,710,804. Payroll covered by PERS was \$280,060 for fiscal year 2018. Contributions to the system for the year ended June 30, 2018 were as follows:

	<u>PERS</u>
Employees	\$ 20,556
Charter School	<u>5,299</u>
Total	<u>\$ 25,855</u>

The Charter School is billed annually for its normal contribution plus any accrued liability. These contributions were equal to the required contributions for 2018, as follows:

Public Employees Retirement System					
<u>Fiscal</u>	<u>Normal</u>	<u>Accrued</u>	<u>Total</u>	<u>Funded by</u>	<u>Paid by</u>
<u>Year</u>	<u>Contribution</u>	<u>Liability</u>	<u>Liability</u>	<u>State</u>	<u>Charter School</u>
2018	\$ 653	\$ 4,064	\$ 5,299	\$ N/A	\$ 5,299

Components of Net Pension Liability - At June 30, 2018, the Charter School's proportionate share of the PERS net pension liability was \$124,610. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2016, to the measurement date of June 30, 2017. The Charter School's proportion of the net pension liability was based on the Charter School's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The Charter School's proportion measured as of June 30, 2017 was 0.000535% which was an increase of 0.00001% from its proportion measured as of June 30, 2016.

Pension Expense and Deferred Outflows/Inflows of Resources - The Charter School's 2018 PERS pension expense, with respect to GASB 68, was \$29,601. The Charter School's 2018 deferred outflows of resources and deferred inflows of resources were from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,934	\$
Changes of assumptions	25,105	25,013
Net difference between projected and actual earnings on pension plan investments	849	
Changes in proportion	156,931	182,890
Contributions subsequent to the measurement date	<u>5,299</u>	
Total	<u>\$ 191,118</u>	<u>\$ 207,903</u>

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7. PENSION PLANS (CONT'D)

Public Employees' Retirement System (Cont'd)

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

Year	PERS
2018	\$ 3,927
2019	7,517
2020	(24,974)
2021	(8,710)
2022	156
Thereafter	
Total	\$ (22,084)

Additional Information-Collective Balances at June 30, 2018 and 2017 are as follows:

Year	6/30/2018	6/30/2017
Collective deferred outflows of resources	\$ 191,118	\$ 261,337
Collective deferred inflows of resources	\$ 207,903	\$ 234,119
Collective Net Pension Liability	\$ 124,610	\$ 154,989
Charter School's Proportion	0.000535%	0.000523%

Actuarial Assumptions - The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016 which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	PERS
Measurement Date	June 30, 2017
Actuarial Valuation Date	July 1, 2016
Investment Rate of Return	7.00%
Salary Scale (Based on Age):	
Through 2026	1.65% - 4.15%
Thereafter	2.65% - 5.15%
Inflation	2.25%

Pre-retirement mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For State employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back 1 year for males and females) for service retirements and beneficiaries of former members and a one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7. PENSION PLANS (CONT'D)

Public Employees' Retirement System (Cont'd)

Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - 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 Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2017 are summarized in the following table:

	PERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Client oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Total	100.00%	

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7. PENSION PLANS (CONT'D)

Public Employees' Retirement System (Cont'd)

Discount Rate - The discount rate as of June 30, 2017 used to measure the total pension liability was 5.00% for PERS. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State employer contributed 40% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined contributions. 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 2040 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2040 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate - The following presents the collective net pension liability of the participating employers as of June 30, 2017, calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease (4.00%)	Current Discount (5.00%)	1% Increase (6.00%)
Charter School's proportionate the net pension liability	\$ 154,587	\$ 124,610	\$ 99,635

Teachers' Pension and Annuity Fund

The TPAF 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 defined benefit pension 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.

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.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7. PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund (Cont'd)

Contributions - 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 7.34% in State fiscal year 2018. The phase-in of the additional incremental member contribution rate takes place in July of each subsequent State fiscal year. 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 2017, 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, 2018 because of the 100% 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>
6/30/18	\$ 99,912	100 %	\$ N/A
6/30/17	97,577	100	N/A
6/30/16	97,577	100	N/A

During the fiscal year ended June 30, 2018, the State of New Jersey contributed \$99,912 to the TPAF for pension contributions, \$64,531 for post-retirement benefits on behalf of the School, and \$756 for long-term disability. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the Charter School \$91,390 during the year ended June 30, 2018 for the employer's share of social security contributions for TPAF members, as calculated on their base salaries.

Components of Net Pension Liability - At June 30, 2018, 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.

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.

Pension Expense - For the year ended June 30, 2018, the Charter School recognized pension expense of \$287,156 and revenue of \$287,156 for support provided by the State.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7. PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund (Cont'd)

Actuarial Assumptions - The total pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of July 1, 2016, which was rolled forward to June 30, 2017. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	TPAF
Measurement Date	June 30, 2017
Actuarial Valuation Date	July 1, 2016
Investment Rate of Return	7.00%
Salary Scale (Based on Age):	
Through 2026	Varies based
Thereafter	on experience
Inflation	2.25%

Long-Term Expected Rate of Return - Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2017 are summarized in the following table:

	TPAF	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Absolute return/risk mitigation	5.00%	5.51%
Cash equivalents	5.50%	1.00%
US Treasuries	3.00%	1.87%
Investment grade credit	10.00%	3.78%
Public high yield	2.50%	6.82%
Global diversified credit	5.00%	7.10%
Client oriented hedge funds	1.00%	6.60%
Debt related private equity	2.00%	10.63%
Debt related real estate	1.00%	6.61%
Private real asset	2.50%	11.83%
Equity related real estate	6.25%	9.23%
U.S. equity	30.00%	8.19%
Non-U.S. developed markets equity	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
Total	100.00%	

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 7. PENSION PLANS (CONT'D)

Teachers' Pension and Annuity Fund (Cont'd)

Discount Rate - The discount rate used to measure the total pension liability was 4.25% as of June 30, 2017. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.58% as of June 30, 2017 based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the contribution rate in the most recent fiscal year. The State contributed 40% of the actuarially determined contributions. 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 2036. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2036 and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate – As indicated above, TPAF has a special funding situation where the State pays 100% of the Charter School's annual required contribution.

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. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

The State of New Jersey reports a liability as a result of its statutory requirements to pay other postemployment (health) benefits for State Health Benefit Local Education Retired Employees Plan. The State Health Benefit Local Education Retired Employees Plan is a multiple-employer defined benefit OPEB plan that is administered on a pay-as-you-go basis. Accordingly, no assets are accumulated in a qualifying trust that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions. The State Health Benefit Local Education Retired Employees Plan provides medical, prescription drug, and Medicare Part B reimbursement to retirees and their covered dependents of local education employers.

The employer contributions for the participating local education employers are legally required to be funded by the State of New Jersey in accordance with N.J.S.A 52:14-17.32f. According to N.J.S.A 52:14- 17.32f, the State provides employer-paid coverage to employees who retire from a board of education or county college with 25 years or more of service credit in, or retires on a disability pension from, one or more of the following plans: the Teachers' Pension and Annuity Fund (TPAF), the Public Employees' Retirement System (PERS), the Police and Firemen Retirement System (PFRS), or the Alternate Benefit Program (ABP). Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

General Information about the OPEB Plan

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

At June 30, 2018, the following employees were covered by the benefit terms:

TPAF participant retirees

As of June 30, 2017, there were 112,966 retirees receiving post retirement medical benefits and the State contributed \$1.39 billion on their behalf.

PERS participant retirees

The state paid \$238.9 million toward Chapter 126 benefits for 20,913 eligible retired members in Fiscal Year 2017.

Basis of Presentation

The Schedule presents the State of New Jersey's obligation under NJSA 52:14-17.32f. The Schedule does not purport to be a complete presentation of the financial position or changes in financial position of the State Health Benefit Local Education Retired Employees Plan or the State of New Jersey. The accompanying Schedule was prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the State of New Jersey to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Total OPEB Liability

The State of New Jersey's total OPEB liability, as of the measurement date of June 30, 2017, was \$53,639,841,858. Of this amount, the total OPEB liability attributable to the Charter School was \$912,778. The State of New Jersey's proportionate share of the total OPEB liability is 100%, including the proportion attributable to the Charter School of 0.00170%. The total OPEB liability for the Charter School measured as of June 30, 2017 is zero as a result of the Special Funding Situation with the State of New Jersey. The Charter School's proportionate share of the total OPEB liability measured as of June 30, 2017 is 0.00%. Accordingly, the Charter School did not recognize any portion of the collective net OPEB liability on the Statement of Net Position.

Total Nonemployer OPEB Liability

The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, which was rolled forward to June 30, 2017. The total nonemployer OPEB liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2016. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

Total Nonemployer OPEB Liability (Cont'd)

	TPAF/ABP	PERS
Inflation Rate	2.50%	2.50%
	Based on	Based on
Salary Increases:	Years of Service	Age
Through 2026	1.55% - 4.55%	2.15% - 4.15%
Thereafter	2.00% - 5.45%	3.15% - 5.15%

Preretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Employee Male/Female mortality table with fully generational mortality improvement projections from the central year using the MP-2017 scale. Postretirement mortality rates were based on the RP-2014 Headcount-Weighted Healthy Annuitant Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale. Disability mortality was based on the RP-2014 Headcount-Weighted Disabled Male/Female mortality table with fully generational improvement projections from the central year using the MP-2017 scale.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies for the periods July 1, 2012 – June 30, 2015, July 1, 2010 – June 30, 2013, and July 1, 2011 – June 30, 2014 for TPAF and PERS, respectively.

Health Care Trend Assumptions

For pre-Medicare preferred provider organization (PPO) medical benefits, this amount initially is 5.9% and decreases to a 5.0% long-term trend rate after nine years. For self-insured post-65 PPO medical benefits, the trend rate is 4.5%. For health maintenance organization (HMO) medical benefits, the trend rate is initially 5.9% and decreases to a 5.0% long-term trend rate after nine years. For prescription drug benefits, the initial trend rate is 10.5% decreasing to a 5.0% long-term trend rate after eight years. For the Medicare Part B reimbursement, the trend rate is 5.0%. The Medicare Advantage trend rate is 4.5% and will continue in all future years.

Discount rate

The discount rate for June 30, 2017 was 3.58%. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

Changes in the Total OPEB Liability

		<u>Total OPEB Liability</u>
Balance as of June 30, 2016 Measurement Date	\$	840,681
Changes for the year:		
Service cost		232,045
Interest cost		30,285
Changes of benefit terms		
Differences between expected and actual experience		
Changes in assumptions or other inputs		(169,869)
Member contributions		778
Gross benefit payments		(21,142)
Net changes		<u>72,097</u>
Balance as of June 30, 2017 Measurement Date	\$	<u>912,778</u>

Sensitivity of Total Nonemployer OPEB Liability to changes in the discount rate:

The following presents the total nonemployer OPEB liability as of June 30, 2017, respectively, calculated using the discount rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<u>June 30, 2017</u>		
At 1.00% Decrease	At Discount Rate	At 1.00% Increase
2.58%	3.58%	4.58%
\$ 63,674,362,200	53,639,841,858	45,680,364,953

Sensitivity of Total Nonemployer OPEB Liability to changes in the healthcare trend rate:

The following presents the total nonemployer OPEB liability as of June 30, 2017, calculated using the healthcare trend rate as disclosed above as well as what the total nonemployer OPEB liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

<u>June 30, 2017</u>		
Healthcare Cost		
1.00% Decrease	Trend Rate	1.00% Increase
\$ 44,113,584,560	53,639,841,858	66,290,599,457

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)

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

For the year ended June 30, 2018, the Charter School recognized OPEB expense of \$261,594. The Charter School reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions		107,951
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion	113,335	
Contributions subsequent to the measurement date		
Total	\$ 113,335	\$ 107,951

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

Measurement Period Ending June 30,	OPEB
2018	\$ 11,316
2019	11,316
2020	11,316
2021	11,316
2022	11,316
Thereafter	40,057
Total	\$ 96,637

Special Funding Situation

The participating local education employer allocations included in the supplemental Schedule of special funding amounts by employer are provided as each local education employer is required to record in their financial statements, as an expense and corresponding revenue, their respective amount of total OPEB expense attributable to the State of New Jersey under the special funding situation and to include their respective amount of total OPEB liability in their notes to their financial statements. The total OPEB liability and service cost for each employer was determined separately based on actual data for each employer's participants.

NOTE 9. DEFERRED COMPENSATION

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

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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>
2017-2018	\$ 12,050	\$ 4,939	\$ N/A	\$ 5,234
2016-2017	14,253	3,947	11,745	6,455
2015-2016	N/A	5,276	N/A	-

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

The following interfund balances remained on the balance sheet at June 30, 2018:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 44,459	\$
Special Revenue Fund		7,141
Food Service Fund		37,318
Total	\$ 44,459	\$ 44,459

NOTE 12. FUND BALANCE APPROPRIATED

General Fund-Of the \$404,317 General Fund balance at June 30, 2018, \$75,000 was restricted as a required escrow and the remaining \$329,317 was unrestricted. In accordance with NJDOE stipulations, \$15,000 was added to the escrow account each year, until such time as the amount reaches \$75,000.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE 13. LITIGATION

The CharterSchool is currently in arbitration with its previous charter school management company regarding a breach of contract dispute, of which the Charter School is exposed to a potential liability. The Charter School legal counsel believe Kingdom's potential exposure to be in the range of \$500,000 if an unfavorable outcome is ruled.

NOTE 14. OPERATING LEASES

Copiers

The District leasestwo 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>
2019	\$ 8,677
2020	7,344
2021	5,814
Total	<u>\$ 21,835</u>

NOTE 15. TAX ABATEMENT

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because NJSA 54:4-75 and NJSA 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district.

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at NJSA 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

NOTE 16. SUBSEQUENT EVENTS

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

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, 2018

	<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:					
City of Camden	\$	\$ 1,313	\$ 1,313	\$ 1,313	\$
Borough of Clayton		2,429	2,429	2,429	
Borough of Clementon		73,913	73,913	73,913	
Borough of Collingswood		3,958	3,958	3,958	
Township of Deptford		32,174	32,174	32,174	
Township of Franklin		7,220	7,220	7,220	
Township of Gloucester	1,237,015	(710,465)	526,550	526,550	
Township of Harrison		6,028	6,028	6,028	
Borough of Lawnside		11,445	11,445	11,445	
Borough of Lindenwold		141,654	141,654	141,654	
Township of Monroe		38,234	38,234	38,234	
Borough of Paulsboro		12,599	12,599	12,599	
Borough of Pine Hill		46,403	46,403	46,403	
Borough of Somerdale		7,693	7,693	7,693	
Borough of Stratford		7,826	7,826	7,826	
Township of West Deptford		6,751	6,751	6,751	
Township of Washington		106,997	106,997	106,997	
Township of Winslow		141,882	141,882	141,882	
City of Woodbury		3,169	3,169	3,169	
Borough of Woodlynne		1,982	1,982	1,982	
Total - Local Levy	1,237,015	(56,795)	1,180,220	1,180,220	
State Sources:					
Local Tax Levy"- State Share - Charter School Aid:					
Equalization Aid	1,394,384		1,394,384	1,341,309	(53,075)
Categorical Aids					
Special Education Aid	77,608		77,608	73,442	(4,166)
Security Aid	34,330		34,330	31,811	(2,519)
Adjustment Aid				22,572	22,572
On-behalf TPAF Pension Contributions (Non-budgeted)				99,912	99,912
On-behalf TPAF Post Retirement Medical Insurance (Non-budgeted)				64,531	64,531
On-behalf TPAF Long-Term Disability (Non-budgeted)				756	756
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				91,390	91,390
Total State Aid	1,506,322		1,506,322	1,725,723	219,401
Revenue from Other Sources					
Interest On Investments				113	113
Miscellaneous	150	(150)		20,923	20,923
Total Revenue from Other Sources	150	(150)		21,036	21,036
TOTAL REVENUES	\$ 2,743,487	\$ (56,945)	\$ 2,686,542	\$ 2,926,979	\$ 240,437
EXPENDITURES:					
CURRENT EXPENSES:					
Regular Programs - Instruction:					
Salaries of Teachers - Kindergarten	\$	\$ 105,050	\$ 105,050	\$ 105,050	\$
Salaries of Teachers - Grades 1-5	984,268	(202,689)	781,579	780,973	606
Other Salaries for Instruction	50,435	48,000	98,435	92,416	6,019
Regular Programs - Undistributed Instruction:					
Purchased Professional - Tech. Services	42,266	(42,266)			
Purchased Professional - Educational Services		19,800	19,800	16,533	3,267
Other Purchased Services	1,000	(1,000)			
General Supplies	9,750	1,560	11,310	10,327	983
Textbooks	53,758	19,163	72,921	72,921	
Other Objects	8,000	540	8,540	7,587	953
TOTAL REGULAR PROGRAMS - INSTRUCTION	1,149,477	(51,842)	1,097,635	1,085,807	11,828
School-Sponsored Cocurricular Activities - Instruction					
Salaries		9,520	9,520	9,520	
Purchased Services		600	600	162	438
		10,120	10,120	9,682	438
TOTAL INSTRUCTION	\$ 1,149,477	\$ (41,722)	\$ 1,107,755	\$ 1,095,489	\$ 12,266

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<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		105,500	105,500	105,500	
Purchased Professional - Technical Services		500	500	275	225
Supplies & Materials		3,379	3,379	2,555	824
Total Health Services		<u>109,379</u>	<u>109,379</u>	<u>108,330</u>	<u>1,049</u>
Child Study Team	\$	\$	\$	\$	\$
Purchased Professional - Educational Services		35,778	35,778	34,438	1,340
Total Child Study Team		<u>35,778</u>	<u>35,778</u>	<u>34,438</u>	<u>1,340</u>
General Administrative Services:					
Salaries - Administrative	335,000	(63,615)	271,385	270,507	878
Salaries of Secretarial/Clerical Assistants	214,337	(214,337)			
Legal Services		72,930	72,930	57,458	15,472
Audit Fees		15,000	15,000	11,890	3,110
Unallocated Benefits	439,680	(14,715)	424,965	423,342	1,623
Purchased Professional - Technical Services	169,740	(169,740)			
Other Purchased Professional Services		26,672	26,672	20,783	5,889
Other Purchased Services	27,880	(23,880)	4,000	3,839	161
Communications/Telephone	12,100	(6,100)	6,000	2,782	3,218
General Supplies	33,750	(5,750)	28,000	23,141	4,859
BOE Membership Dues and Fees		18,203	18,203	2,993	15,210
Total Support Services/General Administration	\$ 1,232,487	\$ (365,332)	\$ 867,155	\$ 816,735	\$ 50,420
Support Services/School Administration:					
Salaries	\$ 105,500	\$ 110,828	\$ 216,328	\$ 214,113	\$ 2,215
Purchased Professional - Technical Services	10,500	(10,500)			
Other Purchased Services	137,102	(60,332)	76,770	59,836	16,934
Insurance for Property Liability & Fidelity	22,000		22,000	16,290	5,710
Supplies & Materials	600	43,921	44,521	42,903	1,618
Energy (Heat and Electricity)	50,000	(10,000)	40,000	27,156	12,844
Miscellaneous Expenditures	9,050	144,751	153,801	139,837	13,964
Total Support Services/School Administration:	<u>334,752</u>	<u>218,668</u>	<u>553,420</u>	<u>500,135</u>	<u>53,285</u>
On-behalf TPAF Pension Contributions (Non-budgeted)				99,912	(99,912)
On-behalf TPAF Post Retirement Medical Insurance (Non-budgeted)				64,531	(64,531)
On-behalf TPAF Long-Term Disability (Non-budgeted)				756	(756)
Reimbursed TPAF Social Security Contrib. (Non-budgeted)				91,390	(91,390)
Total Undistributed Expenditures	<u>1,567,239</u>	<u>(1,507)</u>	<u>1,565,732</u>	<u>1,716,227</u>	<u>(150,495)</u>
TOTAL EXPENDITURES - CURRENT EXPENSE	\$ <u>2,716,716</u>	\$ <u>(43,229)</u>	\$ <u>2,673,487</u>	\$ <u>2,811,716</u>	\$ <u>(138,229)</u>

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
EXPENDITURES: (Continued)					
CURRENT EXPENSES: (Continued)					
Capital Outlay					
Undistributed					
Instructional Equipment	\$	\$	\$	\$	\$
Non-instructional Equipment					
Buildings Other than Lease Purchase Agreements	70,000		70,000	49,079	20,921
Total Capital Outlay	70,000		70,000	49,079	20,921
TOTAL EXPENDITURES	2,786,716	(43,229)	2,743,487	2,860,795	(117,308)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(43,229)	(13,716)	(56,945)	66,184	123,129
Other Financing Sources (Uses):					
Transfer to Food Service Fund				(8,583)	(8,583)
Total Other Financing Sources (Uses):				(8,583)	(8,583)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(43,229)	(13,716)	(56,945)	57,601	114,546
Fund Balances, July 1	346,716		346,716	346,716	
Fund Balances, June 30	\$ 303,487	\$ (13,716)	\$ 289,771	\$ 404,317	\$ 114,546
RECAPITULATION :					
Restricted:					
Escrow Fund				\$ 75,000	
Unrestricted:					
Unassigned Fund Balance				329,317	
TOTAL				\$ 404,317	

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
AS OF JUNE 30, 2018

	<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	93,154	16,982	110,136	110,136	
Total Revenues	<u>93,154</u>	<u>16,982</u>	<u>110,136</u>	<u>110,136</u>	
EXPENDITURES:					
Instruction					
General Supplies					
Total Instruction					
Support Services					
Purchased Prof. & Technical Services	93,154	16,982	110,136	110,136	
Total Support Services	<u>93,154</u>	<u>16,982</u>	<u>110,136</u>	<u>110,136</u>	
Facilities Acquisition and Construction Services:					
Equipment					
Total Facilities Acquisition and Construction Services					
Total Expenditures	<u>93,154</u>	<u>16,982</u>	<u>110,136</u>	<u>110,136</u>	
Other Financing Sources (Uses)					
Total Outflows	<u>93,154</u>	<u>16,982</u>	<u>110,136</u>	<u>110,136</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 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, 2018

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] \$ 2,926,979	[C-2]	\$ 110,136
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] \$ 2,926,979	[B-2]	\$ 110,136
Uses/outflows of resources			
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1] \$ 2,860,795	[C-2]	\$ 110,136
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] \$ 2,860,795	[B-2]	\$ 110,136

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>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability(Asset)	0.000535%	0.000523%	0.001960%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 124,610	\$ 154,989	\$ 439,961
District's Covered-Employee Payroll	\$ 280,060	\$ 191,431	\$ 37,080
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll	44.49%	80.96%	1186.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	48.10%	40.14%	47.93%

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>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 5,299	\$ 4,807	\$ 16,850
Contributions in Relation to the Contractually Required Contribution	<u>(5,299)</u>	<u>(4,807)</u>	<u>(16,850)</u>
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's Covered-Employee Payroll	\$ 280,060	\$ 191,431	\$ 37,080
Contributions as a Percentage of Covered-Employee Payroll	1.89%	2.51%	45.44%

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>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability(Asset)	0.006148%	0.005563%	0.006115%
State's proportionate share of the net pension liability (asset) associated with the District	\$ 4,145,168	\$ 4,376,367	\$ 3,865,066
District's Covered-Employee Payroll	\$ 1,172,501	\$ 910,141	\$ 652,356
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage Percentage of its covered-employee	353.53%	480.84%	592.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.41%	22.33%	28.71%

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

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 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, 2018

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.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
Required Supplementary Information - Part III
Schedule of Changes in the Total OPEB Liability and Related Ratios
State Health Benefit Local Education Retired Employees Plan
Last Ten Fiscal Years

	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 232,045
Interest	30,285
Changes of benefit terms	
Differences between expected and actual experience	
Changes of assumptions or other inputs	(169,869)
Member contributions	778
Benefit payments	(21,142)
Net change in total OPEB liability	<u>72,097</u>
Total OPEB liability - beginning	<u>840,681</u>
Total OPEB liability - ending	<u>\$ 912,778</u>
Covered-employee payroll	<u>\$ 1,452,561</u>
Total OPEB liability as a percentage of covered-employee payroll	62.84%

Notes to Schedule:

Changes of benefit terms: None

Changes of assumptions: The decrease in the liability from June 30, 2016 to June 30, 2017 is due to the increase in the assumed discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

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
OMBING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>NCLB</u>		<u>Totals</u>	
	<u>Title I</u>	<u>IDEA</u>	<u>2018</u>	<u>2017</u>
	<u>Part A</u>	<u>Basic</u>		
REVENUES:				
Federal Sources	\$ 71,563	\$ 38,573	\$ 110,136	\$ 93,154
Total Revenues	<u>\$ 71,563</u>	<u>\$ 38,573</u>	<u>\$ 110,136</u>	<u>\$ 93,154</u>
EXPENDITURES:				
Instruction:				
Salaries of Teachers	\$	\$	\$	\$
Supplies and Materials				
Total Instruction				
Support Services:				
Salaries				
Purchased Prof. & Technical Services	71,563	38,573	110,136	93,154
Total Support Services	<u>71,563</u>	<u>38,573</u>	<u>110,136</u>	<u>93,154</u>
Facilities Acquisitions & Const Serv:				
Property				
Total Facilities Acquisition & Const Serv				
Total Expenditures	<u>\$ 71,563</u>	<u>\$ 38,573</u>	<u>\$ 110,136</u>	<u>\$ 93,154</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, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

	<u>Food</u> <u>Service</u> <u>Fund</u>	<u>Before and</u> <u>After Care</u> <u>Program</u>	<u>Summer</u> <u>Enrichment</u>	<u>Totals</u>	
				<u>2018</u>	<u>2017</u>
ASSETS:					
Current Assets:					
Cash and Cash Equivalents	\$ 35,897	\$ 81,781	\$ 10,072	\$ 127,750	\$ 51,054
Accounts Receivable:					
State	53	746		799	153
Federal	4,659			4,659	6,896
Other	64	484		548	131
Total Current Assets	<u>\$ 40,673</u>	<u>\$ 83,011</u>	<u>\$ 10,072</u>	<u>\$ 133,756</u>	<u>\$ 58,234</u>
LIABILITIES AND NET POSITION:					
Current Liabilities:					
Accounts Payable	\$ 3,332	\$	\$	\$ 3,332	\$
Interfund Accounts Payable	37,318			37,318	15,313
Deferred Revenue	23	9		32	
Total Current Liabilities	<u>40,673</u>	<u>9</u>		<u>40,682</u>	<u>15,313</u>
Net Position:					
Unreserved Retained Earnings		83,002	10,072	93,074	42,921
Total Net Position		<u>83,002</u>	<u>10,072</u>	<u>93,074</u>	<u>42,921</u>
Total Liabilities and Net Position	<u>\$ 40,673</u>	<u>\$ 83,011</u>	<u>\$ 10,072</u>	<u>\$ 133,756</u>	<u>\$ 58,234</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, 2018 AND 2017

	Food Service Fund	Before and After Care Program	Summer Enrichment	Totals	
				2018	2017
OPERATING REVENUES:					
Local Sources:					
Daily Sales - Reimbursable	\$ 7,324			\$ 7,324	\$ 6,389
Tuition			17,924	17,924	3,662
Extended Day Fees		37,005		37,005	34,564
Other					
Total Operating Revenue	<u>7,324</u>	<u>37,005</u>	<u>17,924</u>	<u>62,253</u>	<u>44,615</u>
OPERATING EXPENSES:					
Salaries	30,588	22,949	3,500	57,037	52,899
Food Costs - Reimbursable Prog	66,955			66,955	75,900
Other Expenses	1,964	4,595	4,352	10,911	4,048
Total Operating Expenses	<u>99,507</u>	<u>27,544</u>	<u>7,852</u>	<u>134,903</u>	<u>132,847</u>
Operating Loss	<u>(92,183)</u>	<u>9,461</u>	<u>10,072</u>	<u>(72,650)</u>	<u>(88,232)</u>
Non-Operating Revenues:					
State Sources:					
State School Lunch Program	1,008			1,008	906
Work First					874
Child Care Assistance Program		30,620		30,620	18,507
Transitional Child Care					159
Federal Sources:					
School Breakfast Program	30,085			30,085	27,334
National School Lunch Program	52,507			52,507	48,230
Total Non-Operating Revenues	<u>83,600</u>	<u>30,620</u>		<u>114,220</u>	<u>96,010</u>
Net Income before Operating Transfers	<u>(8,583)</u>	<u>40,081</u>	<u>10,072</u>	<u>41,570</u>	<u>7,778</u>
Transfer from General Fund	<u>8,583</u>			<u>8,583</u>	<u>26,894</u>
Net Income		<u>40,081</u>	<u>10,072</u>	<u>50,153</u>	<u>34,672</u>
Net Position - July 1		<u>42,921</u>		<u>42,921</u>	<u>8,249</u>
Net Position - June 30	<u>\$</u>	<u>\$ 83,002</u>	<u>\$ 10,072</u>	<u>\$ 93,074</u>	<u>\$ 42,921</u>

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
FOOD SERVICES ENTERPRISE FUND
STATEMENT OF CASH FLOWS
AS OF JUNE 30, 2018 AND 2017

	Food	Before and	Summer	Totals	
	Service	After Care	Enrichment	2018	2017
	Fund	Program			
Cash Flows from Operating Activities:					
Receipts from Customers	\$ 9,658	\$ 35,877	\$ 17,924	\$ 63,459	\$ 45,904
Payments to Employees	(30,588)	(22,949)	(3,500)	(57,037)	(52,899)
Payments to Suppliers	(43,582)	(4,595)	(4,352)	(52,529)	(78,582)
Net Cash Used by Operating Activities	(64,512)	8,333	10,072	(46,107)	(85,577)
Cash Flows from Non-capital Financing Activities					
Cash Received from General Fund Reimbursements	8,583			8,583	14,618
Cash Received from State and Federal Reimbursements	83,600	30,620		114,220	96,010
Net Cash Provided by Non-capital Financing Activities	92,183	30,620		122,803	110,628
Net Cash Provided by Investment Interest Activities					
Net Increase in Cash	27,671	38,953	10,072	76,696	25,051
Cash and Cash Equivalents, July 1	8,226	42,828		51,054	26,003
Cash and Cash Equivalents, June 30	\$ 35,897	\$ 81,781	\$ 10,072	\$ 127,750	\$ 51,054
Operating Income (Loss)	\$ (92,183)	\$ 9,461	\$ 10,072	\$ (72,650)	\$ (88,232)
Adjustments to Reconcile Operating Income (Loss) to Cash Used by Operating Activities:					
Decrease/(Increase) in Accounts Receivable	2,311	(1,137)		1,174	1,289
(Decrease)/Increase in Accounts Payable	3,332			3,332	
(Decrease)/Increase in Interfund Accounts Payable	22,005			22,005	(10,910)
(Decrease)/Increase in Deferred Revenue	23	9		32	
Net Cash Used by Operating Activities	\$ (64,512)	\$ 8,333	\$ 10,072	\$ (46,107)	\$ (97,853)

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, 2018
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2017)

	<u>Unemployment</u> <u>Trust</u>	<u>Student</u> <u>Activities</u>	<u>Payroll</u>	<u>Total</u>	
				<u>2018</u>	<u>2017</u>
ASSETS:					
Cash and Cash Equivalents	\$ 5,234	\$ 5,925	\$	\$ 11,159	\$ 13,985
Total Assets	<u>\$ 5,234</u>	<u>\$ 5,925</u>	<u>\$</u>	<u>\$ 11,159</u>	<u>\$ 13,985</u>
LIABILITIES AND NET POSITION:					
Liabilities:					
Due to Student Groups	\$	\$ 5,925	\$	\$ 5,925	\$ 7,530
Total Liabilities		<u>5,925</u>		<u>5,925</u>	<u>7,530</u>
Net Position:					
Held in Trust for Unemployment Claims and Other Purposes	5,234			5,234	6,455
Total Liabilities and Net Position	<u>\$ 5,234</u>	<u>\$ 5,925</u>	<u>\$</u>	<u>\$ 11,159</u>	<u>\$ 13,985</u>

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
FIDUCIARY FUNDS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018 AND 2017

	<u>Expendable Trust</u>		
	<u>Unemployment</u>	<u>Total</u>	<u>Total</u>
	<u>Funds</u>	<u>2018</u>	<u>2017</u>
ADDITIONS:			
Contributions	\$ 16,989	\$ 16,989	\$ 18,200
Total Additions	<u>16,989</u>	<u>16,989</u>	<u>18,200</u>
DEDUCTIONS:			
Claims	18,210	18,210	11,741
Fees			4
Total Deductions	<u>18,210</u>	<u>18,210</u>	<u>11,745</u>
Change in Net Position	(1,221)	(1,221)	6,455
Net Position - Beginning of the Year	<u>6,455</u>	<u>6,455</u>	
Net Position - End of the Year	<u>\$ 5,234</u>	<u>\$ 5,234</u>	<u>\$ 6,455</u>

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1,</u> <u>2017</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Accounts</u> <u>Payable</u> <u>June 30,</u> <u>2018</u>	<u>Balance</u> <u>June 30,</u> <u>2018</u>
Student Activity Fund	\$ 7,530	\$ 19,564	\$ 21,169	\$	\$ 5,925

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
ASSETS:				
Cash and Cash Equivalents	\$	\$ 2,511,814	\$ 2,511,814	\$
Total Assets	\$	\$ 2,511,814	\$ 2,511,814	\$
LIABILITIES AND RESERVES:				
Net Payroll	\$	\$ 1,147,514	\$ 1,147,514	\$
Payroll Deductions & Withholdings		1,364,300	1,364,300	
Total Liabilities and Reserves	\$	\$ 2,511,814	\$ 2,511,814	\$

STATISTICAL SECTION

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	\$ 108,177	\$ 98,410	\$ 112,811	\$ 926,368	\$ 945,957	\$ 939,078
Restricted - Escrow		15,000	30,000	45,000	60,000	75,000
Unrestricted	(9,148)	117,840	77,201	148,849	158,945	187,922
Total Governmental Activities Net Position	\$ 99,029	\$ 231,250	\$ 220,012	\$ 1,120,217	\$ 1,164,902	\$ 1,202,000
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt	\$ 9,981	\$ 2,866	\$ 3,661	\$ 8,249	\$ 42,921	\$ 93,074
Unrestricted						
Total Business-Type Activities Net Position	\$ 9,981	\$ 2,866	\$ 3,661	\$ 8,249	\$ 42,921	\$ 93,074
District-Wide						
Invested in Capital Assets, Net of Related Debt	\$ 108,177	\$ 98,410	\$ 112,811	\$ 926,368	\$ 945,957	\$ 939,078
Restricted		15,000	30,000	45,000	60,000	75,000
Unrestricted	833	120,706	80,862	157,098	201,866	280,996
Total District-Wide Net Position	\$ 109,010	\$ 234,116	\$ 223,673	\$ 1,128,466	\$ 1,207,823	\$ 1,295,074

Source: CAFR Schedule A-1

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

	2013	2014	2015	2016	2017	2018
Expenses						
Governmental activities						
Instruction	\$ 846,326	\$ 987,261	\$ 908,932	\$ 910,730	\$ 1,085,305	\$ 1,095,489
Support Services						
Health Services				105,214	122,090	108,330
School Administrative Services	407,728	617,671	1,085,509	1,141,931	1,122,681	791,162
General Administrative Services	609,703	573,399	503,772	286,597	456,898	926,871
Employee Benefits				292,001	291,474	397,931
Other	22,440	23,847	27,605	29,892	54,731	55,958
Total Governmental Activities Expenses	1,886,197	2,202,178	2,525,818	2,766,365	3,133,179	3,375,741
Business-Type Activities						
Food Service	55,953	53,864	77,632	115,056	102,992	99,507
Extended Day	23,204	26,300	7,745	15,102	19,432	27,544
Summer Enrichment			17,600	11,425	10,423	7,852
Total Business-Type Activities Expense	79,157	80,164	102,977	141,583	132,847	134,903
Total District Expenses	\$ 1,965,354	\$ 2,282,342	\$ 2,628,795	\$ 2,907,948	\$ 3,266,026	\$ 3,510,644
Program Revenues						
Governmental Activities						
Charges for Services	\$	\$	\$	\$	\$	\$
Operating Grants and Contributions	88,663	84,793	206,258	440,478	544,978	553,213
Total Governmental Activities Program Revenues	88,663	84,793	206,258	440,478	544,978	553,213
Business-Type Activities						
Charges for Services						
Food Service	14,356	13,684	14,287	10,072	6,389	7,324
Before and After Care	23,204	18,123	9,602	19,690	34,564	37,005
Summer Enrichment			9,144	2,550	3,662	17,924
Operating Grants and Contributions		41,242	40,290	37,363	96,010	114,220
Total Business-Type Activities Program Revenues	37,560	73,049	73,323	69,675	140,625	176,473
Total District Program Revenues	\$ 126,223	\$ 157,842	\$ 279,581	\$ 510,153	\$ 685,603	\$ 729,686
Net (Expense)/Revenue						
Governmental Activities	\$ (1,797,534)	\$ (2,117,385)	\$ (2,319,560)	\$ (2,325,887)	\$ (2,588,201)	\$ (2,822,528)
Business-Type Activities	(41,597)	(7,115)	(29,654)	(71,908)	7,778	41,570
Total District-Wide Net Expense	\$ (1,839,131)	\$ (2,124,500)	\$ (2,349,214)	\$ (2,397,795)	\$ (2,580,423)	\$ (2,780,958)
General Revenues and Other Changes in Net Position						
Governmental Activities						
Property Taxes Levied for General Purposes, net	\$ 765,932	\$ 993,596	\$ 1,092,017	\$ 1,174,796	\$ 963,654	\$ 1,180,220
Unrestricted Grants and Contributions	1,003,075	1,188,689	1,244,749	1,346,707	1,684,874	1,666,953
Investment Earnings	72	43	49	70	81	113
Miscellaneous Income		67,278	1,956	13,220	912	20,923
Prior Period Cancellation				4,506	10,259	
Fixed Asset Adjustment				763,289		
Transfers	(41,597)		(30,449)	(68,932)	(26,894)	(8,583)
Total Governmental Activities	1,727,482	2,249,606	2,308,322	3,233,656	2,632,886	2,859,626
Business-Type Activities						
Transfer	41,597		30,449	68,932	26,894	8,583
Total Business-Type Activities	41,597		30,449	68,932	26,894	8,583
Total District-Wide	\$ 1,769,079	\$ 2,249,606	\$ 2,338,771	\$ 3,302,588	\$ 2,659,780	\$ 2,868,209
Change in Net Position						
Governmental Activities	\$ (70,052)	\$ 132,221	\$ (11,238)	\$ 907,769	\$ 44,685	\$ 37,098
Business-Type Activities		(7,115)	795	(2,976)	34,672	50,153
Total District-Wide	\$ (70,052)	\$ 125,106	\$ (10,443)	\$ 904,793	\$ 79,357	\$ 87,251

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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund						
Restricted - Escrow	\$	\$ 15,000	\$ 30,000	\$ 45,000	\$ 60,000	\$ 75,000
Assigned- Year-End-Encumbrances			12,720			
Unassigned (Deficit)	(9,148)	117,840	104,445	244,817	286,716	329,317
Total General Fund	<u>\$ (9,148)</u>	<u>\$ 132,840</u>	<u>\$ 147,165</u>	<u>\$ 289,817</u>	<u>\$ 346,716</u>	<u>\$ 404,317</u>
All Other Governmental Funds						
Unrestricted, Reported in:	\$	\$	\$	\$	\$	\$
Total All Other Governmental Funds	<u>\$</u>	<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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Revenues						
Tax Levy	\$ 765,932	\$ 993,596	\$ 1,092,017	\$ 1,174,796	\$ 1,155,807	\$ 1,180,220
Investment Earnings	72	43	49	70	81	113
Miscellaneous		67,278	1,956	5,656	912	20,923
State Sources	1,003,075	1,188,689	1,385,454	1,498,478	1,684,874	1,725,723
Federal Sources	88,663	84,793	98,614	97,251	93,154	110,136
Total Revenues	<u>1,857,742</u>	<u>2,334,399</u>	<u>2,578,090</u>	<u>2,776,251</u>	<u>2,934,828</u>	<u>3,037,115</u>
Expenditures						
Instruction						
Regular Instruction	846,326	987,261	908,932	910,730	1,085,305	1,095,489
Support Services						
Health Services				105,214	122,090	108,330
Child Study Team						34,438
School Administrative Services	407,728	617,671	1,085,509	331,138	456,898	926,871
General Administrative Services	609,703	573,399	496,869	1,141,931	1,122,681	756,724
Capital Outlay	16,090	14,080	42,006	80,160	74,320	49,079
Total Expenditures	<u>1,879,847</u>	<u>2,192,411</u>	<u>2,533,316</u>	<u>2,569,173</u>	<u>2,861,294</u>	<u>2,970,931</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,105)	141,988	44,774	207,078	73,534	66,184
Other Financing Sources (Uses)						
Transfers	(41,597)		(30,449)	(68,932)	(26,894)	(8,583)
Prior Period Orders and Other Adjustments				4,506	10,259	
Total Other Financing Sources (Uses)	<u>(41,597)</u>		<u>(30,449)</u>	<u>(64,426)</u>	<u>(16,635)</u>	<u>(8,583)</u>
Net Change in Fund Balances	<u>\$ (63,702)</u>	<u>\$ 141,988</u>	<u>\$ 14,325</u>	<u>\$ 142,652</u>	<u>\$ 56,899</u>	<u>\$ 57,601</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

Source: CAFR Schedule B-2

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
GENERAL FUND OTHER LOCAL REVENUE BY SOURCE
LAST FIVE FISCAL YEARS
(UNAUDITED)

Fiscal Year Ended June 30,	Interest on Investments	Fundraisers	Donation	Prior Year Expenditure Adjustments	Misc.	Total
2018	\$ 113	\$	\$ 374	\$ 2,230	\$ 18,319	\$ 21,036
2017	81				912	993
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

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>
2018 *	64,223	\$ 3,178,457,662	\$ 49,491	4.2%
2017	64,159	3,012,877,669	49,441	4.6%
2016	64,002	3,006,846,482	49,392	5.6%
2015	63,897	3,076,321,065	48,145	5.7%
2014	63,940	2,953,708,300	46,195	7.1%
2013	64,118	2,869,536,972	44,754	8.1%
2012	64,411	2,848,512,064	44,224	9.2%

** 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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Instruction						
Regular	7	12	14	15	19	20
Special education	3	2	2	2	2	2
Other special education						
Vocational						
Other instruction						
Support Services:						
Student & instruction related services		3	2	3	3	1
General administrative services		1	1	2	2	2
School administrative services		2			3	5
Business administrative services						2
Plant operations and maintenance						
Pupil transportation						
Food Service		3	2	2	2	2
Total	<u>10</u>	<u>23</u>	<u>21</u>	<u>24</u>	<u>31</u>	<u>34</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
2018	205	\$ 2,921,852	\$ 14,253	20	10:1	189.0	178.7	-5.03%	94.57%
2017	199	2,786,974	14,005	21	11:01	196.3	188.3	-1.36%	95.92%
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	NA	89.72%

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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>District Building</u>						
<u>Elementary</u>						
Square Feet	13,360	13,360	13,360	13,360	13,360	13,360
Capacity (students)	210	210	210	210	210	210
Enrollment	145	180	199	197	199	205

Other

Number of Schools at June 30, 2017
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, 2017 - June 30, 2018:		
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, 2018
(UNAUDITED)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Source</u>	
Cash	\$ 44,165	\$ 318,136	\$ 429,134	Audit: Exhibit A-1	
Current Assets	334,161	648,459	599,311	Audit: Exhibit A-1	
Total Assets	1,304,694	1,594,416	1,538,389	Audit: Exhibit A-1	
Current Liabilities	80,260	358,822	101,920	Audit: Exhibit A-1	
Total Liabilities	520,221	413,811	226,530	Audit: Exhibit A-1	
Net Position	\$ 1,128,466	\$ 1,207,823	\$ 1,295,074	Audit: Exhibit A-1	
Total Revenue	\$ 3,043,043	\$ 3,345,383	\$ 3,400,832	Audit: Exhibit A-2	
Total Expenses	2,907,948	3,266,026	3,313,581	Audit: Exhibit A-2	
Change in Net Position	\$ 135,095	\$ 79,357	\$ 87,251	Audit: Exhibit A-2	
Depreciation Expense	\$ 29,892	\$ 54,731	\$ 55,958	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	197	196	189	DOE Enrollment Reports	
March 30th Budgeted Enrollment	197	199	205	Charter School Budget	
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>3 Year Cumulative</u>	
Near Term Indicators					
Current Ratio	4.16	2.51	5.88	2.92	Current Assets/ Current Liabilities
Unrestricted Days Cash	5.54	35.55	47.27	30.45	Cash/ (Total Expenses/365)
Enrollment Variance	100%	99%	92%	97%	Average Daily Enrollment / Budgeted Enrollment
Default	N/A	N/A	N/A	N/A	Audit
Sustainability Indicators					
Total Margin	4%	2%	3%	3%	Change in Net Position/ Total Revenue
Debt to Asset	0.40	0.26	0.15	0.26	Total Liabilities/ Total Assets
Cash Flow	(25,371)	273,971	110,998	110,998	Net change in cash flow from prior years
Debt Service Coverage Ratio	N/A	N/A	N/A	N/A	<u>(Change in Net Position Interest Expense)</u> (Principal & Interest Payments)

SINGLE AUDIT SECTION

NIGHTLINGER, COLAVITA & VOLPA

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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the of Education of the Kingdom Charter School of Leadership School District, in the County of Camden, State of New Jersey, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the of Education of the Kingdom Charter School of Leadership School District's basic financial statements, and have issued our report thereon dated January 25, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We considered the deficiency described in the accompanying schedule of findings and questioned costs to be significant, labeled Finding 2018-1.

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

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.

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 no instance of noncompliance, or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of 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
January 25, 2019

NIGHTLINGER, COLAVITA & VOLPA

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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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, 2018. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its 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 Education's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements 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 Kingdom Charter School of Leadership Board of Education's compliance.

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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Kingdom Charter School of Leadership School District's Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kingdom Charter School of Leadership Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal or state program and to test and report on internal control over compliance in accordance with Uniform Guidance and New Jersey OMB Treasury 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 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.

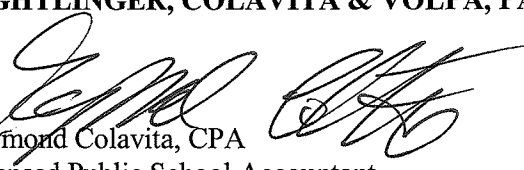
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
January 25, 2019

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SCHEDULE A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2017	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures Pass Through Funds	Budgetary Expenditures Direct	Total Budgetary Expenditures (A)	Adjustment	Balance at June 30, 2018			
					From	To								(Accounts Receivable)	Unearned Revenue	Due to Grantor	
U.S. Department of Agriculture																	
Passed-through State Department of Education:																	
Enterprise Fund:																	
Child Nutrition Cluster:																	
Cash Assistance:																	
National School Lunch Program	10.555	181NJ304N1099	N/A	\$52,507	7/1/17	to 6/30/18			\$ 49,779	\$ (52,507)		\$ (52,507)		\$ (2,728)			
National School Lunch Program	10.555	171NJ304N1099	N/A	48,230	7/1/16	to 6/30/17	\$ (1,085)		1,085								
National School Lunch Program	10.555	16161NJ304N1099	N/A	27,811	7/1/15	to 6/30/16	(1,932)		1,932								
School Breakfast Program	10.553	181NJ304N1099	N/A	30,085	7/1/17	to 6/30/18			28,154	(30,085)		(30,085)		(1,931)			
School Breakfast Program	10.553	171NJ304N1099	N/A	27,334	7/1/16	to 6/30/17	(962)		962								
School Breakfast Program	10.553	1616NJ304N1099	N/A	9,026	7/1/15	to 6/30/16	(493)		493								
Total Enterprise Fund:							(4,472)		82,405	(82,592)		(82,592)		(4,659)			
U.S. Department of Education																	
Passed-through State Department of Education:																	
Special Revenue Fund:																	
E.S.E.A.																	
Title I Part A	84.010	S010A170030	NCLB606718	71,563	7/1/17	6/30/18			71,563	(71,563)		(71,563)					
IDEA Cluster:																	
IDEA Basic	84.027	H027A170100	IDEA606718	38,573	7/1/17	6/30/18			38,573	(38,573)		(38,573)					
IDEA Basic	84.027	H027A160100	IDEA606717	37,233	7/1/16	6/30/17	(406)		406								
Total Federal Financial Awards							(406)		110,542	(110,136)		(110,136)					
Total Federal Financial Awards							\$ (4,878)		\$192,947	\$ (192,728)		\$ (192,728)		\$ (4,659)			

(A) There were no awards passed through to subrecipients.

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, 2018

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To		Balance at June 30, 2017				Balance at June 30, 2018			
					Unearned Revenue (Accts. Rec.)	Due to District	Cash Received	Budgetary Expenditures	Payment/ Adjustment	(Accounts Receivable) From Districts	From State	Unearned Revenue/ Interfund Payable
State Department of Education												
General Fund												
Equalization Aid	18-495-034-5120-078	\$1,341,309	7/1/17 to 6/30/18			\$1,214,510	\$(1,341,309)				\$ (126,799)	
Equalization Aid	17-495-034-5120-078	1,346,770	7/1/16 to 6/30/17	\$ (208,985)	\$ 12,323	208,985		\$ (12,323)				
Equalization Aid	16-495-034-5120-078	1,255,746	7/1/15 to 6/30/16	(10,677)		10,677						
Special Education	18-495-034-5120-089	73,442	7/1/17 to 6/30/18			62,518	(73,442)			(10,924)		
Special Education	17-495-034-5120-089	62,547	7/1/16 to 6/30/17	(7,192)	5,661	7,192		(5,661)				
Security Aid	18-495-034-5120-084	31,811	7/1/17 to 6/30/18			29,954	(31,811)			(1,857)		
Security Aid	17-495-034-5120-084	29,815	7/1/16 to 6/30/17	(5,598)	512	5,598		(512)				
Security Aid	16-495-034-5120-084	22,860	7/1/15 to 6/30/16	(193)		193						
Adjustment Aid	18-495-034-5120-085	22,572	7/1/17 to 6/30/18			2,993	(22,572)			(19,579)		
Adjustment Aid	17-495-034-5120-085	52,707	7/1/16 to 6/30/17	(32,442)		32,442						
Reimbursed TPAF Social Security Contrib.	18-495-034-5094-003	91,390	7/1/17 to 6/30/18			86,378	(91,390)				\$ (5,012)	
Reimbursed TPAF Social Security Contrib.	17-495-034-5095-002	65,381	7/1/16 to 6/30/17	(17)		17						
Total General Fund				(265,104)	18,496	1,661,457	(1,560,524)	(18,496)	(159,159)	(5,012)		
State Department of Agriculture												
Enterprise Fund - State Share:												
State School Lunch Program	18-100-010-3350-023	1,008	7/1/17 to 6/30/18			955	(1,008)			(53)		
State School Lunch Program	17-100-010-3350-023	906	7/1/16 to 6/30/17	(21)		21						
Total State Department of Agriculture				(21)		976	(1,008)			(53)		
State Department of Human Services												
New Jersey Child Care Assistance Program	unknown	30,620	7/1/17 to 6/30/18			29,874	(30,620)			(746)		
New Jersey Child Care Assistance Program	unknown	18,507	7/1/16 to 6/30/17	(93)		93						
Total State Department of Human Services				(93)		29,967	(30,620)			(746)		
Total State Financial Assistance Subject to OMB 15-08				\$ (265,218)	\$ 18,496	\$ 1,692,400	\$(1,592,152)	\$ (18,496)	\$ (159,958)	\$ (5,012)		
State Financial Assistance Not Subject to OMB 15-08												
On-Behalf TPAF Post Retirement Medical	18-495-034-5094-001	64,531	7/1/17 to 6/30/18			\$ 64,531	\$ (64,531)					
On-Behalf TPAF Pension Contribution	18-495-034-5094-002	99,912	7/1/17 to 6/30/18			99,912	(99,912)					
On-behalf TPAF Long-Term Disability	18-495-034-5094-004	756	7/1/17 to 6/30/18			756	(756)					
Total State Financial Assistance						\$1,857,599	\$(1,757,351)					

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, 2018

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

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	\$	\$ 1,725,723	\$ 1,725,723
Special Revenue Fund	110,136		110,136
Before and After Care Fund		30,620	30,620
Food Service Fund	82,592	1,008	83,600
Total Awards & Financial Assistance	\$ 192,728	\$ 1,757,351	\$ 1,950,079

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
NOTES TO THE SCHEDULES OF AWARDS
AND FINANCIAL ASSISTANCE
JUNE 30, 2018

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, 2018.

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, 2018. 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, 2018.

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.

NOTE 9: ADJUSTMENTS

There were no adjustments in Schedule A or Schedule B for the year ended June 30, 2018.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Modified: Qualified for GAAP Departure

Internal control over financial reporting:

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

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

Federal Awards N/A

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Number(s)	FAIN Number(s)	Name of Federal Program or Cluster
N/A		

Dollar threshold used to distinguish between type A and type B programs: N/A

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

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(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? _____ yes X 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? _____ yes X 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 _____ yes X no

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
18-495-034-5120-078	Equalization Aid
18-495-034-5120-089	Special Education Categorical Aid
18-495-034-5120-084	Security Aid
18-495-034-5120-085	Adjustment Aid

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(continued)**

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weakness, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse related to the financial statements for which Government Auditing Standards requires reporting 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 Treasury Circular 15-08 audit.

Finding: 2018-1

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 various errors requiring adjustment as part of the audit. This included certain formula errors in the worksheet, of which the result was inconsistent subtotals.

Context:

Several Sending District accounts receivable balances, as reflected in the General Ledger, were not in agreement with the subsidiary worksheet at June 30, 2018.

Effect:

Additional audit procedures were necessary to verify the accuracy of various accounts receivable balances reflected in the District's General Ledger.

Cause:

Inadvertent oversight

Recommendation:

Procedures to record revenue from the various Sending Districts within the subsidiary worksheet should be reviewed and revised, in order to provide accurate revenue and accounts receivable balances per District.

Views of responsible officials and planned corrective actions:

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, 2018
(continued)**

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

This section identifies audit findings required to be reported by 2 CFR 200 section .516 of the *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* and NJOMB Circular Letter 15-08, as applicable.

FEDERAL AWARDS N/A

- Finding:**
- Information on the federal program:**
- Criteria or specific requirement:**
- Condition:**
- Questioned Costs:**
- Context:**
- Effect:**
- Cause:**
- Recommendation:**
- Views of responsible officials and planned corrective actions:**

STATE AWARDS

- Finding:** N/A
- Information on the state program:**
- Criteria or specific requirement:**
- Condition:**
- Questioned Costs:**
- Context:**
- Effect:**
- Cause:**
- Recommendation:**
- Management's response:**

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

STATUS OF PRIOR - YEAR FINDINGS

Finding: 2017-1

Condition:

The Charter School does not appear to have sufficiently detailed written internal procedures, with respect to designating personnel assigned to enrollment counts. In addition, the revised enrollment system report was not presented in a format to sufficiently determine final student counts and classifications.

Current Status: Resolved

Finding: 2017-2

Condition:

The Capital Outlay section of the General Fund Budget contained numerous expenditures that did not meet the criteria of a capital purchase, thus requiring reclassification to appropriate operating budget line items.

Current Status: Resolved