

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

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2019**

# **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, 2019**

**Prepared by**

**The Kingdom Charter School of Leadership Trustee**

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## **INTRODUCTORY SECTION**

# **THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**

121 WEST CHURCH STREET  
BLACKWOOD, NJ 08012

October 5, 2020

The Kingdom Charter School of Leadership  
County of Camden  
C/O Philip T. Meshinsky, CPA, MBA, PSA  
1155 W. Chestnut Street, Suite 2D  
Union, NJ 08083

Dear Board of Trustees,

The final comprehensive annual financial report of The Kingdom Charter School of Leadership for the fiscal year ended June 30, 2019 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. The data presented in this report is designed to present an asserted final position and results of operations of the various funds of the Charter School. Various disclosures have been presented 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 up to June 30, 2019.
- 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 its school constitute the Charter School's reporting entity.

The Kingdom Charter School of Leadership was responsible for providing a thorough and efficient educational system for students in grades taught at the one school maintained. The Charter School completed the 2018 - 2019 fiscal year with an enrollment of 177 elementary school students.



## **2. SCHOOL CLOSURE:**

The Kingdom Charter School of Leadership ceased operations as of June 30, 2019 and all Board members and officials resigned. A Trustee has been appointed.

## **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 was also subject to periodic evaluation by the Charter School management.

As part of the Charter School's single audit described earlier, tests are normally 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. As discussed later in the CAFR, there was a substantial breakdown of various administrative and accounting internal controls over the operation of the school, including but not limited to the resignation of the School Business Administrator before completion of the recording of various accounting information and adjustments for the fiscal year ended June 30, 2019.

## **4. BUDGETARY CONTROLS:**

In addition to internal accounting controls, the Charter School was required to maintain 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. As a result of the sudden closure of the school, the incomplete records for the year and resignation of the Board and all officials, it was not possible to maintain proper controls over budgetary activity, as it relates to closing out the books and records for the year.

An encumbrance accounting system was normally used to record outstanding purchase commitments on a line item basis. All open orders at year-end were included as accounts payable. No amounts were to be reappropriated as reservations of fund balance at June 30, 2019.

**5. ACCOUNTING SYSTEM AND REPORTS:**

The Charter School's accounting records were required to be reflected based on 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:**

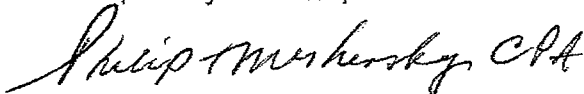
**Independent Audit**

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:**

As Trustee, I prepared the attached Financial Report.

Respectfully submitted,



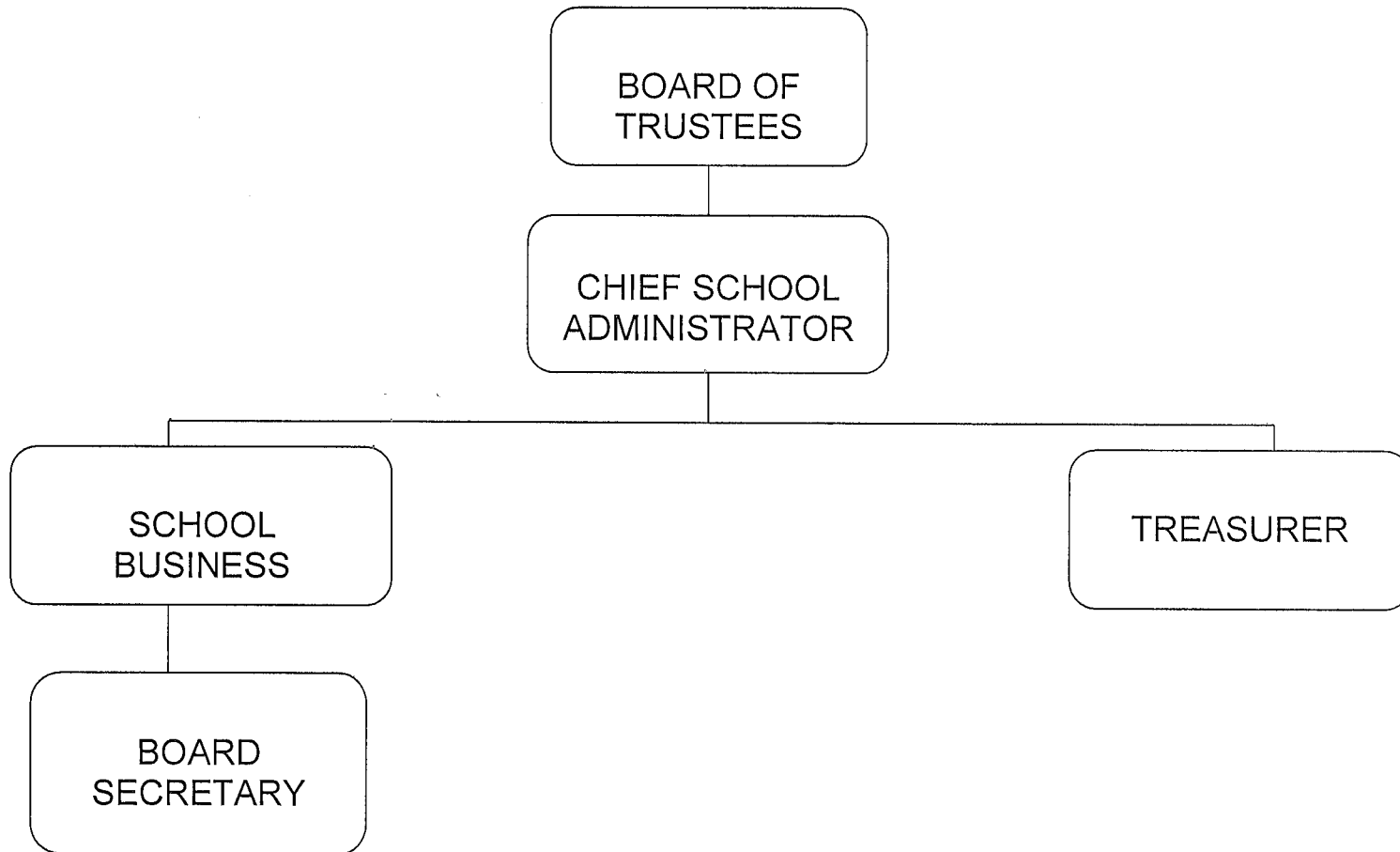
Mr. Philip T. Meshinsky, CPA, MBA, PSA  
Trustee

**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, 2019

<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
<hr/> <u>OTHER OFFICIALS</u>	
Edward Green, School Principle	
Riscee Langhorne, Business Administrator	\$150,000
Mr. David A. Wollman, Solicitor until June 30, 2019	
Paul Barger, Solicitor after June 30, 2019	
Philip T. Meshinsky, CPA, MBA, PSA - Trustee	

All of the above Board Members and Officials resigned and the School ceased operations as of June 30, 2019 and are under the control of a Trustee.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**CONSULTANTS AND ADVISORS**

**AUDIT FIRM**

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

**ATTORNEY**

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

**Paul Barger**  
555 Route One South Suite 340  
Iselin, New Jersey 08830

**OFFICIAL DEPOSITORY**

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

## **FINANCIAL SECTION**

# NIGHTLINGER, COLAVITA & VOLPA

*A Professional Association  
Certified Public Accountants*

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

(856) 629-3111  
Fax (856) 728-2245  
[www.colavita.net](http://www.colavita.net)

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the 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, 2019, 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 from material misstatement. Because of the matter described in the "Basis for Disclaimer of Opinion" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the related notes to the financial statements.

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 presentation of the financial statements.

As a result of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we were unable to obtain sufficient audit evidence to provide a basis for our audit opinions.

### **Basis for Disclaimer of Opinion**

We were unable to perform various audit procedures on the assets, liabilities, revenues and expenditures reflected on the Charter School's statement of net position, statement of activities and the balance sheet and statement of revenues, expenditures and changes in fund balance of each major fund, as of June 30, 2019. In addition, we were unable to confirm or verify by alternative means the balances in accounts receivable and accounts payable due to/from the sending districts of the Charter School, as well as amounts due to/from Federal and State agencies.

### **Disclaimer of Opinion**

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the related notes to the financial statements. Accordingly, we do not express an opinion on these financial statements.

### **Emphasis of Matter**

#### *Going Concern*

As discussed in Note 15 to the financial statements, the Charter School ceased educational operations effective June 30, 2019 and surrendered its Charter to the NJ Department of Education.

### **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.

As a result of the matter described in the "Basis for Disclaimer of Opinion" paragraph, we were unable to obtain sufficient audit evidence to provide a basis for our audit opinion on the combining and individual non-major fund financial statements and the schedule of expenditures of federal awards and state financial assistance.

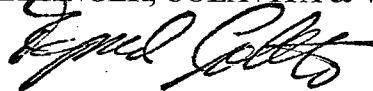
The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2020 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 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  
October 5, 2020

**REQUIRED SUPPLEMENTARY INFORMATION – PART I**

# THE KINGDOM CHARTER SCHOOL OF LEADERSHIP

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

### UNAUDITED

The limited 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 final fiscal year of educational operations ended June 30, 2019. 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 2019 are as follows:

- ❖ The 2019 school year was the eighth year of operations and educated students from Kindergarten through Fifth Grade.
- ❖ Total revenues of the school were \$3,502,476, of which general revenues accounted for \$2,670,141 or 76.2% of all revenues. Program specific revenues in the form of charges for services, operating grants, contributions, and capital grants accounted for \$832,335 or 23.7% percent of all Revenues.
- ❖ Total net position of governmental activities at the year was \$807,604.
- ❖ The School had \$3,989,946 in total expenses, of which \$832,335 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 \$2,915,562 in revenues and \$3,377,636 in expenditures. The General Fund's balance, as of June 30, 2019 was \$49,111.

### 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 an aggregate view of the School's finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed. 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**

This document contains the various funds used by the School to provide programs and activities. 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 20. 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 2019 and 2018 in accordance with GASB Statement 34. The following net position comparisons are for the years ended in 2019 and 2018.

Table 1  
Net Position

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 202,464	\$ 429,134
Receivables, Net	123,589	170,177
Capital Assets, Net	883,120	939,078
Total Assets	<u>1,209,173</u>	<u>1,538,389</u>
<b>Deferred Outflows of Resources</b>	<u>822,002</u>	<u>191,118</u>
<b>Liabilities</b>		
Accounts Payable	245,353	20,915
Unearned Revenue		32
Due to Other Governments	31,589	80,973
Net Pension Liability	701,273	124,610
Total Liabilities	<u>978,215</u>	<u>226,530</u>
<b>Deferred Inflows of Resources</b>	<u>245,356</u>	<u>207,903</u>
<b>Net Position</b>		
Invested in capital assets, net of debt	883,120	939,078
Restricted - Escrow Fund	75,000	75,000
Unrestricted	(150,516)	280,996
Total Net Position	<u>\$ 807,604</u>	<u>\$ 1,295,074</u>

Table 2 shows the changes in net position from fiscal years 2019 and 2018, in accordance with GASB Statement 34. The following comparison of changes in net position, represent data for the years ended in 2019 and 2018.

Table 2  
Changes in Net Position

	2019	2018
<b>Revenues</b>		
Programs Revenues		
Charges for services	\$ 55,301	\$ 62,253
Operating grants and contributions	747,407	667,433
General Revenues		
Property taxes	1,086,718	1,180,220
Grants and entitlements	1,501,620	1,666,953
Miscellaneous	111,430	21,036
Total Revenues	<u>3,502,476</u>	<u>3,597,895</u>
<b>Program Expenses</b>		
Instruction	1,356,244	1,095,489
Support Services		
Health Benefits		108,330
School Administration	787,947	791,162
General Administration	971,932	926,871
Employee Benefits	674,709	397,931
Enterprise Funds	143,156	134,903
Other	55,958	55,958
Total Expenses	<u>3,989,946</u>	<u>3,510,644</u>
Increase in Net Position	<u>\$ (487,470)</u>	<u>\$ 87,251</u>

### Governmental Activities

The School's total revenue for the fiscal year ended June 30, 2019 was \$3,502,476, of which net governmental activity revenues were \$2,802,610. As a charter school, voter approval for the School operations is not required in New Jersey. Property taxes made up 31% of revenues for governmental activities of The Kingdom Charter School of Leadership school. Federal, State and Local grants accounted for 64.2% and other revenue made up 4.8%. The school's total expenses were \$3,989,946, of which the net cost of governmental activity expenses were \$3,197,006 or 80.1%. In addition, instructional expenses comprised 34% of governmental expenses, while support services made up 61% and the remaining 5.0% represents depreciation and the Enterprise Fund.

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 2019</u>	<u>Net Cost of Services 2019</u>	<u>Total Cost of Services 2018</u>	<u>Net Cost of Services 2018</u>
Instruction	\$ 1,356,244	\$ 1,356,244	\$ 1,095,489	\$ 1,095,489
Support services				
Health Services			108,330	108,330
School Administrative Services	787,947	731,044	791,162	681,026
General and Business Administr	971,932	971,932	926,871	926,871
Employee Benefits	674,709	81,828	397,931	(45,146)
Other	55,958	55,958	55,958	55,958
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Expenses	<u>\$ 3,846,790</u>	<u>\$ 3,197,006</u>	<u>\$ 3,375,741</u>	<u>\$ 2,822,528</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 estimated 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 \$22,487 during the 2018-19 school year, to offset the excess of expenses over revenues. Total food service costs were \$92,685.
- ❖ Charges paid by patrons for daily food services were \$7,000.
- ❖ Extended Day revenues were \$73,742 , of which \$34,425 was from the NJ Child Care Assistance Program and Extended Day expenses were \$34,519.
- ❖ Summer Enrichment revenues were \$8,984 and Summer Enrichment expenses were \$15,952.

### The School's Funds

Information about the School's major funds starts on page 20. These funds are accounted for using the modified accrual basis of accounting. All governmental funds (i.e., general and special revenue funds presented in the fund-based statements) had total revenues of \$2,960,689 and expenditures of \$3,422,763. The net positive change in the General Fund balance, after transfers to other funds, was (\$355,206). This result shows that the School was not able to meet current operating costs, without the need for additional funds.

The following schedules present a summary of the revenues of the governmental funds (excluding capital projects) for the fiscal year ended June 30, 2019, 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 2018</u>	<u>Percent Increase (Decrease)</u>
Local Sources	\$ 1,194,122	39.8%	\$ (7,134)	-0.6%
State Sources	1,721,440	57.3%	(4,283)	-0.2%
Federal Sources	86,530	2.9%	(23,606)	-21.4%
<b>Total</b>	<b>\$ 3,002,092</b>	<b>100%</b>	<b>\$ (35,023)</b>	<b>-1.2%</b>



The following schedule presents a summary of general fund and special revenue fund expenditures for the fiscal year ended June 30, 2019, 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 2018</u>	<u>Percent Increase (Decrease)</u>
Current Expenditures	\$ 3,464,166	100.0%	\$ 542,314	49.5%
Capital Outlay		-0.1%	(49,079)	-100.0%
Total	\$ 3,464,166	100%	\$ 493,235	16.6%

### 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.

An Amended Budget has not been reflected for the year ended June 30, 2019. The School used program based budgeting and the budgeting systems were 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 \$355,206 in expenditures over revenues.

- ❖ Actual revenues were \$308,411 less than expected, excluding on behalf state aid of \$348,043. This revenue variance was driven by the actual enrollment.
- ❖ The actual expenditures were higher than expected in various line items, in the total amount of \$180,087, excluding the on-behalf social security and TPAF pension contribution state aid payments of \$348,043 per Exhibit C-1. This indicated that expenditures were not made within the budget, with negative variances in General and School Administration areas.
- ❖ The general fund also made transfers among in the net amount of amount of \$106,868.

## Capital Assets

At the end of the fiscal year 2019, the School had \$883,120 invested in a building, leasehold improvements, machinery and equipment. Table 4 shows fiscal 2019 balances compared to 2018.

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

	<u>2019</u>	<u>2018</u>
Building Improvements	\$ 148,846	\$ 166,822
Machinery and Equipment	20,573	32,122
Building	713,701	740,134
Totals	<u>\$ 883,120</u>	<u>\$ 939,078</u>

Overall capital assets decreased \$55,958 from fiscal year 2018 to fiscal year 2019. The decrease was attributed to estimated depreciation expense of \$55,958.

## Operating Leases

The School was leasing two copiers. Future minimum lease payments are not provided.

## For the Future

The Kingdom Charter School of Leadership ceased operations as a charter school as of June 6, 2019, surrendered its Charter to the NJ Department of Education and is being liquidated by the Trustee. There is a Judgement against the school in the amount of \$995,713 that was awarded in Superior Court on May 9, 2019.

## 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 Trustee Mr. Philip T. Meshinsky, CPA, MBA, PSA, 1155 W. Chestnut Street, Suite 2D, Union, New Jersey 08083.

## **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, 2019**

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 197,637	\$ 4,827	\$ 202,464
Receivable, Net	96,692		96,692
Interfund Receivable	26,897		26,897
Capital Assets, Net (Note 5):	883,120		883,120
Total Assets	<u>1,204,346</u>	<u>4,827</u>	<u>1,209,173</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Pension Outflow	822,002		822,002
<b>LIABILITIES</b>			
Accounts Payable	240,526	4,827	245,353
Due to Other Governments	31,589		31,589
Non-Current Liabilities:			
Net Pension Liability	701,273		701,273
Total Liabilities	<u>973,388</u>	<u>4,827</u>	<u>978,215</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred Pension Inflow	245,356		245,356
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Deb	883,120		883,120
Restricted:			
Escrow Fund	75,000		75,000
Unrestricted	(150,516)		(150,516)
Total Net Position	<u>\$ 807,604</u>	<u>\$</u>	<u>\$ 807,604</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, 2019**

<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	\$ 1,356,244	\$	\$	\$ (1,356,244)		\$ (1,356,244)
Support Services:						
School Administrative Services	787,947		56,903	(731,044)		(731,044)
Employee Benefits	674,709		592,881	(81,828)		(81,828)
General and Business Administrative Services	971,932			(971,932)		(971,932)
Unallocated Depreciation	55,958			(55,958)		(55,958)
Total Governmental Activities	<u>3,846,790</u>		<u>649,784</u>	<u>(3,197,006)</u>		<u>(3,197,006)</u>
Business-type Activities:						
Food Service	92,685	7,000	63,198		(22,487)	(22,487)
Before and After Care	34,519	39,317	34,425		39,223	39,223
Summer Enrichment	15,952	8,984			(6,968)	(6,968)
Total Business-type Activities	<u>143,156</u>	<u>55,301</u>	<u>97,623</u>		<u>9,768</u>	<u>9,768</u>
Total Primary Government	<u>\$ 3,989,946</u>	<u>\$ 55,301</u>	<u>\$ 747,407</u>	<u>\$ (3,197,006)</u>	<u>\$ 9,768</u>	<u>\$ (3,187,238)</u>
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes, net				\$ 1,086,718		\$ 1,086,718
Federal and State Aid Not Restricted				1,501,620		1,501,620
Investment Earnings				160		160
Miscellaneous				107,244		107,244
Transfers				106,868	(102,842)	4,026
Total General Revenues, Special Items, Extraordinary Items and Transfers				<u>2,802,610</u>	<u>(102,842)</u>	<u>2,699,768</u>
Change in Net Position				(394,396)	(93,074)	(487,470)
Net Position—Beginning				1,202,000	93,074	1,295,074
Net Position—Ending				<u>\$ 807,604</u>	<u>\$</u>	<u>\$ 807,604</u>

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

## **FUND FINANCIAL STATEMENTS**

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

**GOVERNMENTAL FUNDS**



**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 120,268	\$ 45,127	\$ 165,395
Interfund Receivable	104,266		104,266
State Aid Receivable	96,008		96,008
Other Accounts Receivable	684		684
Total Assets	\$ 321,226	\$ 45,127	\$ 366,353
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 240,526	\$	\$ 240,526
Interfund Payable		45,127	45,127
Due to Other Governments	31,589		31,589
Total Liabilities	272,115	45,127	317,242
Fund Balances:			
Restricted			
Escrow Fund	75,000		75,000
Unassigned, Reported in:			
General Fund - (Deficit)	(25,889)		(25,889)
Total Fund Balances	49,111		49,111
Total Liabilities and Fund Balances	\$ 321,226	\$ 45,127	

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 estimated accumulated depreciation is \$289,467 (Note 5).

	883,120
Long Term Net Pension Liability	(701,273)
Deferred Pension Outflows	822,002
Deferred Pension Inflows	(245,356)
Net position of governmental activities	\$ 807,604

**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, 2019**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Local Sources:			
Local Tax Levy	\$ 1,086,718	\$	\$ 1,086,718
Investment Earnings	160		160
Miscellaneous	107,244		107,244
Total - Local Sources	1,194,122		1,194,122
State Sources	1,721,440		1,721,440
Federal Sources		86,530	86,530
Total Revenues	2,915,562	86,530	3,002,092
<b>EXPENDITURES</b>			
Current:			
Regular Instruction	1,326,617	29,627	1,356,244
Support Services:			
Other Administrative Services	1,263,072	56,903	1,319,975
School Administrative Services	787,947		787,947
Total Expenditures	3,377,636	86,530	3,464,166
Excess (Deficiency) of Revenues Over Expenditures	(462,074)		(462,074)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers	106,868		106,868
Total Other Financing Sources and Uses	106,868		106,868
Net Change in Fund Balances	(355,206)		(355,206)
Fund Balance—July 1	404,317		404,317
Fund Balance—June 30	\$ 49,111	\$	\$ 49,111

**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, 2019

<b>Total net change in fund balances - governmental funds (from B-2)</b>	\$ (355,206)
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.	
	16,768
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.	
Estimated Depreciation expense	\$ (55,958)
Capital outlays	_____
	(55,958)
<b>Change in net position of governmental activities (A-2)</b>	<u>\$ (394,396)</u>

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, 2019**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b><u>Food Service</u></b>	<b><u>Before and After Care Program</u></b>	<b><u>Summer Enrichment</u></b>	<b><u>Totals</u></b>
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 37,069	\$	\$	\$ 37,069
Total Current Assets	<u>37,069</u>			<u>37,069</u>
Total Assets	<u>\$ 37,069</u>	<u>\$</u>	<u>\$</u>	<u>\$ 37,069</u>
<b>LIABILITIES AND NET POSITION:</b>				
Current Liabilities:				
Accounts Payable	\$ 4,827	\$	\$	\$ 4,827
Interfund Accounts Payable	32,242			32,242
Total Current Liabilities:	<u>37,069</u>			<u>37,069</u>
Net Position				
Unrestricted				
Total Net Position				
Total Liabilities and Net Position	<u>\$ 37,069</u>	<u>\$</u>	<u>\$</u>	<u>\$ 37,069</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, 2019**

	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:	\$ 7,000	\$	\$	\$ 7,000
Extended Day Fees		39,317		39,317
Other			8,984	8,984
<b>Total Operating Revenue:</b>	<b>7,000</b>	<b>39,317</b>	<b>8,984</b>	<b>55,301</b>
Operating expenses:				
Salaries	17,412	27,783	14,346	59,541
Food Costs - Reimbursable Prog	75,273			75,273
Other		6,736	1,606	8,342
<b>Total Operating Expenses</b>	<b>92,685</b>	<b>34,519</b>	<b>15,952</b>	<b>143,156</b>
<b>Operating Income (Loss)</b>	<b>(85,685)</b>	<b>4,798</b>	<b>(6,968)</b>	<b>(87,855)</b>
Non-operating Revenues (Expenses):				
State Sources:				
School Lunch Program	857			857
Child Care Assistance Program		34,425		34,425
Federal Sources:				
School Breakfast Program	16,584			16,584
National School Lunch Program	45,757			45,757
<b>Total Non-operating Revenues (Expenses)</b>	<b>63,198</b>	<b>34,425</b>		<b>97,623</b>
<b>Income (Loss) before Contributions &amp; Transfers</b>	<b>(22,487)</b>	<b>39,223</b>	<b>(6,968)</b>	<b>9,768</b>
Transfer (to) from General Fund	22,487	(122,225)	(3,104)	(102,842)
<b>Change in Net Position</b>		<b>(83,002)</b>	<b>(10,072)</b>	<b>(93,074)</b>
<b>Total Net Position—Beginning</b>		<b>83,002</b>	<b>10,072</b>	<b>93,074</b>
<b>Total Net Position—Ending</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

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, 2019**

	Business-type Activities Enterprise Funds			
	Food Service	Before and After Care Program	Summer Enrichment	Total Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers	\$ 11,753	\$ 40,538	\$ 8,984	\$ 61,275
Payments to Employees	(17,412)	(27,783)	(14,346)	(59,541)
Payments to Suppliers	(78,854)	(6,736)	(1,606)	(87,196)
Net Cash Provided by (Used for) Operating Activities	(84,513)	6,019	(6,968)	(85,462)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Operating Subsidies and Transfers from/to Other Funds	22,487			22,487
Cash Received from State and Federal Reimbursement	63,198	34,425		97,623
Net Cash Provided by Non-capital Financing Activities	85,685	34,425		120,110
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of Capital Assets				
Net Cash Provided by (Used for) Capital and Related Financing Activities				
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and Dividends				
Net Cash Provided by (Used for) Investing Activities				
Net Increase (Decrease) in Cash and Cash Equivalents	1,172	40,444	(6,968)	34,648
Transfers to General Fund		(122,225)	(3,104)	(125,329)
Balances—Beginning of Year	35,897	81,781	10,072	127,750
Balances—End of Year	\$ 37,069	\$	\$	\$ 37,069
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided</b>				
<b>(Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ (85,685)	\$ 4,798	\$ (6,968)	\$ (87,855)
Provided by				
(Used for) Operating Activities				
(Increase)/Decrease in Accounts Receivable, Net	4,776	1,230		6,006
Increase/(Decrease) in Accounts Payable	1,495			1,495
Increase/(Decrease) in Interfund Accounts Payable	(5,076)			(5,076)
Increase/(Decrease) in Deferred Revenue	(23)	(9)		(32)
Total Adjustments	1,172	1,221		2,393
Net Cash Provided by (Used for) Operating Activities	\$ (84,513)	\$ 6,019	\$ (6,968)	\$ (85,462)

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, 2019**

	<u>Unemployment Trust</u>	<u>Agency Fund</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 9,893	\$ 17,004
Due from Payroll Agency Account	9,822	
	<hr/>	<hr/>
Total Assets	19,715	17,004
	<hr/>	<hr/>
<b>LIABILITIES</b>		
Due to General Fund	19,715	7,182
Due to Unemployment Trust Fund		9,822
	<hr/>	<hr/>
Total Liabilities	\$ 19,715	\$ 17,004
	<hr/>	<hr/>
<b>NET POSITION</b>		
Held in Trust for Unemployment Claims and Other Purposes	\$	
	<hr/>	

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, 2019**

	<u>Unemployment Compensation Trust</u>
<b>ADDITIONS</b>	
Contributions:	
Contributions	\$ 14,481
Total Additions	<u>14,481</u>
<b>DEDUCTIONS</b>	
Unemployment Claims and Fees	
Total Deductions	
Change in Net Position	14,481
Transfer to General Fund	(19,715)
Net Position—Beginning of the Year	<u>5,234</u>
Net Position—End of the Year	<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, 2019**

**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. The school ceased educational operations as of June 30, 2019.

**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, 2019 was 177, which was 28 students less than in 2017-18. 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, 2019**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**New Accounting Standards:**

The Charter School has adopted the following GASB statements:

- GASB No. 83 - *Certain Asset Retirement Obligations*: This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The requirements of Statement will be effective for reporting periods beginning after June 15, 2018. The adoption of GASB 83 is not expected to impact the financial statements of the School District.
- 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The adoption of GASB 88 is not expected to impact the financial statements of the School District.

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

- 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. The requirements of Statement will be effective for reporting periods beginning after December 15, 2018. The Board is evaluating the potential impact of the adoption of GASB 84 on the School District'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. The requirements of Statement will be effective for reporting periods beginning after December 15, 2019. The Board is evaluating the potential impact of the adoption of GASB 87 on the School District's financial statements.
- 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. 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 School District'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. 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 School District's financial statements.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**New Accounting Standards (Cont'd):**

- GASB Statement - No. 91 – *Conduit Debt Obligations*: The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Management is evaluating the potential impact of the adoption of GASB 91 on the School District's financial statements.

**A. Basis of Presentation:**

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

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

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

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

Fund Financial Statements: During the fiscal year, the Charter School segregates transactions related to certain Charter School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the Charter School's funds, including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey Charter Schools to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among Charter School financial reporting.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**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 funds operations are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The various funds are grouped, in the financial statements in this report:

**GOVERNMENTAL FUND TYPE**

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

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

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.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**B. Fund Accounting (Cont'd):**

**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, Before and After Care and Summer Enrichment) Funds** - The Enterprise Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the School is that the costs (i.e. expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis be financed or recovered primarily through user charges; or, where the School has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

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

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

The District also maintained a Summer Enrichment Program.

The operations of all Enterprise Funds has been closed out to the General Fund, as of June 30, 2019 as reflected in the various financial statements.

**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.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**B. Fund Accounting (Cont'd):**

**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. A final distribution of the Unemployment Trust fund has not been determined.

**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 operations of all Agency Funds has been closed out to the General Fund, as of June 30, 2019 as reflected in the various financial statements.

**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.



**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

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

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.

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.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**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, 2019.

**F. Tuition:**

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

**G. Assets, Liabilities and Equity:**

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

Inventories - Inventories and prepaid expenses, which benefit future periods, other than those recorded in the Enterprise Fund are recorded as expenditures during the year of purchase. On Charter School-wide financial statements and in the enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method and is expended when used. There were no prepaid expenses in the Enterprise Fund representing payments made to vendors for services that will benefit periods beyond June 30, 2019.

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. No determination has been made as to the possible impairment of the building, if any, as a result of the school closure.

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

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

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**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, would be 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 would be reported in the Statement of Net Position. There is presently no balance in compensated absences liability at June 30, 2019. In proprietary and similar trust funds, compensated absences would be 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). There was none at June 30, 2019.

**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 would represent plans for future use of financial resources.

**K. Operating Revenues and Expenses:**

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

**L. Charter School Funding:**

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

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**L. Charter School Funding (Cont'd):**

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

**M. Net Position:**

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

**N. Revenues – Exchange and Non-exchange Transactions:**

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

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.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**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, which was estimated for the 2018-19 fiscal year, 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..

**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 was identified to be reported as such during the fiscal year ended June 30, 2019.

**R. Inventories and Prepaid Expenses:**

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund are normally 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. There were no prepaid expenses in the Enterprise Fund, as of June 30, 2019.

**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. Due to the incomplete handling of records and lack of effective accounting controls maintained during the 2018-19 fiscal year, which included the closeout process, numerous expenses reported were estimated and allocated by the trustee.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**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. There were no long-term obligations reported in the Statement of Net Position.

**V. Fund Balance Reserves:**

The Charter School reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. No fund balance reserve was established for encumbrances. The statutorily required escrow account in the amount of \$75,000 was reflected on the balance sheet.

**W. Lease Acquisition Costs:**

As part of any long-term lease agreement, providing for the use of school buildings, payments constituting professional lease acquisition and other related professional fees will be expensed when incurred in accordance with GASB Statement No. 65. There were no such leases for the year ended June 30, 2019.

**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:

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

**Deposits (Cont'd):**

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

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

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

**Investments:**

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

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

As of June 30, 2019, cash and cash equivalents in the fund financial statements of the Charter School consisted of the following:

	Cash and Cash Equivalents
Checking Accounts	\$ 229,361
Total	\$ 229,361

**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, 2019, the Charter School's bank balance of \$237,471 was insured as follows:

Insured	\$ 237,471
Uninsured and collateralized with securities held by pledging financial institutions	
	\$ 237,471

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
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**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, 2019.

**NOTE 5. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

	<b>Beginning Balance July 1, 2018</b>	<b>Adustments/ Additions Retirements</b>	<b>Ending Balance June 30, 2019</b>
Governmental activities:			
Capital Assets that are Not Being Depreciated:			
Land	\$	\$	\$
Building Improvement	251,419		251,419
Machinery and Equipment	128,168		128,168
Building	793,000		793,000
Total at Historical Cost	1,172,587		1,172,587
Less Accumulated Depreciation for:			
Building Improvement	(84,597)	(17,976)	(102,573)
Machinery and Equipment	(96,046)	(11,549)	(107,595)
Building	(52,866)	(26,433)	(79,299)
Total Accumulated Depreciation	(233,509)	(55,958)	(289,467)
Total Capital Assets Being Depreciated, Net of Accumulated Depreciation	939,078	(55,958)	883,120
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 939,078</b>	<b>\$ (55,958)</b>	<b>\$ 883,120</b>
			<b>To A-1</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

The impairment of the above fixed assets, if any, has not been determined or reflected in the financial statements. The court judgment is secured by the above assets exclusive of any sales at auction.

**NOTE 6. GENERAL LONG-TERM DEBT**

As of June 30, 2019, there was no debt.



**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
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**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 7.5% of employees' annual compensation through June 30, 2019. Employers are required to contribute at an actuarially determined rate in PERS. The current PERS rate is 13.37% of covered payroll. 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, 2019**

**NOTE 7. PENSION PLANS (CONT'D)**

**Public Employees' Retirement System (Cont'd)**

**Components of Net Pension Liability** - At June 30, 2019, the Charter's proportionate share of the PERS net pension liability was \$701,273. The net pension liability was measured as of June 30, 2018. The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The Charter's proportion measured as of June 30, 2018 was 0.003562% which was an increase of 0.003027% from its proportion measured as of June 30, 2017.

**Pension Expense and Deferred Outflows/Inflows of Resources** - The Charter School's 2019 PERS pension expense, with respect to GASB 68, was \$103,961. The Charter School's 2019 deferred outflows of resources and deferred inflows of resources were from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 13,373	\$ 3,616
Changes of assumptions	115,558	224,230
Net difference between projected and actual earnings on pension plan investments		6,578
Changes in proportion	656,957	131,661
Contributions subsequent to the measurement date	36,114	
Total	\$ 822,002	\$ 366,085

**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
2019	\$ 96,092
2020	63,601
2021	79,865
2022	88,731
2023	91,515
Thereafter	
Total	\$ 419,803

**Additional Information-Collective Balances at June 30, 2019 and 2018 are as follows:**

Year	6/30/2019	6/30/2018
Collective deferred outflows of resources	\$ 822,002	\$ 191,118
Collective deferred inflows of resources	\$ 366,085	\$ 207,903
Collective Net Pension Liability	\$ 701,273	\$ 124,610
Charter School's Proportion	0.003562%	0.000535%

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7. PENSION PLANS (CONT'D)**

**Actuarial Assumptions** - The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<b>PERS</b>
Measurement Date	June 30, 2018
Actuarial Valuation Date	July 1, 2017
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. 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, 2017 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.

**Public Employees' Retirement System (Cont'd)**

**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:

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 7. PENSION PLANS (CONT'D)**

Asset Class	PERS	
	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	5.00%	5.51%
Cash Equivalents	5.50%	1.00%
U.S. Treasuries	3.00%	1.87%
Investment Grade Credit	10.00%	3.78%
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	11.50%	9.00%
Emerging Markets Equity	6.50%	11.64%
Buyouts/Venture Capital	8.25%	13.08%
Total	100.00%	

**Public Employees' Retirement System (Cont'd)**

**Discount Rate** - The discount rate, as of June 30, 2018, used to measure the total pension liability was 5.66% 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 3.87% as of June 30, 2018 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 50% 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 2046 for PERS. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2046 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, 2018, 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 (4.66%) or 1-percentage-point higher (6.66%) than the current rate:

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7. PENSION PLANS (CONT'D)**

	1% Decrease (4.66%)	Current Discount (5.66%)	1% Increase (6.66%)
Charter School's proportionate the net pension liability	\$ 881,770	\$ 701,273	\$ 549,848

**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.

**Contributions** - The contribution policy is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing employers. The member contribution rate was 7.5% in as of July 1, 2018. 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 2018, 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 District and all other related non-contributing employers. No normal or accrued liability contribution by the District 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 District was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2019 because of the 100% special funding situation with the State of New Jersey. The Charter School was not required to make any contributions to the pension plan during the fiscal year ended June 30, 2019 because of the 100% special funding situation with the State of New Jersey.

During the fiscal year ended June 30, 2019, the State of New Jersey contributed \$178,946 to the TPAF for pension contributions, \$81,169 for post-retirement benefits on behalf of the School, and \$819 for long-term disability.

**Components of Net Pension Liability** - At June 30, 2019, the Charter School was not required to report a liability for its proportionate share of the net pension liability because of a 100% reduction for State of New Jersey pension support provided to the Charter School.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 7. PENSION PLANS (CONT'D)**

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, 2019, the Charter School recognized pension expense of \$245,657 and revenue of \$246,657 for support provided by the State.

**Teachers' Pension and Annuity Fund (Cont'd)**

**Actuarial Assumptions** - The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of July 1, 2017, which was rolled forward to June 30, 2018. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

	<b>TPAF</b>
Measurement Date	June 30, 2018
Actuarial Valuation Date	July 1, 2017
Investment Rate of Return	7.00%
Salary Scale (Based on Age):	
Through 2026	1.55%-4.55%
Thereafter	2.00%-5.45%
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, 2018 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	11.50%	9.00%
Emerging markets equity	6.50%	11.64%
Buyouts/venture capital	8.25%	13.08%
<b>Total</b>	<b>100.00%</b>	

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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, 2018. 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, 2018 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** – The following presents the collective net pension liability of the participating employers as of June 30, 2019, 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 (3.86%) or 1-percentage-point higher (5.86%) than the current rate:

	1% Decrease (3.86%)	Current Discount -4.86%	1% Increase (5.86%)
State's Share of the Net Pension Liability	\$ 75,417,894,537	\$63,806,350,446	\$ 54,180,663,328

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 KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

**General Information about the OPEB Plan (Cont'd)**

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.

**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.

**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, 2018, was \$46,110,832,982. Of this amount, the total OPEB liability attributable to the School District was \$688,235. The State of New Jersey's proportionate share of the total OPEB liability is 100%. The total OPEB liability for the School District measured as of June 30, 2018 is zero as a result of the Special Funding Situation with the State of New Jersey. The School District's proportionate share of the total OPEB liability measured as of June 30, 2018 is 0.00%. Accordingly, the School District 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, 2018 was determined by an actuarial valuation as of June 30, 2017, which was rolled forward to June 30, 2018. The total nonemployer OPEB liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2017. 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**  
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**NOTE 8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONT'D)**

**Total Nonemployer OPEB Liability (Cont'd)**

	<b>TPAF/ABP</b>	<b>PERS</b>
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, 2017 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, 2018 was 3.87%. 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, 2019**

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

**Changes in the Total OPEB Liability**

		<b><u>Total OPEB Liability</u></b>
<b>Balance as of June 30, 2017 Measurement Date</b>	\$	<u>53,639,841,85878</u>
Changes for the year:		
Service cost		1,984,642,729
Interest cost		1,970,236,232
Changes of benefit terms		
Differences between expected and actual		(5,002,065,740)
Changes in assumptions or other inputs		(5,291,448,855)
Member contributions		42,614,005
Gross benefit payments		(1,232,987,247)
<b>Net changes</b>		<u>(7,529,008,876)</u>
<b>Balance as of June 30, 2018 Measurement Date</b>	\$	<u>46,110,832,982</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, 2018, 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:

<b>June 30, 2018</b>		
At 1.00% Decrease	At Discount Rate	At 1.00% Increase
2.87%	3.87%	4.87%
\$ 54,512,391,175	\$ 46,110,832,982	\$ 39,432,461,816

**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, 2018, 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:

<b>June 30, 2018</b>		
1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
\$ 38,113,289,045	\$ 46,110,832,982	\$ 56,687,891,003

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**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, 2019, the Charter School recognized OPEB expense of \$194,536. The Charter School reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$	\$ 66,809
Changes of assumptions		154,271
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion	100,064	112,244
Contributions subsequent to the measurement date		
Total	\$ 100,064	\$ 333,324

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
2019	\$	(27,338)
2020		(27,338)
2021		(27,338)
2022		(27,338)
2023		(27,338)
Thereafter		(96,569)
Total	\$	(233,260)

**NOTE 9. DEFERRED COMPENSATION**

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

**NOTE 10. RISK MANAGEMENT**

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

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

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 10. RISK MANAGEMENT (CONT'D)**

**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. While operations of the school ceased on June 30, 2019, no distribution of the remaining proceeds has been determined. 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</u>	<u>Adjustment</u>	<u>Ending Balance June 30,</u>
2018-2019	\$ 9,457	\$ 4,728	N/A	\$ (19,419)	\$ -
2017-2018	12,050	4,939	N/A		5,234
2016-2017	14,253	3,947	11,745		6,455

A determination has not been made, as to any outstanding unemployment claims at June 30, 2020.

**NOTE 11. INTERFUND RECEIVABLES AND PAYABLES**

The following interfund balances remained on the balance sheet at June 30, 2019:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 104,266	\$
Special Revenue Fund		45,127
Food Service Fund		32,242
Unemployment Trust Fund	9,822	19,715
Student Activity Fund		6,059
Net Payroll and Agency		10,945
Total	\$ 114,088	\$ 114,088

**NOTE 12. FUND BALANCE**

**General Fund**-Of the \$49,111 General Fund balance at June 30, 2019, \$75,000 was restricted as a required escrow and the remaining (\$25,889) was a deficit in unassigned fund balance.

**NOTE 13. LITIGATION**

The previous charter school management company was awarded a judgement against the school by the Superior Court in the amount of \$995,713, regarding a breach of contract dispute, of which the Charter School was determined liable. No liability has been reflected in the financial statements and the judgement is secured by the building, which the value has been determined to be \$419,900.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**NOTE 14. OPERATING LEASES**

**Copiers**

The District leased two copiers under an operating lease agreement. The future minimum lease payments was not determined.

**NOTE 15. CLOSING OF SCHOOL AND SURRENDER OF CHARTER**

The Kingdom Charter School of Leadership ceased operations as a charter school as of June 6, 2019, surrendered its' Charter to the NJ Department of Education and is being liquidated by the Trustee. As described Note 13, there is a Judgement against the school in the amount of \$995,713 that was awarded in Superior Court on May 9, 2019.

**NOTE 16. SUBSEQUENT EVENTS**

The Trustee is in the process of liquidating the remaining assets of the school for distribution to secured creditors and, if funds remain, to unsecured creditors, based on the legal determination of secured verses unsecured creditors, including the plaintiff in the awarded judgement, the N.J. Department of Education and other potential Trust Funds.

End of Notes to Financial Statements

**REQUIRED SUPPLEMENTARY INFORMATION – PART II**

**BUDGETARY COMPARISON SCHEDULES**

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<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>
<b>REVENUES:</b>					
"Local Tax Levy"- Local Share - Charter School Aid:					
City of Camden	\$	\$	\$	\$ 1,339	\$ 1,339
Borough of Clementon				65,131	65,131
Township of Deptford				24,869	24,869
Township of Franklin				6,041	6,041
Township of Gloucester	1,293,969		1,293,969	596,544	(697,425)
Borough of Lawnside				12,630	12,630
Borough of Lindenwold				134,007	134,007
Township of Monroe				5,318	5,318
Borough of Pine Hill				39,577	39,577
Borough of Somerdale				6,724	6,724
Township of West Deptford				7,241	7,241
Township of Washington				85,560	85,560
Township of Winslow				88,983	88,983
City of Woodbury				8,714	8,714
Borough of Woodlynne				4,040	4,040
<b>Total - Local Levy</b>	<b>1,293,969</b>		<b>1,293,969</b>	<b>1,086,718</b>	<b>(207,251)</b>
State Sources:					
Local Tax Levy"- State Share - Charter School Aid:					
Equalization Aid	1,459,156		1,459,156	1,249,463	(209,693)
Categorical Aids					
Special Education Aid	77,156		77,156	98,783	21,627
Security Aid	45,499		45,499	25,151	(20,348)
Adjustment Aid					
On-behalf TPAF Pension Contributions (Non-budgeted)				178,946	178,946
On-behalf TPAF Post Retirement Medical Insurance (Non-budgeted)				81,169	81,169
On-behalf TPAF Long-Term Disability (Non-budgeted)				819	819
Reimbursed TPAF Social Security Contributions (Non-Budgeted)				87,109	87,109
<b>Total State Aid</b>	<b>1,581,811</b>		<b>1,581,811</b>	<b>1,721,440</b>	<b>139,629</b>
Revenue from Other Sources					
Interest On Investments	150		150	160	10
Miscellaneous				107,244	107,244
<b>Total Revenue from Other Sources</b>	<b>150</b>		<b>150</b>	<b>107,404</b>	<b>107,254</b>
<b>TOTAL REVENUES</b>	<b>\$ 2,875,930</b>		<b>\$ 2,875,930</b>	<b>\$ 2,915,562</b>	<b>\$ 39,632</b>
<b>EXPENDITURES:</b>					
<b>CURRENT EXPENSES:</b>					
Regular Programs - Instruction:					
Salaries of Teachers - Kindergarten	\$	\$	\$	\$	
Salaries of Teachers - Grades 1-5	1,015,198		1,015,198	1,135,988	(120,790)
Other Salaries for Instruction	160,986		160,986	53,371	107,615
Regular Programs - Undistributed Instruction:					
Purchased Professional - Tech. Services	50,225		50,225	24,566	25,659
Purchased Professional - Educational Services					
Other Purchased Services	1,000		1,000	1,107	(107)
General Supplies	7,700		7,700	20,716	(13,016)
Textbooks	64,721		64,721	88,137	(23,416)
Other Objects	4,100		4,100	2,732	1,368
<b>TOTAL REGULAR PROGRAMS - INSTRUCTION</b>	<b>1,303,930</b>		<b>1,303,930</b>	<b>1,326,617</b>	<b>(22,687)</b>
<b>TOTAL INSTRUCTION</b>	<b>\$ 1,303,930</b>		<b>\$ 1,303,930</b>	<b>\$ 1,326,617</b>	<b>\$ (22,687)</b>



THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Budget Transfers	Final Budget	Expenditures	Variance Final to Actua Favorable/ (Unfavorable)
<b>EXPENDITURES: (Continued)</b>					
<b>CURRENT EXPENSES: (Continued)</b>					
UNDISTRIBUTED EXPENDITURES:					
Health Services	\$	\$	\$	\$	\$
Salaries					
Purchased Professional - Technical Services					
Supplies & Materials					
Total Health Services					
Child Study Team	\$	\$	\$	\$	\$
Purchased Professional - Educational Services					
Total Child Study Team					
General Administrative Services:					
Salaries - Administrative	355,100		355,100	328,118	26,982
Salaries of Secretarial/Clerical Assistants	217,960		217,960		217,960
Legal Services	20,000		20,000	206,798	(186,798)
Audit Fees					
Unallocated Benefits	427,591		427,591	574,871	(147,280)
Purchased Professional - Technical Services	79,911		79,911	28,494	51,417
Other Purchased Professional Services	24,402		24,402		24,402
Other Purchased Services				54,000	(54,000)
Communications/Telephone	10,350		10,350	2,348	8,002
General Supplies	26,850		26,850	28,372	(1,522)
Other Objects	5,000		5,000	40,071	(35,071)
Total Support Services/General Administration	\$ 1,167,164	\$	\$ 1,167,164	\$ 1,263,072	\$ (95,908)
Support Services/School Administration:					
Salaries	\$ 141,830	\$	\$ 141,830	\$ 111,830	\$ 30,000
Purchased Professional - Technical Services	10,500		10,500	1,738	8,762
Other Purchased Services	86,182		86,182	160,152	(73,970)
Insurance for Property Liability & Fidelity	25,000		25,000	18,445	6,555
Supplies & Materials	5,900		5,900	31,380	(25,480)
Energy (Heat and Electricity)	50,000		50,000	37,422	12,578
Repairs and Maintenance				63,752	(63,752)
Miscellaneous Expenditures	9,000		9,000	15,185	(6,185)
Total Support Services/School Administration:	328,412		328,412	439,904	(111,492)
On-behalf TPAF Pension Contributions (Non-budgeted)				178,946	(178,946)
On-behalf TPAF Post Retirement Medical Insurance (Non-budgeted)				81,169	(81,169)
On-behalf TPAF Long-Term Disability (Non-budgeted)				819	(819)
Reimbursed TPAF Social Security Contrib. (Non-budgeted)				87,109	(87,109)
Total Undistributed Expenditures	1,495,576		1,495,576	2,051,019	(555,443)
<b>TOTAL EXPENDITURES - CURRENT EXPENSE</b>	<b>\$ 2,799,506</b>	<b>\$</b>	<b>\$ 2,799,506</b>	<b>\$ 3,377,636</b>	<b>\$ (578,130)</b>

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Variance Final to Actual Favorable/ (Unfavorable)</u>
<b>EXPENDITURES: (Continued)</b>					
<b>CURRENT EXPENSES: (Continued)</b>					
Capital Outlay					
Undistributed					
Instructional Equipment	\$	\$	\$	\$	
Non-instructional Equipment	50,000		50,000		50,000
Buildings Other than Lease Purchase Agreements					
Total Capital Outlay	50,000		50,000		50,000
<b>TOTAL EXPENDITURES</b>	<b>2,849,506</b>		<b>2,849,506</b>	<b>3,377,636</b>	<b>(528,130)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	26,424		26,424	(462,074)	(488,498)
Other Financing Sources (Uses):					
Transfer to Food Service Fund				(22,487)	(22,487)
Transfer from Summer Enrichment Fund				3,104	3,104
Transfer From Student Activity Fund				4,026	4,026
Transfer From Before and After Care Fund				122,225	122,225
Total Other Financing Sources (Uses):				106,868	106,868
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	26,424		26,424	(355,206)	(381,630)
Fund Balances, July 1	404,317		404,317	404,317	
Fund Balances, June 30	\$ 430,741	\$	\$ 430,741	\$ 49,111	\$ (252,275)
<b>RECAPITULATION :</b>					
Restricted:					
Escrow Fund				\$ 75,000	
Unrestricted:					
Unassigned Fund Balance (Deficit)				(25,889)	
TOTAL				\$ 49,111	

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL REVENUE FUND**  
**AS OF JUNE 30, 2019**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<b>REVENUES:</b>					
State Sources	\$	\$	\$	\$	\$
Federal Sources	86,530		86,530	86,530	
<b>Total Revenues</b>	<u>86,530</u>		<u>86,530</u>	<u>86,530</u>	
<b>EXPENDITURES:</b>					
<b>Instruction</b>					
Salaries of Teachers	25,625		25,625	25,625	
General Supplies	4,002		4,002	4,002	
<b>Total Instruction</b>	<u>29,627</u>		<u>29,627</u>	<u>29,627</u>	
<b>Support Services</b>					
Employee Benefits	15,500		15,500	15,500	
Purchased Prof. & Technical Services	41,403		41,403	41,403	
<b>Total Support Services</b>	<u>56,903</u>		<u>56,903</u>	<u>56,903</u>	
<b>Facilities Acquisition and Construction Services:</b>					
Equipment					
<b>Total Facilities Acquisition and Construction Services</b>					
Total Expenditures	<u>86,530</u>		<u>86,530</u>	<u>86,530</u>	
<b>Other Financing Sources (Uses)</b>					
<b>Total Outflows</b>	<u>86,530</u>		<u>86,530</u>	<u>86,530</u>	
<b>Excess (Deficiency) of Revenues Over (Under)</b>					
<b>Expenditures and Other Financing Sources (Uses)</b>	<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, 2019**

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

		General Fund		Special Revenue Fund
<b>Sources/inflows of resources</b>				
Actual amounts (budgetary basis) "revenue"				
from the budgetary comparison schedule	[C-1]	\$ 2,915,562	[C-2]	\$ 86,530
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]	\$ 2,915,562	[B-2]	\$ 86,530
<b>Uses/outflows of resources</b>				
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	[C-1]	\$ 3,377,636	[C-2]	\$ 86,530
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]	\$ 3,377,636	[B-2]	\$ 86,530

**REQUIRED SUPPLEMENTARY INFORMATION – PART III**

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Public Employees' Retirement System (PERS)**  
**Last Ten Fiscal Years\***

	<u>2018</u>		<u>2017</u>		<u>2016</u>		<u>2015</u>		<u>2014</u>
District's Proportion of the Net Pension Liability	0.003562%		0.000535%		0.000523%		0.001960%		0.001287%
District's Proportionate Share of the Net Pension Liability	\$ 701,273	\$	124,610	\$	154,989	\$	439,961	\$	240,942
District's Covered-Employee Payroll	\$ N/A	\$	280,060	\$	191,431	\$	37,080	\$	52,534
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	N/A		44.49%		80.96%		1186.52%		458.64%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	53.60%		48.10%		40.14%		47.93%		52.08%

Note: The amounts presented for each fiscal year were determined as of the prior fiscal year end measurement date.

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

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**Schedule of District Contributions**  
**Public Employees' Retirement System (PERS)**  
**Last Ten Fiscal Years\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 36,114	\$ 5,299	\$ 4,807	\$ 16,850	\$ 10,069
Contributions in relation to the Contractually Required Contribution	(36,114)	(5,299)	(4,807)	(16,850)	(10,069)
Contribution Deficiency (Excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's Covered-Employee Payroll	\$ N/A	\$ 280,060	\$ 191,431	\$ 37,080	\$ 52,534
Contributions as a Percentage of Covered-Employee Payroll	N/A	1.89%	2.51%	45.44%	19.17%

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



**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Teachers' Pension and Annuity Fund (TPAF)**  
**Last Ten Fiscal Years\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability	0.006624%	0.006148%	0.005563%	0.006115%	N/A
District's Proportionate Share of the Net Pension Liability	\$ 4,213,921	\$ 4,145,168	\$ 4,376,367	\$ 3,865,066	\$ N/A
District's Covered-Employee Payroll	\$ N/A	\$ 1,172,501	\$ 910,141	\$ 652,356	\$ 483,100
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll	N/A	353.53%	480.84%	592.48%	N/A
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	26.49%	25.41%	22.33%	28.71%	33.64%

Note: The amounts presented for each fiscal year were determined as of the prior fiscal year end measurement date.

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

**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**

	<b>2018</b>	<b>2017</b>
<b>Total OPEB Liability</b>		
Service Cost	\$ 192,290	\$ 232,045
Interest Cost	39,246	30,285
Changes of Benefit Terms		
Differences Between Expected and Actual Experiences	(359,334)	
Changes of Assumptions	(78,978)	(169,869)
Member Contributions	636	778
Gross Benefit Payments	(18,403)	(21,142)
<b>Net Change in Total OPEB Liability</b>	<b>(224,543)</b>	<b>72,097</b>
<b>Total OPEB Liability - Beginning</b>	<b>912,778</b>	<b>840,681</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 688,235</b>	<b>\$ 912,778</b>
<b>Covered-Employee Payroll</b>	<b>\$ N/A</b>	<b>\$ 1,452,561</b>
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	<b>N/A</b>	<b>62.84%</b>

Notes to Schedule:

Changes of Benefit Terms: None

Differences Between Expected and Actual Experiences: There is no change in the Total OPEB Liability from June 30, 2016 to June 30, 2017 due to differences in expected and actual experiences. The decrease in liability from June 30, 2017 to June 30, 2018 is due to changes in the census, claims and premiums experience.

Changes in 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. The decrease in the liability from June 30, 2017 to June 30, 2018 is due to the increase in the assumed discount rate from 3.58% as of June 30, 2017 to 3.87% as of June 30, 2018; and a decrease in the assumed health care cost trend and excise tax assumptions.

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**  
**COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES - BUDGETARY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>NCLB</u>			<u>Totals</u>	
	<u>Title I Part A</u>	<u>IDEA Basic</u>	<u>IDEA Pre Sch.</u>	<u>2019</u>	<u>2018</u>
<b>REVENUES:</b>					
Federal Sources	\$ 45,127	\$ 40,476	\$ 927	\$ 86,530	\$ 110,136
Total Revenues	<u>\$ 45,127</u>	<u>\$ 40,476</u>	<u>\$ 927</u>	<u>\$ 86,530</u>	<u>\$ 110,136</u>
<b>EXPENDITURES:</b>					
Instruction:					
Salaries of Teachers	\$ 25,625	\$	\$	\$ 25,625	\$
Supplies and Materials	4,002			4,002	
Total Instruction	<u>29,627</u>			<u>29,627</u>	
Support Services:					
Salaries					
Employee Benefits	15,500			15,500	
Purchased Prof. & Technical Services		40,476	927	41,403	110,136
Total Support Services	<u>15,500</u>	<u>40,476</u>	<u>927</u>	<u>56,903</u>	<u>110,136</u>
Facilities Acquisitions & Const Serv:					
Property					
Total Facilities Acquisition & Const Serv					
Total Expenditures	<u>\$ 45,127</u>	<u>\$ 40,476</u>	<u>\$ 927</u>	<u>\$ 86,530</u>	<u>\$ 110,136</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, 2019**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)**

	<b>Food Service Fund</b>	<b>Before and After Care Program</b>	<b>Summer Enrichment</b>	<b>Totals</b>	
				<b>2019</b>	<b>2018</b>
<b>ASSETS:</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 37,069	\$	\$	\$ 37,069	\$ 127,750
Accounts Receivable:					
State					799
Federal					4,659
Other					548
Total Current Assets	\$ 37,069	\$	\$	\$ 37,069	\$ 133,756
<b>LIABILITIES AND NET POSITION:</b>					
Current Liabilities:					
Accounts Payable	\$ 4,827	\$	\$	\$ 4,827	\$ 3,332
Interfund Accounts Payable	32,242			32,242	37,318
Deferred Revenue					32
Total Current Liabilities	37,069			37,069	40,682
Net Position:					
Unreserved Retained Earnings					93,074
Total Net Position					93,074
Total Liabilities and Net Position	\$ 37,069	\$	\$	\$ 37,069	\$ 133,756

**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, 2019 AND 2018**

	<u>Food Service Fund</u>	<u>Before and After Care Program</u>	<u>Summer Enrichment</u>	<u>Totals</u>	
				<u>2019</u>	<u>2018</u>
<b>OPERATING REVENUES:</b>					
Local Sources:					
Daily Sales - Reimbursable	\$ 7,000			\$ 7,000	\$ 7,324
Tuition					17,924
Extended Day Fees and Child Care Assistance Program		39,317		39,317	37,005
Other			8,984	8,984	
<b>Total Operating Revenue</b>	<u>7,000</u>	<u>39,317</u>	<u>8,984</u>	<u>55,301</u>	<u>62,253</u>
<b>OPERATING EXPENSES:</b>					
Salaries	17,412	27,783	14,346	59,541	57,037
Food Costs - Reimbursable Prog	75,273			75,273	66,955
Other Expenses		6,736	1,606	8,342	10,911
<b>Total Operating Expenses</b>	<u>92,685</u>	<u>34,519</u>	<u>15,952</u>	<u>143,156</u>	<u>134,903</u>
<b>Operating Loss</b>	<u>(85,685)</u>	<u>4,798</u>	<u>(6,968)</u>	<u>(87,855)</u>	<u>(72,650)</u>
<b>Non-Operating Revenues:</b>					
State Sources:					
State School Lunch Program	857			857	1,008
Child Care Assistance Program		34,425		34,425	30,620
Federal Sources:					
School Breakfast Program	16,584			16,584	30,085
National School Lunch Program	45,757			45,757	52,507
<b>Total Non-Operating Revenues</b>	<u>63,198</u>	<u>34,425</u>		<u>97,623</u>	<u>114,220</u>
<b>Net Income before Operating Transfers</b>	<u>(22,487)</u>	<u>39,223</u>	<u>(6,968)</u>	<u>9,768</u>	<u>41,570</u>
<b>Transfer (to) from General Fund</b>	<u>22,487</u>	<u>(122,225)</u>	<u>(3,104)</u>	<u>(102,842)</u>	<u>8,583</u>
<b>Net Income</b>		<u>(83,002)</u>	<u>(10,072)</u>	<u>(93,074)</u>	<u>50,153</u>
<b>Net Position - July 1</b>		<u>83,002</u>	<u>10,072</u>	<u>93,074</u>	<u>42,921</u>
<b>Net Position - June 30</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 93,074</u>



**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**FOOD SERVICES ENTERPRISE FUND**  
**STATEMENT OF CASH FLOWS**  
**AS OF JUNE 30, 2019 AND 2018**

	<u>Food Service Fund</u>	<u>Before and After Care Program</u>	<u>Summer Enrichment</u>	<u>Totals</u>	
				<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:					
Receipts from Customers	\$ 11,753	\$ 40,538	\$ 8,984	\$ 61,275	\$ 63,459
Payments to Employees	(17,412)	(27,783)	(14,346)	(59,541)	(57,037)
Payments to Suppliers	(78,854)	(6,736)	(1,606)	(87,196)	(52,529)
Net Cash Used by Operating Activities	<u>(84,513)</u>	<u>6,019</u>	<u>(6,968)</u>	<u>(85,462)</u>	<u>(46,107)</u>
Cash Flows from Non-capital Financing Activities					
Cash Received from General Fund Reimbursements	22,487			22,487	8,583
Cash Received from State and Federal Reimbursements	63,198	34,425		97,623	114,220
Net Cash Provided by Non-capital Financing Activities	<u>85,685</u>	<u>34,425</u>		<u>120,110</u>	<u>122,803</u>
Net Cash Provided by Investment Interest Activities					
Net Increase (Decrease) in Cash	1,172	40,444	(6,968)	34,648	76,696
Transfers to General Fund		(122,225)	(3,104)	(125,329)	
Cash and Cash Equivalents, July 1	35,897	81,781	10,072	127,750	51,054
Cash and Cash Equivalents, June 30	<u>\$ 37,069</u>	<u>\$</u>	<u>\$</u>	<u>\$ 37,069</u>	<u>\$ 127,750</u>
Operating Income (Loss)	\$ (85,685)	\$ 4,798	\$ (6,968)	\$ (87,855)	\$ (72,650)
Adjustments to Reconcile Operating Income (Loss) to Cash Used by Operating Activities:					
Decrease/(Increase) in Accounts Receivable	4,776	1,230		6,006	1,174
(Decrease)/Increase in Accounts Payable	1,495			1,495	3,332
(Decrease)/Increase in Interfund Accounts Payable	(5,076)			(5,076)	22,005
(Decrease)/Increase in Deferred Revenue	(23)	(9)		(32)	32
Net Cash Used by Operating Activities	<u>\$ (84,513)</u>	<u>\$ 6,019</u>	<u>\$ (6,968)</u>	<u>\$ (85,462)</u>	<u>\$ (46,107)</u>

## FIDUCIARY FUNDS

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

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

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

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

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR JUNE 30, 2018)**

	<u>Unemployment</u> <u>Trust</u>	<u>Student</u> <u>Activities</u>	<u>Payroll</u>	<u>Total</u>	
				<u>2019</u>	<u>2018</u>
<b>ASSETS:</b>					
Cash and Cash Equivalents	\$ 9,893	\$ 6,059	\$ 10,945	\$ 26,897	\$ 11,159
Due from Payroll Agency Account	9,822			9,822	
Total Assets	<u>\$ 19,715</u>	<u>\$ 6,059</u>	<u>\$ 10,945</u>	<u>\$ 36,719</u>	<u>\$ 11,159</u>
<b>LIABILITIES AND NET POSITION:</b>					
Liabilities:					
Due to Student Groups	\$	\$	\$	\$	\$ 5,925
Due to General fund	19,715	6,059	1,123	26,897	
Due to Unemployment Trust Fund			9,822	9,822	
Total Liabilities	<u>19,715</u>	<u>6,059</u>	<u>10,945</u>	<u>36,719</u>	<u>5,925</u>
Net Position:					
Held in Trust for Unemployment Claims and Other Purposes					<u>5,234</u>
Total Liabilities and Net Position	<u>\$ 19,715</u>	<u>\$ 6,059</u>	<u>\$ 10,945</u>	<u>\$ 36,719</u>	<u>\$ 11,159</u>

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**FIDUCIARY FUNDS**  
**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2019 AND 2018**

	<u>Expendable Trust</u>		
	<u>Unemployment</u>	<u>Total</u>	<u>Total</u>
	<u>Funds</u>	<u>2019</u>	<u>2018</u>
ADDITIONS:			
Contributions	\$ 14,481	\$ 14,481	\$ 16,989
Total Additions	<u>14,481</u>	<u>14,481</u>	<u>16,989</u>
DEDUCTIONS:			
Claims			18,210
Total Deductions			<u>18,210</u>
Change in Net Position	14,481	14,481	(1,221)
Transfer to General Fund	(19,715)	(19,715)	
Net Position - Beginning of the Year	<u>5,234</u>	<u>5,234</u>	<u>6,455</u>
Net Position - End of the Year	<u>\$</u>	<u>\$</u>	<u>\$ 5,234</u>

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**STUDENT ACTIVITY AGENCY FUND**  
**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Balance</u> <u>July 1,</u> <u>2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Transfer</u> <u>to</u> <u>General Fund</u>	<u>Balance</u> <u>June 30,</u> <u>2019</u>
Student Activity Fund	\$ 5,925	\$ 12,410	\$ 14,309	\$ 4,026	\$

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**PAYROLL AGENCY FUND**  
**SCHEDULE OF RECEIPTS AND DISBURSEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$	\$ 1,227,696	\$ 1,216,751	\$ 10,945
Total Assets	\$	\$ 1,227,696	\$ 1,216,751	\$ 10,945
<b>LIABILITIES AND RESERVES:</b>				
Net Payroll	\$	\$ 1,216,751	\$ 1,216,751	\$
Due to General Fund		1,123		1,123
Due to Unemployment Trust Fund		9,822		9,822
Total Liabilities and Reserves	\$	\$ 1,227,696	\$ 1,216,751	\$ 10,945

**STATISTICAL SECTION**

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Governmental Activities</b>						
Invested in Capital Assets, Net of Related Debt \$	98,410	\$ 112,811	\$ 926,368	\$ 945,957	\$ 939,078	\$ 883,120
Restricted - Escrow	15,000	30,000	45,000	60,000	75,000	75,000
Unrestricted	117,840	77,201	148,849	158,945	187,922	(150,516)
<b>Total Governmental Activities Net Position</b>	<b>\$ 231,250</b>	<b>\$ 220,012</b>	<b>\$ 1,120,217</b>	<b>\$ 1,164,902</b>	<b>\$ 1,202,000</b>	<b>\$ 807,604</b>
<b>Business-Type Activities</b>						
Invested in Capital Assets, Net of Related Debt \$	\$	\$	\$	\$	\$	\$
Unrestricted	2,866	3,661	8,249	42,921	93,074	
<b>Total Business-Type Activities Net Position</b>	<b>\$ 2,866</b>	<b>\$ 3,661</b>	<b>\$ 8,249</b>	<b>\$ 42,921</b>	<b>\$ 93,074</b>	<b>\$</b>
<b>District-Wide</b>						
Invested in Capital Assets, Net of Related Debt \$	98,410	\$ 112,811	\$ 926,368	\$ 945,957	\$ 939,078	\$ 883,120
Restricted	15,000	30,000	45,000	60,000	75,000	75,000
Unrestricted	120,706	80,862	157,098	201,866	280,996	(150,516)
<b>Total District-Wide Net Position</b>	<b>\$ 234,116</b>	<b>\$ 223,673</b>	<b>\$ 1,128,466</b>	<b>\$ 1,207,823</b>	<b>\$ 1,295,074</b>	<b>\$ 807,604</b>

Source: CAFR Schedule A-1



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

	2014	2015	2016	2017	2018	2019
<b>Expenses</b>						
Governmental activities						
Instruction	\$ 987,261	\$ 908,932	\$ 910,730	\$ 1,085,305	\$ 1,095,489	\$ 1,356,244
Support Services						
Health Services			105,214	122,090	108,330	
School Administrative Services	617,671	1,085,509	1,141,931	1,122,681	791,162	787,947
General Administrative Services	573,399	503,772	286,597	456,898	926,871	971,932
Employee Benefits			292,001	291,474	397,931	674,709
Other	23,847	27,605	29,892	54,731	55,958	55,958
Total Governmental Activities Expenses	2,202,178	2,525,818	2,766,365	3,133,179	3,375,741	3,846,790
Business-Type Activities						
Food Service	53,864	77,632	115,056	102,992	99,507	92,685
Extended Day	26,300	7,745	15,102	19,432	27,544	34,519
Summer Enrichment		17,600	11,425	10,423	7,852	15,952
Total Business-Type Activities Expense	80,164	102,977	141,583	132,847	134,903	143,156
Total District Expenses	\$ 2,282,342	\$ 2,628,795	\$ 2,907,948	\$ 3,266,026	\$ 3,510,644	\$ 3,989,946
<b>Program Revenues</b>						
Governmental Activities						
Charges for Services	\$	\$	\$	\$	\$	\$
Operating Grants and Contributions	84,793	206,258	440,478	544,978	553,213	649,784
Total Governmental Activities Program Revenues	84,793	206,258	440,478	544,978	553,213	649,784
Business-Type Activities						
Charges for Services						
Food Service	13,684	14,287	10,072	6,389	7,324	7,000
Before and After Care	18,123	9,602	19,690	34,564	37,005	39,317
Summer Enrichment		9,144	2,550	3,662	17,924	8,984
Operating Grants and Contributions	41,242	40,290	37,363	96,010	114,220	97,623
Total Business-Type Activities Program Revenues	73,049	73,323	69,675	140,625	176,473	152,924
Total District Program Revenues	\$ 157,842	\$ 279,581	\$ 510,153	\$ 685,603	\$ 729,686	\$ 802,708
<b>Net (Expense)/Revenue</b>						
Governmental Activities	\$ (2,117,385)	\$ (2,319,560)	\$ (2,325,887)	\$ (2,588,201)	\$ (2,822,528)	\$ (3,197,006)
Business-Type Activities	(7,115)	(29,654)	(71,908)	7,778	41,570	9,768
Total District-Wide Net Expense	\$ (2,124,500)	\$ (2,349,214)	\$ (2,397,795)	\$ (2,580,423)	\$ (2,780,958)	\$ (3,187,238)
<b>General Revenues and Other Changes in Net Position</b>						
Governmental Activities						
Property Taxes Levied for General Purposes,	\$ 993,596	\$ 1,092,017	\$ 1,174,796	\$ 963,654	\$ 1,180,220	\$ 1,086,718
Unrestricted Grants and Contributions	1,188,689	1,244,749	1,346,707	1,684,874	1,666,953	1,501,620
Investment Earnings	43	49	70	81	113	160
Miscellaneous Income	67,278	1,956	13,220	912	20,923	107,244
Prior Period Cancellation			4,506	10,259		
Fixed Asset Adjustment			763,289			
Transfers		(30,449)	(68,932)	(26,894)	(8,583)	106,868
Total Governmental Activities	2,249,606	2,308,322	3,233,656	2,632,886	2,859,626	2,802,610
Business-Type Activities						
Transfer		30,449	68,932	26,894	8,583	(102,842)
Total Business-Type Activities		30,449	68,932	26,894	8,583	(102,842)
Total District-Wide	\$ 2,249,606	\$ 2,338,771	\$ 3,302,588	\$ 2,659,780	\$ 2,868,209	\$ 2,699,768
<b>Change in Net Position</b>						
Governmental Activities	\$ 132,221	\$ (11,238)	\$ 907,769	\$ 44,685	\$ 37,098	\$ (394,396)
Business-Type Activities	(7,115)	795	(2,976)	34,672	50,153	(93,074)
Total District-Wide	\$ 125,106	\$ (10,443)	\$ 904,793	\$ 79,357	\$ 87,251	\$ (487,470)

Source: CAFR Schedule A-2

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General Fund						
Restricted - Escrow	\$ 15,000	\$ 30,000	\$ 45,000	\$ 60,000	\$ 75,000	\$ 75,000
Assigned- Year-End-Encumbrances		12,720				
Unassigned (Deficit)	117,840	104,445	244,817	286,716	329,317	(25,889)
Total General Fund	<u>\$ 132,840</u>	<u>\$ 147,165</u>	<u>\$ 289,817</u>	<u>\$ 346,716</u>	<u>\$ 404,317</u>	<u>\$ 49,111</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 SIX FISCAL YEARS**  
**(UNAUDITED)**

	2014	2015	2016	2017	2018	2019
<b>Revenues</b>						
Tax Levy	\$ 993,596	\$ 1,092,017	\$ 1,174,796	\$ 1,155,807	\$ 1,180,220	\$ 1,086,718
Investment Earnings	43	49	70	81	113	160
Miscellaneous	67,278	1,956	5,656	912	20,923	107,244
State Sources	1,188,689	1,385,454	1,498,478	1,684,874	1,725,723	1,721,440
Federal Sources	84,793	98,614	97,251	93,154	110,136	86,530
<b>Total Revenues</b>	<b>2,334,399</b>	<b>2,578,090</b>	<b>2,776,251</b>	<b>2,934,828</b>	<b>3,037,115</b>	<b>3,002,092</b>
<b>Expenditures</b>						
Instruction						
Regular Instruction	987,261	908,932	910,730	1,085,305	1,095,489	1,356,244
Support Services						
Health Services			105,214	122,090	108,330	
Child Study Team					34,438	
School Administrative Services	617,671	1,085,509	331,138	456,898	926,871	1,319,975
General Administrative Services	573,399	496,869	1,141,931	1,122,681	756,724	787,947
Capital Outlay	14,080	42,006	80,160	74,320	49,079	
<b>Total Expenditures</b>	<b>2,192,411</b>	<b>2,533,316</b>	<b>2,569,173</b>	<b>2,861,294</b>	<b>2,970,931</b>	<b>3,464,166</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	141,988	44,774	207,078	73,534	66,184	(462,074)
<b>Other Financing Sources (Uses)</b>						
Transfers		(30,449)	(68,932)	(26,894)	(8,583)	106,868
Prior Period Orders and Other Adjustments			4,506	10,259		
<b>Total Other Financing Sources (Uses)</b>		<b>(30,449)</b>	<b>(64,426)</b>	<b>(16,635)</b>	<b>(8,583)</b>	<b>106,868</b>
<b>Net Change in Fund Balances</b>	<b>\$ 141,988</b>	<b>\$ 14,325</b>	<b>\$ 142,652</b>	<b>\$ 56,899</b>	<b>\$ 57,601</b>	<b>\$ (355,206)</b>
Debt Service as a Percentage of Noncapital Expenditures	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: CAFR Schedule B-2

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

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>Interest on</u> <u>Investments</u>	<u>Fundraisers</u>	<u>Donation</u>	<u>Prior Year</u> <u>Expenditure</u> <u>Adjustments</u>	<u>Misc.</u>	<u>Total</u>
2019	\$ 160	\$	\$	\$	\$ 107,244	\$ 107,404
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

Source: District Records

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

<u>Year</u>	<u>Population</u> <sup>a</sup>	<u>Personal Income (thousands of dollars)</u> <sup>b</sup>	<u>Per Capita Personal Income</u> <sup>c</sup>	<u>Unemployment Rate</u> <sup>d</sup>
2019 *	64,287	\$ 3,184,817,756	\$ 49,540	4.2%
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%

\*\* 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:**

<sup>a</sup> Population information provided by the NJ Dept of Labor and Workforce Development

<sup>b</sup> Personal income

<sup>c</sup> Per Capita (County vs Municipal information)

<sup>d</sup> 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 SIX FISCAL YEARS**  
*(UNAUDITED)*

<u>Function/Program</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Instruction						
Regular	12	14	15	19	20	
Special education	2	2	2	2	2	
Other special education						
Vocational						NOT
Other instruction						AVAILABLE
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>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 SIX FISCAL YEARS**  
*(UNAUDITED)*

<b>Fiscal Year</b>	<b>Enrollment</b>	<b>Operating Expenditures</b>	<b>Cost Per Pupil</b>	<b>Teaching Staff</b>	<b>Pupil/Teacher Ratio Elem.</b>	<b>Average Daily Enrollment (ADE) <sup>c</sup></b>	<b>Average Daily Attendance (ADA) <sup>c</sup></b>	<b>% Change in Average Daily Enrollment</b>	<b>Student Attendance Percentage</b>
2019	177	\$ 3,464,166	\$ 19,572	20	10:1	189.0	178.7	-4.06%	94.57%
2018	205	2,921,852	14,253	20	10:1	189.0	178.7	-1.36%	95.92%
2017	199	2,786,974	14,005	21	11:01	196.3	188.3	-1.01%	94.82%
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	NA	92.22%

**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 SIX FISCAL YEARS**  
***(UNAUDITED)***

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b><u>District Building</u></b>						
<b><u>Elementary</u></b>						
Square Feet	13,360	13,360	13,360	13,360	13,360	13,360
Capacity (students)	210	210	210	210	210	210
Enrollment	180	199	197	199	205	177

**Other**

Number of Schools at June 30, 2019  
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 SIX FISCAL YEARS**  
*(UNAUDITED)*

<b>Lamb Financial Group</b>	<b>Type of Coverage</b>	<b>Coverage</b>	<b>Deductible</b>
	July 1, 2018 - June 30, 2019:		
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, 2019**  
**(UNAUDITED)**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Source</u>	
Cash	\$ 318,136	\$ 429,134	\$ 202,464	Audit: Exhibit A-1	
Current Assets	648,459	599,311	229,361	Audit: Exhibit A-1	
Total Assets	1,594,416	1,538,389	1,209,173	Audit: Exhibit A-1	
Current Liabilities	358,822	101,920	276,942	Audit: Exhibit A-1	
Total Liabilities	413,811	226,530	978,215	Audit: Exhibit A-1	
Net Position	\$ 1,207,823	\$ 1,295,074	\$ 807,604	Audit: Exhibit A-1	
Total Revenue	\$ 3,345,383	\$ 3,597,895	\$ 3,502,476	Audit: Exhibit A-2	
Total Expenses	3,266,026	3,510,644	3,989,946	Audit: Exhibit A-2	
Change in Net Position	\$ 79,357	\$ 87,251	\$ (487,470)	Audit: Exhibit A-2	
Depreciation Expense	\$ 54,731	\$ 55,958	\$ 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	196	189	189	DOE Enrollment Reports	
March 30th Budgeted Enrollment	199	205	177	Charter School Budget	
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>3 Year Cumulative</u>	
<b>Near Term Indicators</b>					
Current Ratio	2.51	5.88	0.83	2.00	Current Assets/ Current Liabilities
Unrestricted Days Cash	35.55	44.62	18.52	32.20	Cash/ (Total Expenses/365)
Enrollment Variance	99%	92%	107%	99%	Average Daily Enrollment / Budgeted Enrollment
Default	N/A	N/A	N/A	N/A	Audit
<b>Sustainability Indicators</b>					
Total Margin	2%	2%	-14%	-3%	Change in Net Position/ Total Revenue
Debt to Asset	0.26	0.15	0.81	0.37	Total Liabilities/ Total Assets
Cash Flow	273,971	110,998	(226,670)	(226,670)	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, 2019, 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 October 5, 2020. Our report disclaims an opinion on such financial statements because of the matter described in the "Basis for Disclaimer of Opinion" section.

#### 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 deficiencies described in the accompanying schedule of findings and questioned costs to be significant and material, labeled Finding 2019-1.

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, additional material weaknesses or significant deficiencies may exist that were not identified.

### **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 designed procedures to verify 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, because of the matter discussed in the Independent Auditor's Report, labeled "Basis for Disclaimer of Opinion", we were unable to perform such procedures. As a result, we identified instances of noncompliance, or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey, labeled 2019-1.

### **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  
October 5, 2020

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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, 2019. 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. However, as a result of the matter described in the "Basis for Disclaimer of Opinion on Each Major Program" paragraph, we are unable to obtain sufficient audit evidence to provide a basis for our audit opinions.

Our audit does not provide a legal determination of Kingdom Charter School of Leadership Board of Education's compliance.

### **Basis for Disclaimer of Opinion on Each Major Program**

We were unable to perform various compliance procedures on the assets, liabilities, revenues and expenditures reflected on the Charter School's schedule of expenditures of state financial assistance and schedule of expenditures of federal awards with respect to compliance requirements of each major program, as of June 30, 2019.

### **Disclaimer of Opinion on Each Major Program**

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on Each Major Program" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an opinion on the compliance requirements referred to above that could have a direct and material effect on each of the Charter School's major federal and state programs for the fiscal year ended June 30, 2019.

### **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.

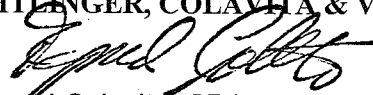
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We identified a general deficiency in internal control over compliance that we consider to be significant and material, as described in the accompanying schedule of findings and questioned costs, labeled Finding 2019-1.

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

October 5, 2020



**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SCHEDULE A)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/ Grantor/ Program Title	Federal CFDA Number	Federal FAIN Number	Grant or State Project Number	Program or Award Amount	Grant Period		Balance at June 30, 2018	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Budgetary Expenditures Direct	Total Budgetary Expenditures	Balance at June 30, 2019				
					From	To				Pass Through Funds		(A)	(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	191NJ304N1099	N/A	\$45,757	7/1/18	to 6/30/19			\$ 45,757	\$ (45,757)		\$ (45,757)					
National School Lunch Program	10.555	181NJ304N1099	N/A	52,507	7/1/17	to 6/30/18	\$ (2,728)		2,728								
School Breakfast Program	10.553	191NJ304N1099	N/A	16,584	7/1/18	to 6/30/19			16,584	(16,584)		(16,584)					
School Breakfast Program	10.553	181NJ304N1099	N/A	30,085	7/1/17	to 6/30/18	(1,931)		1,931								
Total Enterprise Fund:							(4,659)		67,000	(62,341)		(62,341)					
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	NCLB606719	69,502	7/1/18	to 6/30/19			45,127	(45,127)		(45,127)					
IDEA Cluster:																	
IDEA Basic	84.027	H027A180100	IDEA606719	40,476	7/1/18	to 6/30/19			40,476	(40,476)		(40,476)					
IDEA Preschool	84.027	H027A180100	IDEA606719	927	7/1/18	to 6/30/19			927	(927)		(927)					
									86,530	(86,530)		(86,530)					
Total Federal Financial Awards							\$ (4,659)		\$ 153,530	\$ (148,871)		\$ (148,871)					

(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, 2019**

State Grantor/Program Title	Grant or State Project Number	Program or Award Amount	Grant Period From To		Balance at June 30, 2018			Balance at June 30, 2019				
					Unearned Revenue (Accts. Rec.)	Due to District	Cash Received	Budgetary Expenditures	(Accounts Receivable)		Unearned Revenue/ Interfund Payable	Due to District
								From Districts	From State			
<b>State Department of Education</b>												
General Fund												
Equalization Aid	19-495-034-5120-078	\$1,249,463	7/1/18	to 6/30/19			\$1,185,044					\$ 31,589
Equalization Aid	18-495-034-5120-078	1,341,309	7/1/17	to 6/30/18	\$ (126,799)		126,799			\$ (96,008)		
Special Education	19-495-034-5120-089	98,783	7/1/18	to 6/30/19			98,783					
Special Education	18-495-034-5120-089	73,442	7/1/17	to 6/30/18	(10,924)		10,924					
Security Aid	19-495-034-5120-084	25,151	7/1/18	to 6/30/19			25,151					
Security Aid	18-495-034-5120-084	31,811	7/1/17	to 6/30/18	(1,857)		1,857					
Adjustment Aid	18-495-034-5120-085	22,572	7/1/17	to 6/30/18	(19,579)		19,579					
Reimbursed TPAF Social Security Contrib.	19-495-034-5094-003	87,109	7/1/18	to 6/30/19			87,109					
Reimbursed TPAF Social Security Contrib.	18-495-034-5094-003	91,390	7/1/17	to 6/30/18	(5,012)		5,012					
On-Behalf TPAF Post Retirement Medical	19-495-034-5094-001	81,169	7/1/18	to 6/30/19			81,169					
On-Behalf TPAF Pension Contribution	19-495-034-5094-002	178,946	7/1/18	to 6/30/19			178,946					
On-behalf TPAF Long-Term Disability	19-495-034-5094-004	819	7/1/18	to 6/30/19			819					
Total General Fund					(164,171)		1,821,192	(1,721,440)	(96,008)			31,589
<b>State Department of Agriculture</b>												
Enterprise Fund - State Share:												
State School Lunch Program	19-100-010-3350-023	857	7/1/18	to 6/30/19			857					
State School Lunch Program	18-100-010-3350-023	1,008	7/1/17	to 6/30/18	(53)		53					
Total State Department of Agriculture					(53)		910	(857)				
<b>State Department of Human Services</b>												
New Jersey Child Care Assistance Program	Unknown	34,425	7/1/18	to 6/30/19			34,425					
New Jersey Child Care Assistance Program	Unknown	30,620	7/1/17	to 6/30/18	(746)		746					
Total State Department of Human Services					(746)		35,171	(34,425)				
Total State Financial Assistance					\$ (164,970)	\$ -	\$ 1,857,273	\$ (1,756,722)	\$ (96,008)	\$ -		\$ 31,589
Less: On-Behalf TPAF Pension System Contributions												
On-Behalf TPAF Post Retirement Medical	19-495-034-5094-001	81,169	7/1/18	to 6/30/19			\$ 81,169	\$ (81,169)				
On-Behalf TPAF Pension Contribution	19-495-034-5094-002	178,946	7/1/18	to 6/30/19			178,946	(178,946)				
On-behalf TPAF Long-Term Disability	19-495-034-5094-004	819	7/1/18	to 6/30/19			819	(819)				
Total State Financial Assistance - Major Program Determination							\$ 1,596,339	\$ (1,495,788)				

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, 2019**

**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	\$	\$ 1,721,440	\$ 1,721,440
Special Revenue Fund	86,530		86,530
Before and After Care Program		34,425	34,425
Food Service Fund	62,341	857	63,198
Total Awards & Financial Assistance	<u>\$ 148,871</u>	<u>\$ 1,756,722</u>	<u>\$ 1,905,593</u>

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP**  
**NOTES TO THE SCHEDULES OF AWARDS**  
**AND FINANCIAL ASSISTANCE**  
**JUNE 30, 2019**

**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, 2019.

**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, 2019. 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, 2019.

**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, 2019.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Section I - Summary of Auditor's Results

**Financial Statements**

Type of auditor's report issued: Disclaimer

Internal control over financial reporting:

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

Noncompliance material to basic financial statements noted?     X     yes            no

**Federal Awards**            **N/A**

Internal control over major programs:

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

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

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

Identification of major programs:

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

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, 2019  
(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?  X  yes \_\_\_\_\_ no

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

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

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

Identification of major programs:

<u>GMIS Number(s)</u>	<u>Name of State Program</u>
19-495-034-5120-078	Equalization Aid
19-495-034-5120-089	Special Education Categorical Aid
19-495-034-5120-084	Security Aid

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (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: 2019-1**

**Criteria or specific requirement:**

New Jersey statute (N.J.S.A. 18A:4-14) requires a charter school maintain bookkeeping consistent with generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board (GASB). In addition, N.J.S.A. 18A:7A-54 states that boards of education and administration are responsible for developing internal controls, policies, and procedures and for maintaining a strong internal control environment. This includes the preparation and availability of summarization schedules that are supported by more detailed records, such as properly prepared cash receipts, cash disbursements, purchase orders, open orders and revenue with receivable journals and subsidiary ledgers.

**Condition:**

Internal controls over procedures to capture and record all financial transactions into the accounting software program of the Charter School, as well as the coding of expenditures in alignment with the adopted budget were not effectively implemented during the 2018-19 School Year.

Expenditures reflected in the financial statements were summarized in most cases through estimates and allocations by the Trustee. In addition, sufficient documentation supporting the various assets and liabilities reflected on the balance sheet, as well as revenues and expenditures were not available for audit. This includes payroll accounting and amounts due to or from the various sending districts of the Charter School, as well as State and Federal agencies.

With regard to the required Budgetary Comparison Schedule (C-1), no attempt was made to record budget transfers, if any, and material over-expenditures appear on Schedule C-1.

**Context:**

With the sudden closure of the School, surrender of the School's Charter, conversion to a replacement software system and departure of the sole accountant in charge of maintaining the accounting system, the last two months of recording transactions in the accounting system did not appear to be made and other supporting records were not available for audit. This includes a proper schedule of budgeted versus actual expenditures. In the absence of the normal accounting entry, summarization and reporting process, the Trustee provided information to be reflected in the financial statements that were unauditable.

**Effect:**

Sufficient audit evidence was not obtainable for each opinion unit of the Charter School and as a result, a disclaimer audit opinion was issued. This resulted in preparation of financial statements based on, in many cases, estimates and allocations that could not be evaluated for reasonableness.

**Cause:**

With the surrender of the School Charter to the New Jersey department of Education, resignation of the entire Board of Trustees and resignation of the Business Administrator, the accounting records did not appear recorded or maintained after April of 2019 and numerous routine year-end closeout procedures were not completed as normal.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(continued)

Section II - Financial Statement Findings

**Finding: 2019-1 - Continued**

**Recommendation:**

As the operations of the Charter School have ceased and the Charter of the School has been surrendered to the NJ Department of Education, the Trustee should proceed with the orderly liquidation of the School District's assets for distribution of the remaining funds, as properly determined, to secured and if funds are available, to unsecured creditors.

**Views of responsible officials and planned liquidation actions:**

The Trustee serving as Management is aware of the necessary procedures to liquidate the School.



**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (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: 2019-1**

**Information on the state program:**

19-495-034-5120-078	Equalization Aid
19-495-034-5120-089	Special Education Categorical Aid
19-495-034-5120-084	Security Aid

**Criteria or specific requirement:**

New Jersey statute (N.J.S.A. 18A:4-14) requires a charter school maintain bookkeeping consistent with generally accepted accounting principles (GAAP) established by the Governmental Accounting Standards Board (GASB). In addition, N.J.S.A. 18A:7A-54 states that boards of education and administration are responsible for developing internal controls, policies, and procedures and for maintaining a strong internal control environment. This includes the preparation and availability of summarization schedules that are supported by more detailed records, such as properly prepared cash receipts, cash disbursements, purchase orders, open orders and revenue with receivable journals and subsidiary ledgers.

**Condition:**

Internal controls over procedures to capture and record all financial transactions into the accounting software program of the Charter School, as well as the coding of expenditures in alignment with the adopted budget were not effectively implemented during the 2018-19 School Year.

Expenditures reflected in the financial statements were summarized in most cases through estimates and allocations by the Trustee. In addition, sufficient documentation supporting the various assets and liabilities reflected on the balance sheet, as well as revenues and expenditures were not available for audit. This includes payroll accounting and amounts due to or from the various sending districts of the Charter School, as well as State and Federal agencies.

With regard to the required Budgetary Comparison Schedule (C-1), no attempt was made to record budget transfers, if any, and material over-expenditures appear on Schedule C-1.

THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019  
(continued)

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

**Finding: 2019-1 – Continued**

**Questioned Costs:**

As a result of the nature and extent of the estimates and allocations utilized in reporting expenditures, the lack of adequate internal control over expenditures negatively impacted on the overall reliability of the actual receipt of goods or services, without the continuity and completion of necessary procedures in a timely manner.

**Context:**

With the sudden closure of the School, surrender of the School's Charter, conversion to a replacement software system and departure of the sole accountant in charge of maintaining the accounting system, the last two months of recording transactions in the accounting system did not appear to be made and other supporting records were not available for audit. This includes a proper schedule of budgeted versus actual expenditures. In the absence of the normal accounting entry, summarization and reporting process, the Trustee provided information to be reflected in the financial statements that were unauditable.

**Effect:**

Sufficient audit evidence was not obtainable for each opinion unit of the Charter School and as a result, a disclaimer audit opinion was issued. This resulted in preparation of financial statements based on, in many cases, estimates and allocations that could not be evaluated for reasonableness.

**Cause:**

With the surrender of the School Charter to the New Jersey department of Education, resignation of the entire Board of Trustees and resignation of the Business Administrator, the accounting records did not appear recorded or maintained after April of 2019 and numerous routine year-end closeout procedures were not completed as normal.

**Recommendation:**

As the operations of the Charter School have ceased and the Charter of the School has been surrendered to the NJ Department of Education, the Trustee should proceed with the orderly liquidation of the School District's assets for distribution of the remaining funds, as properly determined, to secured and if funds are available, to unsecured creditors.

**Views of responsible officials and planned liquidation actions:**

The Trustee serving as Management is aware of the necessary procedures to liquidate the School.

**THE KINGDOM CHARTER SCHOOL OF LEADERSHIP  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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: 2018-1**

**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.

**Current Status:** Unresolved