

**KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2023

INTRODUCTORY SECTION

**KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)**

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**KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)**

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FINANCIAL SECTION

Independent Auditors' Report

To the Board of Directors
Kuumba Academy Charter School
Wilmington, Delaware

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Kuumba Academy Charter School (a component unit of the State of Delaware) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Kuumba Academy Charter School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Kuumba Academy Charter School as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kuumba Academy Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Kuumba Academy Charter School's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

To the Board of Directors
Kuumba Academy Charter School
Wilmington, Delaware

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kuumba Academy Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kuumba Academy Charter School's ability to continue as a going concern for a reasonable period of time.

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

To the Board of Directors
Kuumba Academy Charter School
Wilmington, Delaware

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 7 through 12, budgetary comparison information on pages 37 and 38, the Schedules of Proportionate Share of the Net Pension Liability on page 39 and the Schedules of Contributions on page 40, and the Schedules of Proportionate Share of the Net OPEB Liability on page 41 and the Schedules of Contributions on page 42 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kuumba Academy Charter School's basic financial statements. The supplementary information listed in the table of contents including the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Directors
Kuumba Academy Charter School
Wilmington, Delaware

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2023, on our consideration of Kuumba Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kuumba Academy Charter School's internal control over financial reporting and compliance.

Maille LLP

New Castle, Delaware
September 26, 2023

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

The discussion and analysis of the financial performance of Kuumba Academy Charter School (the "School") provides an overview of the School's financial activities for the fiscal year ended June 30, 2023.

FINANCIAL HIGHLIGHTS

The School's net position reflects a deficit of \$18,364,258. Program revenues accounted for \$3,976,489 or 25% of total revenue, and general revenues accounted for \$12,142,748 or 75%.

The Governmental Fund reported a balance in the amount of \$2,291,788.

USING THIS ANNUAL FINANCIAL REPORT

This annual financial report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School as a whole and then proceed to provide a detailed look at specific financial activities.

REPORTING KUUMBA ACADEMY CHARTER SCHOOL AS A WHOLE

Fiscal year 2023 is the School's twenty second year of operations. One of the most important questions asked about School finances is, "Is the School better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the School as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector corporations. All of the current year's revenue and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the School's net position and changes in net position. The change in net position provides the reader with a tool to assist in determining whether the School's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as educational related legislation, student enrollment growth, facility conditions and other issues in arriving at a conclusion regarding the overall health of the School.

REPORTING THE SCHOOL'S MOST SIGNIFICANT FUND

Most of the School's activities are reported in the Governmental Fund, which focuses on how money flows into and out of that fund and the year-end balance available for spending in future periods. This fund is reported using the modified accrual basis of accounting, which measures cash and 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 operations and the basic services it provides. Governmental Fund information helps one determine whether there are more or fewer financial resources available to spend in the near future to finance the School's programs and/or operations. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the Governmental Fund is reconciled in the basic financial statements.

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the government's financial position. In the case of the School, liabilities exceed assets by \$18,364,258 at the close of the fiscal year. This deficit position is the result of accounting principles that require The School to present its allocable share of the State of Delaware's Pension and Other Post- Employment Benefits (OPEB) liabilities on the face of its financial statements. Although accounting principles determine the presentation of the liabilities in the School's financial statements, it is not likely that liability would need to be satisfied by The School in the future. The School's unrestricted net position was a deficit of \$18,384,466. The School has a net investment in capital asset deficit of \$127,631. The remaining \$147,839 is restricted for school programs.

A comparative net position analysis of fiscal years 2023-2022 follows:

Statement of Net Position
(Amounts Expressed in Thousands)

	Governmental Activities		Change
	2023	2022	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Current assets	\$ 3,776	\$ 2,900	\$ 876
Noncurrent assets	1,515	5,592	(4,077)
TOTAL ASSETS	5,291	8,492	(3,201)
DEFERRED OUTFLOWS OF RESOURCES			
	9,989	8,572	1,417
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 15,280	\$ 17,064	\$ (1,784)
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
LIABILITIES			
Current liabilities	\$ 3,105	\$ 3,119	\$ (14)
Noncurrent liabilities	23,568	23,201	367
TOTAL LIABILITIES	26,673	26,320	353
DEFERRED INFLOWS OF RESOURCES			
	6,971	9,130	(2,159)
NET POSITION			
Net investment in capital assets	(128)	(124)	(4)
Restricted	148	185	(37)
Unrestricted	(18,384)	(18,447)	63
TOTAL NET POSITION	(18,364)	(18,386)	22
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 15,280	\$ 17,064	\$ (1,784)

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

Statement of Activities
(Amounts Expressed in Thousands)

	Governmental Activities		Change
	2023	2022	
REVENUES			
Charges to school districts	\$ 3,238	\$ 3,045	\$ 193
Payments from primary government	8,893	7,286	1,607
Earnings on cash and investments	11	-	11
Program revenues			
Charges for services	193	249	(56)
Operating grants and contributions	3,784	2,808	976
TOTAL REVENUES	16,119	13,388	2,731
EXPENSES			
Instructional services	13,201	11,009	2,192
Supporting services			
Operation and maintenance of facilities	1,575	1,556	19
Transportation	1,185	814	371
Interest on long-term debt, leases	136	215	(79)
TOTAL EXPENSES	16,097	13,594	2,503
 CHANGE IN NET POSITION	 \$ 22	 \$ (206)	 \$ 228

The Statement of Activities shows the cost of program services and the charges for services offsetting those services. Charges to school districts and state aid increased as a results of an increase per pupil funding. State aid and operating grants increased due to monies from the Redding Consortium appropriation and increased spending on the ESSER federal grants.

THE SCHOOL'S FUNDS

The School's Governmental Fund reported a fund balance of \$2,291,788 , which is an increase of \$1,027,938 from the prior year, as a result of an increase revenue from state funding.

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

Governmental Fund

The tables that follow assist in illustrating the financial activities of the General Fund (amounts expressed in thousands).

	<u>2023</u>	<u>2022</u>	<u>Change</u>
REVENUES			
Charges to school districts	\$ 3,238	\$ 3,045	\$ 193
State support	8,893	7,286	1,607
Federal support	3,677	2,753	924
Earnings on cash and investments	11	-	11
Local fund-raising	107	55	52
School programs	<u>193</u>	<u>249</u>	<u>(56)</u>
TOTAL REVENUES	\$ <u>16,119</u>	\$ <u>13,388</u>	\$ <u>2,731</u>
EXPENDITURES			
Current			
Instructional services	\$ 12,235	\$ 10,745	\$ 1,490
Operation and maintenance of facilities	98	78	20
Transportation	1,185	814	371
Debt service	<u>1,623</u>	<u>1,569</u>	<u>54</u>
TOTAL EXPENDITURES	\$ <u>15,141</u>	\$ <u>13,206</u>	\$ <u>1,935</u>
OTHER FINANCING SOURCES			
Proceeds from lease issuance	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 50</u>

The majority of Kuumba Academy's total revenue (75%) comes from state sources and local school districts. State and local revenue is contingent upon the School's total enrollment population and the students' residential districts. The socioeconomic diversity and special needs of the School's population dictate entitlement to federal funding which accounts for (23%) of total revenue. Contributions, earnings on cash and investments, rental sales and students' lunch fees account for (2%) of total revenue. The reliance on this revenue is to support programs and facility expenditures that are not allotted for in federal, state and local funds.

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

General Fund Budget Information

Kuumba Academy's budget is prepared in accordance with the modified accrual basis of accounting.

Appropriate adjustments are made to the budget based on unanticipated revenue increases or shortfalls due to federal, state and Delaware Department of Education requirements and/or legislation, lack of contributions, etc. Some appropriations required changes in functional categories due to spending patterns.

Revenues

Federal Support - The unfavorable variance of \$710,938 is attributed to federal expenses deferred until Fiscal Year 2024.

School Programs - The unfavorable variance of \$21,428 is a result of lower than anticipated program support reimbursements.

Expenditures

Salaries and Employment Costs - The favorable variance of \$335,974 was a result of lower than anticipated staffing costs for after school and summer programs and staff turnover and replacements budgeted at an average cost vs the actual cost incurred.

Contractual Services - The favorable variance of \$134,473 was a result of deferred student support for contractual services.

Transportation - The favorable variance of \$72,465 resulted from lower than anticipated transportation needs for extracurricular programs.

Supplies and Materials - The favorable variance of \$44,602 is attributed to less than anticipated supplies for the summer program.

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2023

Capital Assets

The School has nothing invested in capital assets, net of depreciation, all of which is attributed to governmental activities. Detailed information regarding capital assets activity is included in the notes to the basic financial statements.

Long-Term Debt

The School has Long-Term Debt related to its right of use lease assets of \$1,634,411 as of June 30, 2023. See footnote F for further information.

FACTORS EXPECTED TO HAVE AN EFFECT ON FUTURE OPERATIONS

The School has identified a continued need to provide student support services and educational programs as a result of the impact of COVID-19. Many of these programs will require additional resources not adequately funded with federal, state, or local district revenue. Also, potential cutbacks in educational spending at the federal, state and local level could impact the School's financial resources to meet the State's accountability requirements. In anticipation of these events, the School is taking steps to increase the percentage of funding from nongovernmental resources and identifying cost saving operational measures to mitigate the increased cost of services.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our fellow citizens, customers, investors and creditors 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 financial information, contact the School's Director of Finance's Office at 302-660-4750.

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
STATEMENT OF NET POSITION
JUNE 30, 2023

ASSETS	
Current assets	
Cash and cash equivalents	
Unrestricted	\$ 2,816,676
Restricted	147,839
Receivables	191,495
Due from other governments	620,080
TOTAL CURRENT ASSETS	<u>3,776,090</u>
Non-current assets	
Right of use leased assets, net of accumulated amortization	<u>1,514,827</u>
TOTAL ASSETS	<u>5,290,917</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from pension activities	2,330,849
Deferred outflows from OPEB activities	7,657,825
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>9,988,674</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 15,279,591</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	\$ 193,709
Due to State of Delaware, pension costs	196,814
Accrued salaries and related costs	1,093,779
Interest payable, lease liabilities	8,047
Current portion of lease liabilities	1,612,117
TOTAL CURRENT LIABILITIES	<u>3,104,466</u>
Long-term liabilities	
Compensated absences	467,553
Net pension liability	3,294,834
Net OPEB liability	19,783,560
Long-term portion of lease liabilities	22,294
TOTAL LONG-TERM LIABILITIES	<u>23,568,241</u>
TOTAL LIABILITIES	<u>26,672,707</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows from OPEB activities	<u>6,971,142</u>
NET POSITION	
Net investment in capital assets	(127,631)
Restricted	147,839
Unrestricted	(18,384,466)
TOTAL NET POSITION	<u>(18,364,258)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 15,279,591</u>

See accompanying notes to the basic financial statements.

**KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)**

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Instructional services	\$ 13,187,086	\$ 193,081	\$ 3,783,408	\$ -	\$ (9,210,597)
Supporting services					
Operation and maintenance of facilities	1,589,826	-	-	-	(1,589,826)
Transportation	1,184,621	-	-	-	(1,184,621)
Interest on long-term debt, leases	135,688	-	-	-	(135,688)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 16,097,221	\$ 193,081	\$ 3,783,408	\$ -	(12,120,732)
GENERAL REVENUES					
					3,238,039
					8,893,343
					11,366
					<u>12,142,748</u>
					CHANGE IN NET POSITION 22,016
					NET POSITION AT BEGINNING OF YEAR <u>(18,386,274)</u>
					NET POSITION AT END OF YEAR <u>\$ (18,364,258)</u>

See accompanying notes to the basic financial statements.

**KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)**

BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2023

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	
Unrestricted	\$ 2,816,676
Restricted	147,839
Receivables	191,495
Due from other governments	<u>620,080</u>
TOTAL ASSETS	\$ <u><u>3,776,090</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable and accrued expenses	\$ 193,709
Due to State of Delaware, pension costs	196,814
Accrued salaries and related costs	<u>1,093,779</u>
TOTAL LIABILITIES	<u>1,484,302</u>
FUND BALANCE	
Restricted	147,839
Unassigned	<u>1,523,869</u>
TOTAL FUND BALANCE	<u>2,291,788</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u><u>3,776,090</u></u>

See accompanying notes to the basic financial statements.

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
 TO NET POSITION OF GOVERNMENTAL ACTIVITIES
 JUNE 30, 2023

TOTAL GOVERNMENTAL FUND BALANCE	\$ 2,291,788
<p>Right of use leased assets used in governmental activities are not current financial resources, and therefore are not reported in the fund. These assets consist of:</p>	
Right of use leased assets	4,484,028
Accumulated amortization	(2,969,201)
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the fund.</p>	
Deferred outflows from pension activities	2,330,849
Deferred outflows from OPEB activities	7,657,825
<p>Long-term assets and liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>	
Compensated absences	(467,553)
Interest payable, lease liabilities	(8,047)
Lease liabilities	(1,634,411)
Net pension liability	(3,294,834)
Net OPEB liability	(19,783,560)
Deferred inflows from OPEB activities	<u>(6,971,142)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (18,364,258)</u>

See accompanying notes to the basic financial statements.

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>
REVENUES	
State support	\$ 8,893,343
Federal support	3,676,431
Charges to school districts	3,238,039
Local fundraising	106,977
Earnings on cash and investments	11,366
School programs	<u>193,081</u>
TOTAL REVENUES	<u>16,119,237</u>
EXPENDITURES	
Current	
Instructional services	12,235,104
Supporting services	
Operation and maintenance of facilities	98,980
Transportation	1,184,621
Debt service, leases	
Principal	1,480,024
Interest	<u>142,534</u>
TOTAL EXPENDITURES	<u>15,141,263</u>
EXCESS OF REVENUES OVER EXPENDITURES	977,974
OTHER FINANCING SOURCES	
Proceeds from lease issuance	<u>49,964</u>
NET CHANGE IN FUND BALANCE	1,027,938
FUND BALANCE AT BEGINNING OF YEAR	<u>1,263,850</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,291,788</u>

See accompanying notes to the basic financial statements.

**KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)**

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENTS OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUND	\$ 1,027,938
<p>Right of use leased asset capital outlays are reported in the Governmental Fund as expenditures. However, in the statements of activities, the cost of those assets is allocated over the life of the lease as amortization expense. This is the amount by which amortization expense exceeds capital outlays for right of use leased assets in the current period.</p>	
Capital outlay - right to use lease assets	(49,964)
Amortization expense	(1,490,846)
<p>The Governmental Fund reports pension and OPEB contributions as expenditures. However, in the statement of activities, these contributions reduce the net pension asset and net OPEB liability.</p>	
	(1,063,713)
<p>The issuance of long-term debt relating to the leasing of right of use assets provides current financial resources to the governmental fund, while the repayment of principal on that long-term debt consumes current financial resources of the governmental fund. This amount is the net effect of these differences in the treatment of long-term debt related to right of use leased assets and related items.</p>	
Principal payments on long-term debt	1,480,024
Change in interest payable	6,846
Proceeds from capital lease	49,964
<p>Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Fund.</p>	
Compensated absences	<u>61,767</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 22,016</u>

See accompanying notes to the basic financial statements.

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Charter School

Kuumba Academy Charter School (the "School") is organized under Delaware Code, Title 14, Chapter 5 of the State of Delaware. The Charter School Law grants authority for independent public schools to be created for the purpose of increasing choices for parents of public school students and increasing academic performance. A charter school is an independent public school governed by an independent Board of Directors. In Delaware, charter schools have the same basic standing as a school district with some exceptions--most notably, they may not levy taxes. To encourage innovation, charter schools operate free from a number of state laws and regulations. The School's initial charter was granted for a four-year period, renewable every five years thereafter. On December 20, 2018, the School's charter was renewed for an additional five years through June 30, 2024.

Charter schools are funded similarly to other public schools in that state and local funds are allocated for each enrolled student. Public funds are not provided for facilities. Charter schools may charge for selected additional costs consistent with those permitted by other school districts. Because a charter school receives local, state and federal funds, they may not charge tuition.

The School is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the School's financial statements.

The basic financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are described below.

Reporting Entity

The School is considered to be a discretely presented component unit of the State of Delaware. A component unit, although a legally separate entity, is, in substance, part of the State of Delaware's (the "State") operations. The School has no component units for which it is considered to be financially accountable.

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net position and the statements of activities) report information on all of the non-fiduciary activities of the School.

The statements of activities demonstrate the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (1) charges to students who purchase, use, or directly benefit from goods and services provided and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Grants and other revenues not properly included among program revenues are reported instead as general revenues. Likewise, general revenues include charges to school districts.

Separate financial statements are provided for the Governmental Fund.

Measurement Focus, Basis of Accounting and Financial Statement Preparation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Charges to school districts are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

KUUMBA ACADEMY CHARTER SCHOOL
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 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School reports the following major Governmental Fund:

- The *General Fund* is the School's primary operating fund. It accounts for all financial resources of the School.

Encumbrance accounting is employed in the Governmental Fund. Encumbrances (e.g., purchase orders and contracts) outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were encumbrances outstanding of \$172,822 as of June 30, 2023.

Cash and Cash Equivalents

Cash and cash equivalents of the School are funds part of an investment pool controlled by the State Treasurer's Office in Dover, Delaware as well as deposits with local financial institutions.

Capital Assets

The School defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal repairs and maintenance that does not add to the value of the asset or materially extend the life of the asset is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the School are depreciated using the straight-line method over the estimated useful lives of the related assets. The School generally uses the following estimated useful lives:

	<u>Years</u>
Furniture and fixtures	10
Equipment	5-7
Leasehold improvements	8

Right of Use Assets

The School has recorded right of use lease assets as a result of implementing GASB 87. The right of use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the leased asset into service. The right of use assets are amortized on a straight-line basis over the life of the related lease.

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Vacation and sick pay plus related payroll taxes are accrued when earned in the government-wide financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School has two items that qualify for reporting in this category; deferred outflows related to pension activities and deferred outflows related to OPEB activities. These amounts are reported in the statement of net position and are deferred and recognized as an outflow of resources in the period to which the expense applies.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has one item that qualifies for reporting in this category; deferred inflows related to OPEB activities. This item is reported only in the statement of net position. The amount is deferred and recognized as an inflow from resources in the period that the amount becomes available.

Vacation

Vacation must be taken and cannot be accumulated from year to year. Employees are paid for unused vacation upon termination, retirement, etc., at the current rate of pay.

Sick Leave

Sick leave allowances are ten days per year for each full-time employee. Any unused sick days shall be accumulated to the employee's credit without limit. Employees are paid for unused sick leave upon termination, retirement, etc., at a maximum of five days of pay. Remaining days are forfeited.

Long-Term Lease Liabilities

In the entity-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Long-term lease liabilities are shown net of the interest portion and are based on the net present value of future minimum lease payments. The interest portion is determined using either an implicit or estimated discount rate, depending on the lease.

In the fund financial statements, an amount equal to the lease liability is reported as other financing sources with an equal amount reported as a capital outlay in the year of lease inception.

KUUMBA ACADEMY CHARTER SCHOOL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

In the fund financial statements, the Governmental Fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective Governmental Funds can be spent. The classifications used in the Governmental Fund financial statements are as follows:

- ***Nonspendable:*** This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) are legally or contractually required to be maintained intact. The School has classified prepaid items as being nonspendable as these items are not expected to be converted to cash or are not expected to be converted to cash within the next year. The School does not have a nonspendable fund balance as of June 30, 2023.
- ***Restricted:*** This classification includes amounts for which constraints have been placed on the use of the resources either (1) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. The School has \$147,839 restricted for school programs as of June 30, 2023.
- ***Committed:*** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the School. These amounts cannot be used for any other purpose unless the School removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2023.
- ***Assigned:*** This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to the School management through the budgetary process. The School did not have any encumbered funds that were considered assigned as of June 30, 2023.
- ***Unassigned:*** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other Governmental Fund that cannot be eliminated by offsetting of assigned fund balance amounts.

KUUMBA ACADEMY CHARTER SCHOOL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - CASH AND CASH EQUIVALENTS

At June 30, 2023, the School had a cash and cash equivalents balance of \$2,964,515. \$2,758,581 of these funds were part of an investment pool controlled by the personnel of the State Treasurer's Office in Dover, Delaware. All investment decisions are made by the State Treasurer's Office. These funds are considered to be highly liquid and available for immediate use and, thus, are recorded as cash equivalents in the financial statements.

The funds held by the state investment pool, an internal investment pool, are specifically identified for the School, but the credit risk cannot be categorized for these funds. Credit risk for such investments depends on the financial stability of the State. The State reports that its investment securities are stated at quoted market prices, except that investment securities with a remaining maturity at time of purchase of one year or less are stated at cost or amortized cost. Because the State of Delaware investment pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is deemed to be a cash equivalent.

In addition, the School had cash of \$205,934 on deposit with a local bank. These funds are fully covered up to \$250,000 by FDIC insurance.

KUUMBA ACADEMY CHARTER SCHOOL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE C - CAPITAL ASSETS

Capital asset activity is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
CAPITAL ASSETS BEING DEPRECIATED				
Equipment	\$ 322,881	\$ -	\$ -	\$ 322,881
Leasehold improvements	44,728	-	-	44,728
Furniture and fixtures	22,628	-	-	22,628
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>390,237</u>	<u>-</u>	<u>-</u>	<u>390,237</u>
Accumulated depreciation				
Equipment	(322,880)	-	-	(322,880)
Leasehold improvements	(44,728)	-	-	(44,728)
Furniture and fixtures	(22,629)	-	-	(22,629)
TOTAL ACCUMULATED DEPRECIATION	<u>(390,237)</u>	<u>-</u>	<u>-</u>	<u>(390,237)</u>
CAPITAL ASSETS, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The School did not have any depreciation expense for the year ended June 30, 2023.

NOTE D - RIGHT OF USE ASSETS

The School has recorded a right of use leased asset for its facilities. The right of use leased assets are amortized on a straight-line basis over the life of the related leases. Right of use asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
RIGHT OF USE ASSETS BEING AMORTIZED				
Facilities	\$ 4,434,064	\$ -	\$ -	\$ 4,434,064
Copier	-	49,964	-	49,964
TOTAL RIGHT OF USE ASSETS BEING AMORTIZED	<u>4,434,064</u>	<u>49,964</u>	<u>-</u>	<u>4,484,028</u>
Accumulated amortization				
Facilities	(1,478,355)	(1,478,355)	-	(2,956,710)
Copier	-	(12,491)	-	(12,491)
TOTAL ACCUMULATED AMORTIZATION	<u>(1,478,355)</u>	<u>(1,490,846)</u>	<u>-</u>	<u>(2,969,201)</u>
RIGHT OF USE ASSETS, net	<u>\$ 2,955,709</u>	<u>\$ (1,440,882)</u>	<u>\$ -</u>	<u>\$ 1,514,827</u>

The School had \$1,490,846 of amortization expense for the year ended June 30, 2023.

KUUMBA ACADEMY CHARTER SCHOOL
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NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE E - LEASE LIABILITIES

The School has entered into agreements to lease educational facilities and to rent a copier machine. The lease agreements qualify as an other than short-term lease under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of implementation.

The School leased a facility at 1200 N French St in Wilmington with an effective date of July 1, 2014 and an implementation date of July 1, 2021. The lease requires monthly payments ranging from \$134,030 to \$140,535. The lease liability is measured at a discount rate of 5.83%, which has been determined to be the School's incremental borrowing rate as of the date of inception. As a result of the lease, the School has recorded a right of use asset with a net book value of \$1,477,354 on June 30, 2023.

The School leased a copier machine with an effective date of October 1, 2022. The lease requires monthly payments of \$1,577. The lease liability is measured at a discount rate of 9.00%, which has been determined to be the School's incremental borrowing rate as of the date of inception. As a result of the lease, the School has recorded a right of use asset with a net book value of \$37,473 on June 30, 2023.

The future minimum lease obligations under the lease at June 30, 2023, were as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total
2024	\$ 1,612,117	\$ 53,683	\$ 1,665,800
2025	17,633	1,291	18,924
2026	4,661	70	4,731
	<u>\$ 1,634,411</u>	<u>\$ 55,044</u>	<u>\$ 1,689,455</u>

NOTE F - LONG-TERM LIABILITIES

The following is a summary of long-term liabilities of the School for the year ended June 30, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due In One Year
LONG-TERM LIABILITIES					
Lease liabilities	\$ 3,064,471	\$ 49,964	\$ (1,480,024)	\$ 1,634,411	\$ 1,612,117
Net pension liability	-	3,294,834	-	3,294,834	-
Net OPEB liability	21,075,576	-	(1,292,016)	19,783,560	-
Compensated absences	529,320	-	(61,767)	467,553	-
TOTAL LONG-TERM LIABILITIES	<u>\$ 24,669,367</u>	<u>\$ 3,344,798</u>	<u>\$ (2,833,807)</u>	<u>\$ 25,180,358</u>	<u>\$ 1,612,117</u>

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE G - PENSION PLAN

Summary of Significant Accounting Policies

Plan Description - The State Employees' Pension Plan (the Plan) is a cost sharing multiple-employer defined-benefit pension plan established in the Delaware Code. The Plan is administered by the Delaware Public Employees' Retirement System (DPERS).

Pensions - 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 Delaware Public Employees' Retirement System ("DPERS") and additions to/deductions from DPERS's fiduciary net position have been determined on the same basis as they are reported by DPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information About the Pension Plan

Plan Description - The Plan is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to virtually all full-time or regular part-time employees of the State of Delaware, including employees of other affiliated entities. There are two tiers within the plan: 1) Employees hired prior to January 1, 2012 (Pre-2012), and 2) Employees hired on or after January 1, 2012 (Post-2011). DPERS issues a publicly available financial report that can be obtained from the pension office at McArdle Building, Suite 1; 860 Silver Lake Blvd.; Dover, DE, 19904.

Benefits Provided - The Plan provides retirement, disability and death benefits. Pre-2012 members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least five years of credited service; (b) age 60 with 15 years of credited service; or (c) 30 or more years of service regardless of age. Post-2011 members are eligible for monthly retirement benefits upon reaching (a) age 65 with at least ten years of credited service; (b) age 60 with 20 years of credited service; or (c) 30 or more years of service regardless of age.

Pre-2012 participants are eligible for disability benefits after five years of credited service. In lieu of disability pension benefits, over 90% of the members in this Plan opted into a Disability Insurance Program offered by the State effective January 1, 2006. Post-2011 participants are not offered disability pension benefits and are in the Disability Insurance Program.

Death benefits are payable upon the death of an active member who has reached age 62 with at least five years of credited service. Such benefits are paid at 75% of the benefit the employee would have received at age 62. If an employee is currently receiving a pension, the eligible survivor receives 50% of the pension benefit (or 67.7% with 2% reduction, 75% with 3% reduction, or 100% with 6% reduction of benefit). Burial benefits of \$7,000 per member are also provided.

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE G - PENSION PLAN (Continued)

Contributions

Members Contributions

- Pre-2012 members contribute at 3% of earnings in excess of \$6,000.
- Post-2011 members contribute at 5% of earnings in excess of \$6,000.

Employer Contributions

Employer contributions are determined by the Board of Pension Trustees. Employer contributions were 12.45% of earnings for the Fiscal Year 2023. Contributions to the plan from the School were \$682,889 for the year ended June 30, 2023.

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

At June 30, 2023, the School reported a liability of \$3,294,834 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System’s total pension liability as of June 30, 2021 to June 30, 2022. The School’s proportion of the net pension liability was calculated utilizing the employer’s one-year reported contributions as it relates to the total one-year reported contributions. At June 30, 2023, the School’s proportion was 0.2409%, which was an increase of 0.0246% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the School recognized expense from pension expense of \$875,274. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 340,238	\$ -
Net difference between projected and actual investment earnings	632,289	-
Changes in assumptions	356,261	-
Changes in proportions	319,172	-
Contributions subsequent to the measurement date	<u>682,889</u>	<u>-</u>
	<u>\$ 2,330,849</u>	<u>\$ -</u>

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE G - PENSION PLAN (Continued)

\$682,889 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending</u> <u>June 30,</u>	
2024	\$ 53,829
2025	(98,742)
2026	(1,903)
2027	1,687,507
2028	<u>7,269</u>
	<u>\$ 1,647,960</u>

Actuarial Assumptions - The total pension liability as of June 30, 2022, was determined by rolling forward the System’s total pension liability as of the June 30, 2021 actuarial valuation to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

- **Investment Return** - 7.0%
- **Salary Increases** - 2.5% plus merit, includes inflation
- **Cost of Living Adjustments** - 0.0%
- Mortality rates are based on the PUB-2010 mortality tables with gender adjustments employees, healthy annuitants, and disabled retirees as well as an adjusted version on MP-2020 mortality improvement scale on a fully generational basis.

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. 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.

KUUMBA ACADEMY CHARTER SCHOOL
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 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2023

NOTE G - PENSION PLAN (Continued)

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amount of the changes.

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System’s current and expected asset allocation is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	31.8%	5.7%
International equity	15.0%	5.7%
Fixed income	23.6%	2.0%
Alternative investments	21.5%	7.8%
Cash and equivalents	8.1%	0.0%
	<u>100.0%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

KUUMBA ACADEMY CHARTER SCHOOL
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 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2023

NOTE G - PENSION PLAN (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability, calculated using the discount rate of 7.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
Charter School's proportionate share of the net pension liability	\$ 6,881,142	\$ 3,294,834	\$ 538,843

Pension Plan Fiduciary Net Position - Detailed information about DPERS's fiduciary net position is available in the DPERS Annual Comprehensive Financial Report which can be obtained from the pension office at McArdle Building, Suite 1; 860 Silver Lake Blvd.; Dover, DE 19904.

NOTE H - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description

The State of Delaware's Other Postemployment Benefit (OPEB) Fund Trust (the Plan) is a cost-sharing multiple-employer defined benefit plan established in the Delaware Code. The Plan is administered by the Delaware Public Employees' Retirement System (DPERS). The State of Delaware (the State) is responsible for the policy and management of the OPEB benefits provided to retirees. The Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan. Additional financial and actuarial information with respect to the Plan may be found in the State of Delaware Annual Comprehensive Financial Report available online at <https://open.omb.delaware.gov/Financials.shtml>.

Benefits Provided

The Plan provides medical coverage to pensioners and their eligible dependents covered under the following pension plans: State Employees', New State Police, Judiciary and Closed State Police Pension Plans. This includes the employees of the State as well as employees of the State's component units and affiliated agencies which are part of the State Employees' Pension Plan. Those employers include Delaware Charter Schools. The participant's cost of Plan benefits is variable based on years of service within those pension plan categories. Pensioners who retire after July 1, 2012 and who become eligible for Medicare will pay an additional 5% of the Medicare Supplement offered by the State. Surviving spouses are eligible for coverage after a retiree's death.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE H - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Funding Policy

Participating employers fund the Plan for current retirees on a pay-as-you-go basis along with funding for future benefits at a rate that is approved in the annual budget, but not actuarially determined. By State Statute Chapter 52, Title 29 of the Delaware Code, contribution requirements of Plan members and the government are established and may not be amended by the State Legislature. Funds are recorded in the Plan for the payment of retiree healthcare claims, administrative and investment expenses. Administrative costs are financed through investment earnings. State appropriations, other employer contributions, and retiree contributions for healthcare are recorded in the Plan. The funds available are invested under the management of the DPERS Board of Pension Trustees, which acts as the Board of Trustees for the Plan and is responsible for the financial management of the Plan.

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

At June 30, 2023, the School reported a liability of \$19,783,560 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2021 with update procedures used to roll forward the total OPEB liability to June 30, 2022. The School's proportion of the net OPEB liability was based on a projection of the School's long-term share of contributions of all participating employers, actuarially determined. At June 30, 2023, the School's proportion was 0.2334%, which is an increase of .0244% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the School recognized OPEB expense of \$1,852,923. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion	\$ 3,139,984	\$ -
Expected and actual experience differences	500,366	2,423,998
Changes in assumptions	3,053,887	4,547,144
Difference between projected and actual investment earnings	46,194	-
Contributions subsequent to the measurement date	<u>917,394</u>	<u>-</u>
	<u>\$ 7,657,825</u>	<u>\$ 6,971,142</u>

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2023

NOTE H - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

\$917,394 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending</u> <u>June 30,</u>	
2024	\$ (36,517)
2025	(25,802)
2026	(9,269)
2027	(60,805)
2028	(49,159)
Thereafter	<u>(49,159)</u>
	<u>\$ (230,711)</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

- Discount Rate - 3.54%
- Projected salary increases - 3.25% + Merit
- Healthcare cost trend rates - 5.17%

Mortality rates are based on the sex-distinct employee, healthy annuitant, and disabled annuitant mortality tables derived from the Pub-2010 General Benefits Weighted Annuitant Mortality Table, including adjustment factors. Future mortality improvements are reflected by applying a custom projection scale on a generational basis to adjusted base tables from the base year.

The total OPEB liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, health costs, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2021 and covering the period July, 2015 through June 30, 2020. 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.

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE H - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Investments

Investment Policy - The State Board of Pension Trustees is responsible for the management and investment of funds in the OPEB Trust. The Board authorized its investment committee to select the investment managers of the OPEB Trust following the established investment guidelines for DPERS until a separate investment policy is adopted for the OPEB Trust. The guidelines follow the prudent person standard, which requires fiduciaries to discharge their duties solely in the interests of participants and their beneficiaries with such care, skill, prudence, and diligence as a person acting in like circumstances would exercise in the conduct of an enterprise with similar character and similar aims. The OPEB Trust investment objectives and policies currently include indexed exposure to approximate the DPERS' policy benchmark. The Investment Committee regularly reviews the OPEB investment performance, and considers investment vehicles which strike a balance between risk and return while being mindful of the government's time horizon for the OPEB investments. Plan assets are managed on a total return basis.

Rate of Return - For the year ended June 30, 2022, the annual money-weighted rate of return on plan investments, net of plan investment expense, was -8.84% for the Delaware Postretirement Health Plan and -8.54% for the Delaware Local Government OPEB Investment Trust. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on the OPEB Trust plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2022 (see the discussion of the OPEB Trust's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	33.90%	5.70%
International equities	12.90%	5.70%
Fixed income	25.50%	2.00%
Alternative investments	22.10%	7.80%
Cash and cash equivalents	5.60%	0.00%
	100.00%	

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2023

NOTE H - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.16% at the beginning of the current measurement period and 3.54% at the end, based on the Bond Buyer GO 20-Bond Municipal Bond Index, an index satisfying the GASB requirement of an index rate for 20-year, 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 contribution rate and that employer contributions to the Plan will continue to follow the pay-as-you-go contribution policy. Based on the assumptions of a pay-as-you-go plan, the discount rate used at the June 30, 2022 measurement date is equal to the applicable rate of the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.54%) or 1-percentage point higher (4.54%) than the current discount rate:

	1% Decrease 2.54%	Discount Rate 3.54%	1% Increase 4.54%
Net OPEB liability	\$ <u>23,329,184</u>	\$ <u>19,783,560</u>	\$ <u>16,966,553</u>

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (4.17%) or 1-percentage point higher (6.17%) than the current healthcare cost trend rates:

	1% Decrease 4.17%	Healthcare Cost Trend Rates 5.17%	1% Increase 6.17%
Net OPEB liability	\$ <u>16,993,770</u>	\$ <u>19,783,560</u>	\$ <u>23,107,254</u>

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

NOTE H - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position can be found in the separately issued State of Delaware Annual Comprehensive Financial Report available online at <https://open.omb.delaware.gov/Financials.shtml>.

NOTE I - RELATED-PARTY TRANSACTIONS

The School utilizes the Christina Cultural Arts Center as a provider for cultural arts programs for its students. Expenses incurred for instructional programs during the year ended June 30, 2023 were approximately \$96,922.

NOTE J - RISK MANAGEMENT

The School has purchased commercial insurance policies for various risks of loss related to torts; theft, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Payments of premiums for these policies are recorded as expenses of the School. Insurance settlements have not exceeded insurance coverage in either of the past two years. There were no significant reductions in coverage compared to the prior year.

NOTE K - COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are various outstanding commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The School does not anticipate losses from these transactions.

Grants

The School receives financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the State Office of Auditor of Accounts. Any disallowed claims resulting from such audits could become a liability of the General Fund. The School's administration believes such disallowance, if any, would be immaterial.

NOTE L - ECONOMIC DEPENDENCY

School revenues in excess of 10% of total revenues are comprised of the following:

State support	55%
Charges to school districts	20%
Federal support	23%

REQUIRED SUPPLEMENTARY INFORMATION

**KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)**

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

YEAR ENDED JUNE 30, 2023

	Budgeted Amounts <u>Original</u>	Budgeted Amounts <u>Final</u>	Actual Amounts <u>Budgetary Basis</u>	Variance With Final Budget Positive (Negative)
REVENUES				
State support	\$ 6,440,120	\$ 8,891,747	\$ 8,893,343	\$ 1,596
Federal support	3,441,984	4,387,369	3,676,431	(710,938)
Charges to school districts	3,142,385	3,238,039	3,238,039	-
Local fund-raising	25,000	106,600	106,977	377
Earnings on cash and investments	-	7,000	11,366	4,366
School programs	173,567	214,509	193,081	(21,428)
TOTAL REVENUES	<u>13,223,056</u>	<u>16,845,264</u>	<u>16,119,237</u>	<u>(726,027)</u>
EXPENDITURES				
Current				
Salaries and benefits	9,067,232	9,640,235	9,304,261	335,974
Travel	300	8,500	6,525	1,975
Contractual services	1,724,170	2,599,165	2,464,692	134,473
Communications	573	573	576	(3)
Insurance	53,944	53,944	54,115	(171)
Transportation	845,076	1,257,086	1,184,621	72,465
Repairs and maintenance	38,523	38,523	38,023	500
Supplies and materials	424,724	510,494	465,892	44,602
Debt service	1,622,558	1,622,558	1,622,558	-
TOTAL EXPENDITURES	<u>13,777,100</u>	<u>15,731,078</u>	<u>15,141,263</u>	<u>589,815</u>
EXCESS OF REVENUES OVER EXPENDITURES	(554,044)	1,114,186	977,974	(1,315,842)
OTHER FINANCING SOURCES				
Proceeds from lease issuance	-	-	49,964	(49,964)
NET CHANGE IN FUND BALANCE	<u>\$ (554,044)</u>	<u>\$ 1,114,186</u>	1,027,938	<u>\$ (186,176)</u>
FUND BALANCE AT BEGINNING OF YEAR			<u>1,263,850</u>	
FUND BALANCE AT END OF YEAR			<u>\$ 2,291,788</u>	

See accompanying notes to the budgetary comparison schedule.

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2023

NOTE A - BASIS OF ACCOUNTING

The accompanying budgetary comparison schedule is prepared on the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

These excess expenditures were funded by various functions that were under budget in the General Fund and fund balance carried over from the prior year.

Communications	\$	3
Insurance		<u>171</u>
	\$	<u><u>174</u></u>

**KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)**

**SCHEDULES OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY(ASSET)
LAST NINE FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PROPORTION OF THE NET PENSION LIABILITY(ASSET)	<u>0.2409%</u>	<u>0.2163%</u>	<u>0.2077%</u>	<u>0.2075%</u>	<u>0.1908%</u>	<u>0.1760%</u>	<u>0.1559%</u>	<u>0.1076%</u>	<u>0.0724%</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY(ASSET)	<u>\$ 3,294,834</u>	<u>\$ (2,636,390)</u>	<u>\$ 2,991,027</u>	<u>\$ 3,231,520</u>	<u>\$ 2,463,770</u>	<u>\$ 2,579,616</u>	<u>\$ 2,349,413</u>	<u>\$ 715,751</u>	<u>\$ 266,655</u>
SCHOOL'S COVERED PAYROLL	<u>\$ 5,608,913</u>	<u>\$ 4,874,423</u>	<u>\$ 4,637,413</u>	<u>\$ 4,889,827</u>	<u>\$ 4,119,812</u>	<u>\$ 3,427,860</u>	<u>\$ 2,979,613</u>	<u>\$ 2,006,517</u>	<u>\$ 1,324,613</u>
SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY(ASSET) AS A PERCENTAGE OF ITS COVERED PAYROLL	<u>58.74%</u>	<u>-54.09%</u>	<u>64.50%</u>	<u>66.09%</u>	<u>59.80%</u>	<u>75.25%</u>	<u>78.85%</u>	<u>35.67%</u>	<u>20.13%</u>
THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	<u>88.76%</u>	<u>110.48%</u>	<u>87.27%</u>	<u>85.41%</u>	<u>87.49%</u>	<u>85.31%</u>	<u>84.11%</u>	<u>92.67%</u>	<u>95.80%</u>

NOTE: This schedule is meant to provide information for ten years. Currently, only available information is displayed.

**KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)**

**SCHEDULES OF CONTRIBUTIONS
LAST NINE FISCAL YEARS**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
CONTRACTUALLY REQUIRED CONTRIBUTION	\$ 682,889	\$ 691,579	\$ 582,981	\$ 548,606	\$ 509,520	\$ 394,678	\$ 328,389	\$ 284,851	\$ 191,823
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	<u>682,889</u>	<u>691,579</u>	<u>582,981</u>	<u>548,606</u>	<u>509,520</u>	<u>394,678</u>	<u>328,389</u>	<u>284,851</u>	<u>191,823</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
COVERED PAYROLL	\$ <u>5,485,052</u>	\$ <u>5,608,913</u>	\$ <u>4,874,423</u>	\$ <u>4,637,413</u>	\$ <u>4,889,827</u>	\$ <u>4,119,812</u>	\$ <u>3,427,860</u>	\$ <u>2,979,613</u>	\$ <u>2,006,517</u>
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	<u>12.45%</u>	<u>12.33%</u>	<u>11.96%</u>	<u>11.83%</u>	<u>10.42%</u>	<u>9.58%</u>	<u>9.58%</u>	<u>9.56%</u>	<u>9.56%</u>

NOTE: This schedule is meant to provide information for ten years. Currently, only available information is displayed.

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
SCHEDULES OF PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST SIX FISCAL YEARS

	2023	2022	2021	2020	2019	2018
School's proportion of the net OPEB liability	<u>0.2334%</u>	<u>0.2090%</u>	<u>0.2077%</u>	<u>0.2020%</u>	<u>0.1859%</u>	<u>0.1909%</u>
School's proportionate share of the net OPEB liability	<u>\$ 19,783,560</u>	<u>\$ 21,075,576</u>	<u>\$ 21,624,913</u>	<u>\$ 16,100,359</u>	<u>\$ 15,265,931</u>	<u>\$ 14,194,620</u>
School's covered payroll	<u>\$ 5,608,913</u>	<u>\$ 4,874,423</u>	<u>\$ 4,637,413</u>	<u>\$ 4,889,827</u>	<u>\$ 4,119,812</u>	<u>\$ 3,427,860</u>
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	<u>352.72%</u>	<u>432.37%</u>	<u>466.31%</u>	<u>329.26%</u>	<u>370.55%</u>	<u>414.10%</u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>6.43%</u>	<u>6.06%</u>	<u>4.27%</u>	<u>4.89%</u>	<u>4.44%</u>	<u>4.13%</u>

NOTE: This schedule is meant to provide information for ten years. Currently, only available information is displayed.

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
SCHEDULES OF CONTRIBUTIONS
LAST SIX FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 917,394	\$ 637,735	\$ 558,042	\$ 573,927	\$ 507,738	\$ 417,667
Contributions in relation to the contractually required contribution	<u>917,394</u>	<u>637,735</u>	<u>558,042</u>	<u>573,927</u>	<u>507,738</u>	<u>417,667</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	<u>\$ 5,485,052</u>	<u>\$ 5,608,913</u>	<u>\$ 4,874,423</u>	<u>\$ 4,637,413</u>	<u>\$ 4,889,827</u>	<u>\$ 4,119,812</u>
Contribution as a percentage of covered payroll	<u>16.73%</u>	<u>11.37%</u>	<u>11.45%</u>	<u>12.38%</u>	<u>10.38%</u>	<u>10.14%</u>

NOTE: This schedule is meant to provide information for ten years. Currently, only available information is displayed.

SUPPLEMENTARY INFORMATION SECTION

**KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)**

COMBINING BALANCE SHEET

GENERAL FUND

JUNE 30, 2023

	General Fund			Total Governmental Fund
	State Allocation	Local Funding	Federal Funding	
ASSETS				
Cash and cash equivalents	\$ 2,471,898	\$ 492,617	\$ -	\$ 2,964,515
Receivables	-	191,495	-	191,495
Due from other governments	-	-	620,080	620,080
TOTAL ASSETS	\$ 2,471,898	\$ 684,112	\$ 620,080	\$ 3,776,090
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable and accrued expenses	\$ -	\$ 92,953	\$ 100,756	\$ 193,709
Accrued salaries and related costs	-	771,269	322,510	1,093,779
Due to State of Delaware, pension costs	-	-	196,814	196,814
TOTAL LIABILITIES	-	864,222	620,080	1,484,302
FUND BALANCE				
Restricted	-	147,839	-	147,839
Unassigned	2,471,898	(327,949)	-	2,143,949
TOTAL FUND BALANCE	2,471,898	(180,110)	-	2,291,788
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,471,898	\$ 684,112	\$ 620,080	\$ 3,776,090

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	General Fund			Total Governmental Fund
	State Allocation	Local Funding	Federal Funding	
REVENUES				
State support	\$ 8,893,343	\$ -	\$ -	\$ 8,893,343
Federal support	-	-	3,676,431	3,676,431
Charges to school districts	-	3,238,039	-	3,238,039
Local fund-raising	-	106,977	-	106,977
Earnings on cash and investments	-	11,366	-	11,366
School programs	-	193,081	-	193,081
TOTAL REVENUES	<u>8,893,343</u>	<u>3,549,463</u>	<u>3,676,431</u>	<u>16,119,237</u>
EXPENDITURES				
Current				
Instructional services	5,925,978	2,693,115	3,616,011	12,235,104
Supporting services				
Operation and maintenance of facilities	98,980	-	-	98,980
Transportation	747,094	377,107	60,420	1,184,621
Debt service, leases				
Principal	145,040	1,334,984	-	1,480,024
Interest	142,534	-	-	142,534
TOTAL EXPENDITURES	<u>7,059,626</u>	<u>4,405,206</u>	<u>3,676,431</u>	<u>15,141,263</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,833,717</u>	<u>(855,743)</u>	<u>-</u>	<u>977,974</u>
OTHER FINANCING SOURCES				
Proceeds from lease issuance	49,964	-	-	49,964
NET CHANGE IN FUND BALANCE	<u>1,883,681</u>	<u>(855,743)</u>	<u>-</u>	<u>1,027,938</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>588,217</u>	<u>675,633</u>	<u>-</u>	<u>1,263,850</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,471,898</u>	<u>\$ (180,110)</u>	<u>\$ -</u>	<u>\$ 2,291,788</u>

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
SCHEDULE OF EXPENDITURES BY NATURAL CLASSIFICATION
GENERAL FUND
YEAR ENDED JUNE 30, 2023

EXPENDITURES

Current

Salaries and benefits	\$ 9,304,261
Travel	6,525
Contractual services	2,464,692
Communications	576
Insurance	54,115
Transportation	1,184,621
Repairs and maintenance	38,023
Supplies and materials	465,892
Debt service	<u>1,622,558</u>

TOTAL EXPENDITURES \$ 15,141,263

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
Kuumba Academy Charter School
Wilmington, Delaware

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Kuumba Academy Charter School as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Kuumba Academy Charter School's basic financial statements, and have issued our report thereon dated September 26, 2023.

Report on Internal Control Over Financial Reporting

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

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

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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Kuumba Academy Charter School
Wilmington, Delaware

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kuumba Academy Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in cursive script that reads "Maillie LLP".

New Castle, Delaware
September 26, 2023

***Independent Auditors' Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance in Accordance with Uniform Guidance***

To the Board of Directors
Kuumba Academy Charter School
Wilmington, Delaware

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kuumba Academy Charter School's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Kuumba Academy Charter School's major federal programs for the year ended June 30, 2023. Kuumba Academy Charter School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Kuumba Academy Charter School. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended Kuumba Academy Charter School.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Kuumba Academy Charter School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Kuumba Academy Charter School's compliance with the compliance requirements referred to above.

To the Board of Directors
Kuumba Academy Charter School
Wilmington, Delaware

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kuumba Academy Charter School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Kuumba Academy Charter School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

To the Board of Directors
Kuumba Academy Charter School
Wilmington, Delaware

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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



New Castle, Delaware
September 26, 2023

**SUPPLEMENTARY INFORMATION - MAJOR FEDERAL
AWARD PROGRAMS AUDIT**

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Project Title	Federal ALN	Pass-Through Grantor's Number	Federal Expenditures	Amounts Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION				
Passed through State of Delaware				
Department of Education				
Title I Grants to Local Educational Agencies	84.010A	FSF-40554	\$ 726,970	\$ -
Twenty-First Century Community Learning Grants	84.287C	FSF-40240	287,662	-
Supporting Effective Instruction State Grants	84.367A	FSF-40114	81,834	-
Student Support and Academic Enrichment Program	84.424A	FSF-40532	78,289	-
Education Stabilization Fund				
ESSER CARES Act	84.425D	S425D210009	1,259,285	-
ARP ESSER	84.425U	S425U210009	1,054,352	-
Total ALN - 84.425			<u>2,313,637</u>	<u>-</u>
Special Education Cluster (IDEA)				
Special Education - Grants to States				
IDEA	84.027A	FSF-40564	142,009	-
ARP COVID IDEA	84.027X	FSF-40921	40,545	-
Total ALN 84.027			<u>182,554</u>	<u>-</u>
Special Education - Preschool				
IDEA Preschool	84.173A	FSF-40565	2,076	-
ARP COVID IDEA	84.173X	FSF-40922	3,409	-
Total ALN 84.173			<u>5,485</u>	<u>-</u>
Total Special Education Cluster			<u>188,039</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>3,676,431</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,676,431</u>	<u>\$ -</u>

See accompanying notes to the schedule of expenditures of federal awards.

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Kuumba Academy Charter School under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operation of Kuumba Academy Charter School, it is not intended to and does not present the financial position, change in net assets, or cash flows of Kuumba Academy Charter School.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on this Schedule are reflected on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2023

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Kuumba Academy Charter School.
2. No material weaknesses or significant deficiencies relating to the audit of the financial statements reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Governmental Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Kuumba Academy Charter School were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with requirements under the Uniform Guidance.
7. The programs tested as major programs included:

Program	ALN
Education Stabilization Fund	84.425

8. The threshold for distinguishing Types A and B programs was \$750,000, as those terms are defined in the Uniform Guidance.
9. Kuumba Academy Charter School does not qualify as a low-risk auditee, as that term is defined in the Uniform Guidance.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

KUUMBA ACADEMY CHARTER SCHOOL
(A Component Unit of the State of Delaware)
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023

None