

FINANCIAL STATEMENTS

CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.

LELAND, NORTH CAROLINA

JUNE 30, 2023

CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.
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FINANCIAL SECTION

CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.

LELAND, NORTH CAROLINA

JUNE 30, 2023



Independent Auditor's Report

Board of Directors
Classical Charter Schools of America, Inc.
Charlotte, North Carolina

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of Classical Charter Schools of America, Inc., North Carolina, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of Classical Charter Schools of America, Inc., as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Classical Charter Schools of America, Inc. 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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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, considered in the aggregate, that raise substantial doubt about Classical Charter Schools of America, Inc.'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.

Auditor's 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 auditor's 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 generally accepted auditing standards and *Government Auditing Standards* 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment 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 Classical Charter Schools of America, Inc.'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Classical Charter Schools of America, Inc.'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8-24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Classical Charter Schools of America, Inc.'s basic financial statements. The accompanying budgetary schedules and the schedule of expenditures of federal and state awards as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applies 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 budgetary schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2023, on our consideration of Classical Charter Schools of America, Inc.'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 Classical Charter Schools of America, Inc.'s internal control over financial reporting and compliance.

 Rebekah Barr, CPA PC

Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

October 12, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.

LELAND, NORTH CAROLINA

JUNE 30, 2023

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2023



7055 Bacon's Way, Leland, NC 28451
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Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2023



Classical Charter Schools of America

Classical Charter Schools of America, formally Charter Day School, Inc., is a 501c3 nonprofit corporation that currently holds charters for four tuition-free schools which are open to all eligible children in North Carolina: Classical Charter Schools of Leland, Classical Charter Schools of Southport, Classical Charter Schools of Whiteville, and Classical Charter Schools of Wilmington.

Classical Charter Schools of America is under the direction of the Board of Trustees which is made up of active community volunteers who are responsible for the oversight and operation of the corporation.

Our Foundation: The Three Laws

Law 1— Reward good behavior,
you'll get more of it.

Law 2— Teach to mastery;
every child will learn.

Law 3— Watch the children,
*if they are not learning
or behaving, you're not
following the first two laws.*



Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2023



School Features

- Tuition-free, open enrollment charter schools.
- 4 Campuses
 - **Classical Charter Schools of Leland:** K-8th. Picturesque, 24-acre campus in Brunswick County, just fifteen minutes from downtown Wilmington.
 - **Classical Charter Schools of Southport:** K-7th. Beautiful, 45-acre campus in Brunswick County, conveniently located off Hwy 211 between Southport and Supply.
 - **Classical Charter Schools of Whiteville:** K-8th. Scenic, 61-acre campus in Columbus County, just five minutes from downtown Whiteville.
 - **Classical Charter Schools of Wilmington:** K-5th. Located in the newly renovated, historic Peabody building in the heart of downtown Wilmington.
- Diverse student population, including 15.9% special needs students, 36.1% non-white students, and 48.4% economically disadvantaged students.
- Uses research-based, proven Direct Instruction teaching method.
- Proven, rigorous Classical curriculum.
- Offers Latin, Public Speaking, Debate, and Drama components.
- Accelerated learning program reviews individual student performance data to promote qualifying students to advanced studies on a subject-by-subject basis.
- Prioritizes the use of positive reinforcement in teaching and classroom management.
- Year-round schedule provides quarterly, three-week breaks for students.
- Student uniforms and professional teacher dress requirements.
- On-site educational before and after school care program.
- Outstanding, varied extracurricular activities, including current, 10-time National Champion Cheer squads and a 9-time State Champion Archery team.
- Various clubs, in addition to signature, annual “FASTAR” and “History Bowl” academic competitions.
- Intensive new-hire training.
- Continuous teacher professional development provided by instructional support coaches and curriculum specialists, who evaluate and optimize instruction.
- 2016 recipient of the National Institute for Direction Instruction Wesley Becker Excellent School Award.



Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2023



Renaming

The Charter Day School network, anticipating further growth and heightened enrollment demands, adopted a new name reflecting the schools' unique classical curriculum and emphasis on civic virtue: Charter Day School, Inc. became Classical Charter Schools of America, Inc.

All four schools were renamed. Charter Day School became Classical Charter Schools of Leland, Columbus Charter School became Classical Charter Schools of Whiteville, Douglass Academy became Classical Charter Schools of Wilmington and South Brunswick Charter School became Classical Charter Schools of Southport. All schools will continue to be under the central control of Classical Charter Schools of America sharing the same management team and are using the same time-tested, field-proven classical curricula and instructional methods.

Academic Performance **2022-2023**

Classical Charter Schools of America take part in the state-mandated standardized North Carolina End of Grade tests.

Classical Charter Schools of Leland EOG Results 2022-2023

Percent of Students Proficient

	All Subjects	ELA/Reading	Math	Science
CCS of Leland	64.6%	62.2%	61.2%	83.2%
Brunswick Co.	55.5%	49.9%	57.0%	67.3%
New Hanover Co.	62.1%	56.9%	63.1%	74.1%
North Carolina	53.9%	50.2%	53.0%	67.7%

Classical Charter Schools of Leland's EOG performance average of 64.6% exceeds the state average (53.9%) by 10.7 percentage points and the county average (55.5%) by 9.1 percentage points. Classical Charter Schools of Leland is a Title 1 school, which means that 40% or more of its students are economically disadvantaged.

Management's Discussion and Analysis
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June 30, 2023



Classical Charter Schools of Southport EOG Results 2022-2023

Percent of Students Proficient

	All Subjects	ELA/Reading	Math	Science
CCS of Southport	65.5%	63.0%	65.2%	77.5%
Brunswick Co.	55.5%	49.9%	57.0%	67.3%
North Carolina	53.9%	50.2%	53.0%	67.7%

Classical Charter Schools of Southport's EOG performance average of 65.5% exceeds the state average (53.9%) by 11.6 percentage points and the county average (55.5%) by 10.0 percentage points. Classical Charter Schools of Southport is a Title 1 school, which means that 40% or more of its students are economically disadvantaged.

Management's Discussion and Analysis
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Classical Charter Schools of Whiteville EOG Results 2022-2023

Percent of Students Proficient

	All Subjects	ELA/Reading	Math	Science
CCS of Whiteville	40.9%	40.5%	36.3%	57.4%
Columbus Co.	44.4%	42.5%	42.5%	55.6%
Bladen Co.	37.4%	34.3%	35.2%	52.6%
Robeson Co.	34.9%	31.0%	33.2%	51.8%
North Carolina	53.9%	50.2%	53.0%	67.7%

Classical Charter Schools of Whiteville's performance average exceeded Bladen County and Robeson County performance averages. The Bladen County and Robeson County districts are included in this comparison, as their students make up approximately 50% of the students at Classical Charter Schools of Whiteville.

Classical Charter Schools of Whiteville's EOG performance average is 40.9%. The state performance average is 53.9%. The Columbus, Bladen, and Robeson districts' performance averages are 44.4%, 37.4%, and 34.9% respectively. Classical Charter Schools of Whiteville is a Title 1 school, which means that 40% or more of its students are economically disadvantaged.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2023



Classical Charter Schools of Wilmington EOG Results 2022-2023

Percent of Students Proficient

	All Subjects	ELA/Reading	Math	Science
CCS of Wilmington	46.2%	47.2%	41.5%	61.5%
Snipes Academy	38.6%	33.3%	41.3%	46.3%
Freeman School	16.1%	19.0%	15.3%	10.4%
D.C. Virgo Lab School	11.5%	12.0%	7.5%	20.8%
New Hanover Co.	62.1%	56.9%	63.1%	74.1%
North Carolina	53.9%	50.2%	53.0%	67.7%

Classical Charter Schools of Wilmington's achievement score of tests passed, including a large number of transfer students, is 46.2% on the Common Core End-Of-Grade tests.

For comparison, the three neighboring elementary schools—Rachel Freeman, Snipes Academy, and D.C. Virgo—reveal that 16.1%, 38.6%, and 11.5% of tests were passed, respectively.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2023



Management's Discussion and Analysis
Classical Charter Schools of America
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As management of Classical Charter Schools of America, we offer readers of Classical Charter Schools of America's audited financial statements this narrative overview and analysis of the financial activities of Classical Charter Schools of America for the fiscal year ended June 30, 2023. We encourage readers to read the information presented herein in conjunction with additional information that we have furnished in the School's financial statements, which follow this narrative.

Financial Highlights

Classical Charter Schools of America has four replicate charter schools. The following financial highlights are reflective of Classical Charter Schools of America.

- On December 17th, 2020, Classical Charter Schools of America issued and sold \$37,055,000 of "Public Finance Authority Educational Facilities Revenue Bonds" with B.C. Ziegler and Company as the Underwriter. The proceeds of these Series 2020 bonds were used to: (a) finance the acquisition of certain land and charter educational facilities in Brunswick County (Classical Charter Schools of Leland) and Columbus County (Classical Charter Schools of Whiteville); (b) refinance the long-term debt held by First Bank that was used to build the elementary school in South Brunswick (Classical Charter Schools of Southport); (c) finance future capital projects at the Leland, Whiteville and Southport campuses; (d) fund a debt service reserve fund for the Series 2020 Bonds; and (e) pay for the costs of issuance of the Series 2020 Bonds.
- Cumulatively, the Classical Charter Schools of America family of charter schools experienced an enrollment increase of 4.3% from the 2021 - 2022 academic year to the 2022 - 2023 academic year, with an enrollment increase from 2,503 students to 2,611 students. The Classical Charter Schools of America family of charter schools had a decrease in its student enrollment at all four schools for the 2023 – 2024 school year by 17 students, a 0.7% decrease.
 - ***Classical Charter Schools of Leland*** enrollment increased 29 students with the 2022 - 2023 school year enrollment of 1,002 students. Enrollment for the 2023 - 2024 school year decreased by 31 students for a total of 971.
 - ***Classical Charter Schools of Southport*** increased 53 students with the 2022 - 2023 school year enrollment of 615 students. Enrollment for the 2023 - 2024 school year decreased by 5 students for a total of 610.
 - ***Classical Charter Schools of Whiteville*** enrollment increased 14 students with the 2022 - 2023 school year enrollment of 870 students. Enrollment for the 2023 - 2024 school year increased by 11 students for a total of 881.

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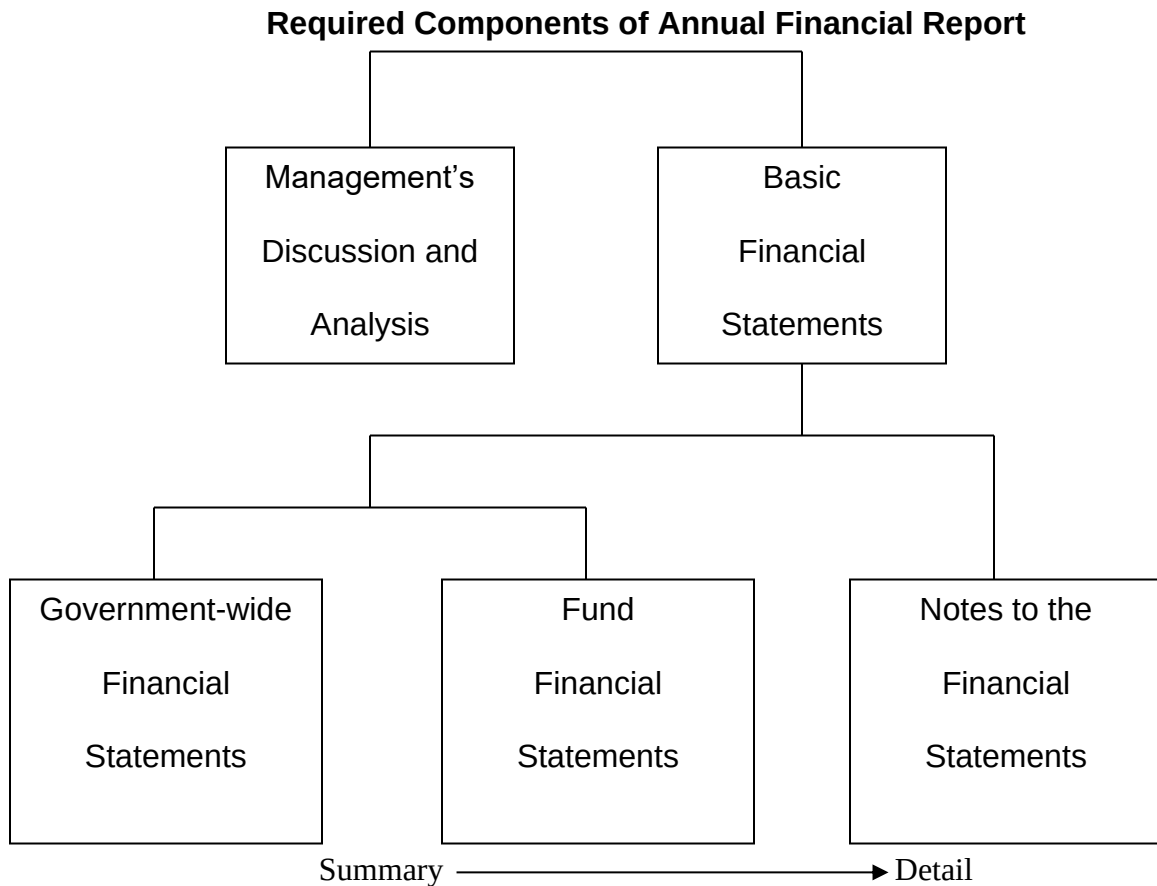
- ***Classical Charter Schools of Wilmington*** enrollment increased 12 students with the 2022 - 2023 school year enrollment of 124 students. Enrollment for the 2023 - 2024 school year increased by 8 students for a total of 132.
- The assets of Classical Charter Schools of America exceeded its liabilities at the close of the fiscal year by \$10,337,902 (net assets).
- The company's total net assets increased by \$1,161,754, due to increases in the governmental activities net assets.
- As of the close of the current fiscal year, Classical Charter Schools of America's governmental funds reported combined ending fund balances of \$10,821,287, a decrease of \$4,233,617 in comparison with the prior year due to fixed assets increasing.
- As of the close of the current fiscal year, Classical Charter Schools of America fixed assets net of depreciation of \$40,172,900, an increase of \$5,538,196 in comparison with the prior year's \$34,634,704. The fixed assets increase was mostly due to the land and buildings purchased in Leland and Whiteville with bond money.
- Per-pupil revenue from governmental sources for the 2022 - 2023 year was \$11,757, compared to \$11,217 in 2021 - 2022.
- Classical Charter Schools of America has long-term debt of \$40,320,383 of which \$532,627 is due within one year. Classical Charter Schools of America received a "Payroll Protection Program" loan of \$1,619,600 in April 2020, this loan was forgiven in February 2021.
- Classical Charter Schools of America spent \$451,776 in legal fees defending the lawsuit regarding the school's uniform policy, these expenses were offset by insurance proceeds of \$208,534.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Classical Charter Schools of America's basic financial statements. The School's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two distinct financial perspectives of the company through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Classical Charter Schools of America.



Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial standing.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual segments of the company's governmental fund statements. These statements are more detailed than the government-wide financial statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2023



Immediately following the fund financial statements are the **Notes to the Financial Statements** (i.e. "Notes"). The Notes offer a detailed explanation of the data contained in those statements. Next, **supplemental information** is provided to show details about the School's funds. Budgetary information for the School also can be found in this section of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to the financial statements of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status, as a whole.

The two government-wide statements report the company's net assets and how they have changed. Net assets equal the difference between the School's total assets and total liabilities. Measuring net assets is one way to gauge the School's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the company's basic functions such as instructional services and business services. These functions are funded almost entirely through state, county, and federal educational funds. The business-type activities are those services that the company charges its students and other customers. Classical Charter Schools of America participates in no business-type activities.

The government-wide financial statements are enumerated in Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Classical Charter Schools of America uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related statutory requirements where and when applicable. All of the funds of Classical Charter Schools of America can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies remaining at year-end that will be available for spending in the next fiscal year. Governmental funds are reported using the modified accrual accounting method, which provides a short-term spending focus. The governmental fund financial statements assist the reader in determining whether there has been an increase or a decrease in the financial resources available to finance the company's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and

Management's Discussion and Analysis
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a governmental fund is described in the reconciliation, which is an integral part of the fund financial statements.

Although not compelled or required to do so by federal, state, or local law, Classical Charter Schools of America has elected to adopt an annual budget. Since the budget is not required by law, the budgetary comparison statements are not included in the basic financial statements but are part of the supplemental statements and schedules following the notes. The budget incorporates input from the management and the Board of Directors of the School and specifies which activities will be pursued and which services the School will provide during the year. It also authorizes the School to obtain funds from identified sources to finance current period activities. The budgetary statement demonstrates how well the School has complied with the budget and whether or not the School has succeeded in providing the services at the costs as originally planned.

Proprietary Funds – Classical Charter Schools of America has proprietary funds, which are enterprise funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements.

Notes to the Financial Statements – The notes provide additional information essential to facilitating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 29 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a school's financial condition. The assets of Classical Charter Schools of America exceeded liabilities by \$10,337,902 as of June 30, 2023. As of June 30, 2022, the net assets of Classical Charter Schools of America stood at \$9,203,073. The School's net assets increased by \$1,134,829 for the fiscal year ended June 30, 2023. Classical Charter Schools of America has funds of \$5,072,092 restricted for debt service and \$5,413,293 of unrestricted funds.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2023



Figure 2
Classical Charter Schools of America's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$5,268,577	\$4,804,190	\$262,972	\$89,913	\$5,531,549	\$4,894,103
Restricted cash	5,072,092	10,234,266	0	0	5,072,092	10,234,266
Due from other governments	810,350	519,510	0	142,554	810,350	662,064
Capital assets, net of depreciation	40,152,667	34,634,704	20,233	0	40,172,900	34,634,704
Total assets	51,303,686	50,192,670	283,205	232,467	51,586,891	50,425,137
Other liabilities	928,606	444,332	0	6,029	928,606	450,361
Payroll protection program	0	0	0	0	0	0
Long-term Debt	40,948,989	40,771,703	0	0	40,948,989	40,771,703
Total liabilities	41,877,595	41,216,035	0	6,029	41,877,595	41,222,064
Invested in capital assets, net of related debt	(467,716)	1,853,767	20,233	0	(447,483)	1,853,767
Restricted for debt service	5,072,092	2,243,500	0	0	5,072,092	2,243,500
Unrestricted	5,450,321	4,879,368	262,972	226,438	5,713,293	5,105,806
Total net assets	\$10,054,697	\$8,976,635	\$283,205	\$226,438	\$10,337,902	\$9,203,073

Several aspects of the company's financial operations positively influenced the total unrestricted governmental net assets:

- The company adopted an annual budget. The performance of each of the 4 schools was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.
- The company applied for and was awarded several federal grants to assist with meeting the educational needs of the student population.
- The company purchased the land and buildings on the Leland campus and the Whiteville campus with some of the bond's proceeds. This transition allowed those two schools to reduce their rental expenses and overall expenses.
- The company was able to pay off the long-term debt associated with the Southport campus with some of the bond's proceeds. This helped reduce their debt service expenses.

Management's Discussion and Analysis
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Figure 3
Classical Charter Schools of America's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Other Revenues	\$1,289,763	\$474,912	\$0	\$0	\$1,289,763	\$474,912
Charges for services	0	0	37,125	37,133	37,125	37,133
Operating Grants and Contributions	4,330,726	3,092,191	712,260	669,760	5,042,986	3,761,951
County, State, and Federal Funds	21,784,642	21,885,652	0	0	21,784,642	21,885,652
Total revenues	27,405,131	25,452,755	749,385	706,893	28,154,516	26,159,648
Instructional Programs	14,802,895	14,965,255	747,241	632,911	15,550,136	15,598,166
Support services	9,682,478	8,943,154	0	0	9,682,478	8,943,154
Ancillary services	0	0	0	0	0	0
Interest on short-term debt	1,787,273	1,853,962	0	0	1,787,273	1,853,962
Total expenses	26,272,646	25,762,371	747,241	632,911	27,019,887	26,395,282
Increase (Decrease) in net assets before transfers	1,132,485	(309,616)	2,144	73,982	1,134,629	(235,634)
Transfers	(54,623)	(5,421)	54,623	5,421	0	0
PPP loan forgiveness	0	0	0	0	0	0
Increase (Decrease) in net assets	1,077,862	315,037	56,767	79,403	1,134,629	(235,634)
Net assets, July 1	8,976,835	9,291,672	226,438	147,035	9,203,273	9,438,707
Net assets, June 30	\$10,054,697	\$8,976,635	\$283,205	\$226,438	\$10,337,902	\$9,203,073

Governmental activities. Governmental activities increased the company's net assets by \$1,134,829.

Business-type activities. Classical Charter Schools of America operated business-type activities during the year.

Financial Analysis of the School's Funds

As noted earlier, Classical Charter Schools of America uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Classical Charter Schools of America's governmental funds is to provide information on near-term inflows, outflows, and balances of usable financial resources. Such information is useful in assessing Classical Charter Schools of America's financing requirements. Specifically, unrestricted fund balance can be a useful measure of the company's net resources available for spending at the end of the fiscal year.

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2023



The general fund is the chief operating fund for all four schools operated by Classical Charter Schools of America. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$5,413,293.

Proprietary Funds. Classical Charter Schools of America has proprietary funds, which are enterprise funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements.

Capital Asset and Debt Administration

Capital assets. Classical Charter Schools of America's investment in capital assets for its governmental and business-type activities as of June 30, 2023, totals \$40,172,900 (net of accumulated depreciation). Capital assets include textbooks, playground equipment, and computers. There were capital asset purchases during the year for equipment.

Figure 4
Classical Charter Schools of America's Capital Assets
 (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land / land improvements	\$3,094,460	\$3,094,460	\$0	\$0	\$3,094,460	\$3,094,460
Construction work-in-progress	13,348,529	7,820,573	0	0	13,348,529	7,820,573
Buildings / building improvements	15,847,027	16,181,773	0	0	15,847,027	16,181,773
Leasehold improvements	6,675,306	6,679,350	0	0	6,675,306	6,679,350
Equipment / computers / playground equipment	446,763	186,935	20,233	0	466,996	186,935
Vehicles	744,697	672,638	0	0	744,697	672,638
Textbooks	(4,115)	(1,025)	0	0	(4,115)	(1,025)
Total	\$40,152,667	\$34,634,704	\$20,233	\$0	\$40,172,900	\$34,634,704

Additional information about the School's capital assets can be found in Note III.A.2. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2023, Classical Charter Schools of America had outstanding debt of \$40,320,383, of which \$532,627 was due within a year. As of June 30, 2022, long-term debt was \$40,771,703.

Economic Factors

The following key economic indicators reflect the growth and prosperity of the schools:

Management's Discussion and Analysis
Classical Charter Schools of America
June 30, 2023



- The schools operated with substantially lower amounts (nearly 30% less) of per-pupil funding that that received by surrounding district students, in addition to receiving zero capital funds, unlike traditional public schools. Because the School receives no capital funding, it must pay rent out of its operating revenue.
- Due to statutory enrollment limits, some of the schools were obligated to hold a random lottery in February 2021, and not all of the applicants were admitted for the upcoming year.
- The four schools received donations of \$539,800 during the 2022 - 2023 school year.
- Classical Charter Schools of Wilmington provides food services, both breakfast and lunch, to all students. The school also provides school transportation for all students.
- Classical Charter Schools of Whiteville food service, both breakfast and lunch, to all students. The school also provides school transportation for students from Lumberton and other distant communities.
- Two new buses were purchased during the 2022 – 2023 school year and three new buses were purchased during the 2021-2022 school year for Classical Charter Schools of Whiteville. Funds for these buses were approved by the board to come out of operating capital.
- Competitive salary increases effective for the 2022 - 2023 school year increased all school's expenditures but were partially offset by state revenue increases.
- Expenditures budgeted for Administrative Services increased in 2022 - 2023 due to providing enhanced teacher professional development through instructional support coaches and curriculum specialists, who evaluate and optimize instruction.
- With the lifting of the "Charter School Cap," it is important for all 4 schools to maintain its unrestricted funds surplus since there is possible impact with other competing charter schools.

As in past years, such factors evidence the demand on the School by the parents and community that will require additional financing in future years. As specified in the charter application, Classical Charter Schools of America intends to continue expansion and replication in nearby counties to try and meet the local demands subject to constraints on the available land and on available financing. It was partially for this reason that the fund balance was substantially increased this year.

Careful management of the School's financial resources and building relationships with possible new major donors will continue as in the past; however, there is no guarantee that future financing will be available or that any major donors can be found to fund continued expansion.

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Mr. Mark Dudeck, Treasurer, Classical Charter Schools of America, 7055 Bacon's Way Leland, North Carolina 28451, (910) 655-3600.

Classical Charter Schools of America, Inc.
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 4,675,898	\$ 262,947	\$ 4,938,845
Restricted cash	5,072,092	-	5,072,092
Due from other governments	810,350	-	810,350
Accounts receivable - trade	337,536	-	337,536
Prepaid expenses	255,143	25	255,168
Security deposits	-	-	-
Capital assets:			
Land, improvements, and construction in progress	10,907,987	-	10,907,987
Other capital assets, net of depreciation	29,244,680	20,233	29,264,913
Total capital assets	40,152,667	20,233	40,172,900
Total assets	51,303,686	283,205	51,586,891
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
LIABILITIES			
Accounts payable - trade	563,106	-	563,106
Advance from LLC	365,500	-	365,500
Long-term liabilities:			
Compensated absences	-	-	-
Due within one year	532,627	-	532,627
Due in more than one year	39,787,756	-	39,787,756
Total liabilities	41,248,989	-	41,248,989
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET POSITION			
Net investment in capital assets	(167,716)	20,233	(147,483)
Restricted for debt service	5,072,092	-	5,072,092
Unrestricted	5,150,321	262,972	5,413,293
Total net position	\$ 10,054,697	\$ 283,205	\$ 10,337,902

The notes to the financial statements are an integral part of this statement.

Classical Charter Schools of America, Inc.
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Instructional programs	\$ 19,133,621	\$ -	\$ 4,330,726	\$ -	\$ (14,802,895)	\$ -	\$ (14,802,895)
Athletics, arts and clubs	-	-	-	-	-	-	-
Support services	9,682,478	-	-	-	(9,682,478)	-	(9,682,478)
Community services	-	-	-	-	-	-	-
Interest on debt	1,787,273	-	-	-	(1,787,273)	-	(1,787,273)
Total governmental activities	30,603,372	-	4,330,726	-	(26,272,646)	-	(26,272,646)
Business-type activities:							
School lunch fund	744,387	-	712,260	-	-	(32,127)	(32,127)
Before and after school fund	2,854	37,125	-	-	-	34,271	34,271
Total business-type activities	747,241	37,125	712,260	-	-	2,144	2,144
Total primary government	\$ 31,350,613	\$ 37,125	\$ 5,042,986	\$ -	(26,272,646)	2,144	(26,270,502)
General revenues:							
Unrestricted county appropriations					6,300,027	-	6,300,027
Unrestricted State appropriations					19,815,341	-	19,815,341
Unrestricted Federal appropriations					-	-	-
Unrestricted fines and forfeitures					56,100	-	56,100
Donations - general					539,800	-	539,800
Rental income					-	-	-
Miscellaneous, unrestricted					693,863	-	693,863
Transfers					(54,623)	54,623	-
Total general revenues, special items, and transfers					27,350,508	54,623	27,405,131
Change in net position					1,077,862	56,767	1,134,629
Net position-beginning, previously reported					8,976,835	226,438	9,203,273
Net position-ending					\$ 10,054,697	\$ 283,205	\$ 10,337,902

The notes to the financial statements are an integral part of this statement

Classical Charter Schools of America, Inc.
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Major Special Revenue Funds				Eliminations	Total Governmental Funds
		Classical Charter Schools of Leland	Classical Charter Schools of Whiteville	Classical Charter Schools of Southport	Classical Charter Schools of Wilmington		
ASSETS							
Cash and cash equivalents	\$ -	\$ 3,192,511	\$ 733,258	\$ 471,423	\$ 278,706	\$ -	\$ 4,675,898
Restricted cash	-	1,893,388	2,003,805	1,174,899	-	-	5,072,092
Due from other governments	-	358,324	135,832	221,741	94,453	-	810,350
Accounts receivable - other	-	113,316	171,965	23,472	28,783	-	337,536
Prepaid items	-	94,345	75,685	84,558	555	-	255,143
Due from Classical Charter Southport	1,930,000	-	-	-	-	(1,930,000)	-
Due from LLC	-	84,000	122,500	83,500	-	(290,000)	-
Due from Classical Charter Wilmington	510,000	-	-	-	-	(510,000)	-
Total assets	2,440,000	5,735,884	3,243,045	2,059,593	402,497	(2,730,000)	11,151,019
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable - trade	-	254,519	214,534	82,898	11,155	-	563,106
Due to LLC	-	145,000	137,500	142,500	-	(59,500)	365,500
Total liabilities	-	399,519	352,034	225,398	11,155	(59,500)	928,606
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	-
Fund balances:							
Nonspendable: prepaids	-	94,345	198,185	168,058	555	-	461,143
Restricted for debt service	-	1,893,388	2,003,805	1,174,899	-	-	5,072,092
Unassigned	2,440,000	3,348,632	689,021	491,238	390,787	(2,670,500)	4,689,178
Total fund balances	2,440,000	5,336,365	2,891,011	1,834,195	391,342	(2,670,500)	10,222,413
Total liabilities, deferred inflows of resources, and funds balances	\$ 2,440,000	\$ 5,735,884	\$ 3,243,045	\$ 2,059,593	\$ 402,497	\$ (2,730,000)	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	40,152,667
Deferred outflows of resources related to pensions	-
Liabilities for earned but unavailable revenues in fund statements. Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	-
Long term notes payable	(40,320,383)
Compensated absences	-
Net position of governmental activities	<u>\$ 10,054,697</u>

The notes to the financial statements are an integral part of this statement.

Classical Charter Schools of America, Inc.
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Major Special Revenue Funds				Eliminations	Total Governmental Funds
		Classical Charter Schools of Leland	Classical Charter Schools of Whiteville	Classical Charter Schools of Southport	Classical Charter Schools of Wilmington		
Revenues							
State of North Carolina	\$ -	\$ 6,985,671	\$ 7,685,611	\$ 4,236,848	\$ 907,211	\$ -	\$ 19,815,341
Local education agencies	-	3,044,969	819,057	2,031,564	404,437	-	6,300,027
U.S. Government	-	894,088	2,531,784	386,667	518,187	-	4,330,726
Fines and forfeitures	-	24,248	14,292	12,679	4,881	-	56,100
Contributions and donations	-	53,800	136,000	100,000	250,000	-	539,800
Rental Income	-	810,394	675,328	765,372	-	(2,251,094)	-
Other	-	303,307	98,846	96,617	195,093	-	693,863
Total revenues	-	12,116,477	11,960,918	7,629,747	2,279,809	(2,251,094)	31,735,857
EXPENDITURES							
Current:							
Instructional programs	-	6,416,334	6,700,101	3,955,206	1,423,222	-	18,494,863
Athletics, arts and clubs	-	-	-	-	-	-	-
Support services	-	4,388,809	4,027,712	2,761,904	559,228	(2,251,094)	9,486,559
Community services	-	-	-	-	-	-	-
Capital outlay:	-	2,895,765	647,593	2,698,906	127,376	-	6,369,640
Debt service:							
Principal	-	142,200	118,500	134,300	25,000	(25,000)	395,000
Interest and other charges	-	663,694	553,078	609,821	-	-	1,826,593
Total expenditures	-	14,506,802	12,046,984	10,160,137	2,134,826	(2,276,094)	36,572,655
Excess (deficiency) of revenues over expenditures	-	(2,390,325)	(86,066)	(2,530,390)	144,983	25,000	(4,836,798)
OTHER FINANCING SOURCES (USES)							
Transfers to other funds	(25,000)	-	(54,623)	-	-	25,000	(54,623)
Proceeds from debt	-	-	-	-	-	-	-
Total other financing sources (uses)	(25,000)	-	(54,623)	-	-	25,000	(54,623)
Net change in fund balance	(25,000)	(2,390,325)	(140,689)	(2,530,390)	144,983	50,000	(4,891,421)
Fund balances-beginning	2,465,000	7,726,690	3,031,700	4,364,585	246,359	(2,720,500)	15,113,834
Fund balances-ending	\$ 2,440,000	\$ 5,336,365	\$ 2,891,011	\$ 1,834,195	\$ 391,342	\$ (2,670,500)	\$ 10,222,413

The notes to the financial statements are an integral part of this statement.

Classical Charter Schools of America, Inc.
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statements of Activities
For the Year Ended June 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (4,891,421)
Change in fund balance due to change in reserve for inventory	-
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	5,517,963
Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Amount of donated assets	-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	451,320
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	-
Compensated absences	-
Rounding adjustment	-
Total changes in net position of governmental activities	<u><u>\$ 1,077,862</u></u>

The notes to the financial statements are an integral part of this statement.

Classical Charter Schools of America, Inc.
Statement of Net Position
Proprietary Funds
June 30, 2023

	Major Enterprise Funds		
	Classical Charter Schools of Whiteville	Classical Charter Schools of Wilmington	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 135,373	\$ 127,574	\$ 262,947
Cash - restricted debt service fund	-	-	-
Prepays	-	25	25
Inventories	-	-	-
Total current assets	135,373	127,599	262,972
Noncurrent assets:			
Capital assets:			
Land	-	-	-
Other capital assets, net of depreciation	20,233	-	20,233
Total noncurrent assets	20,233	-	20,233
Total assets	\$ 155,606	\$ 127,599	\$ 283,205
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
LIABILITIES			
Current liabilities:			
Accounts payable - trade	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Total current liabilities	-	-	-
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total long-term liabilities	-	-	-
Total liabilities	-	-	-
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET ASSETS			
Net investment in capital assets	-	-	20,233
Restricted for debt service	-	-	-
Unrestricted	155,606	127,599	283,205
Total net position	\$ 155,606	\$ 127,599	\$ 303,438

The notes to the financial statements are an integral part of this statement.

Classical Charter Schools of America, Inc.
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Major Enterprise Funds		
	Classical Charter Schools of Whiteville	Classical Charter Schools of Wilmington	Total
OPERATING REVENUES			
Lunch sales	\$ -	\$ -	\$ -
Before and after school care	-	37,125	37,125
Total operating revenues	-	37,125	37,125
OPERATING EXPENSES			
Salary and related costs	21,786	9,597	31,383
Supplies and materials	1,490	1,778	3,268
Contracted services	596,878	96,340	693,218
Food purchases	11,751	2,854	14,605
Interest expense	-	-	-
Amortization	-	-	-
Small equipment	-	-	-
Depreciation expense	4,767	-	4,767
Total operating expenses	636,672	110,569	747,241
Operating income (loss)	(636,672)	(73,444)	(710,116)
NONOPERATING REVENUES (EXPENSES)			
Federal reimbursements	602,282	109,978	712,260
Total nonoperating revenue (expenses)	602,282	109,978	712,260
Income (loss) before contributions and transfers	(34,390)	36,534	2,144
Capital contributions	-	-	-
Transfers (to) from other funds	54,623	-	54,623
Change in net position	20,233	36,534	56,767
Total net position - beginning	135,373	91,065	226,438
Total net position - ending	\$ 155,606	\$ 127,599	\$ 283,205

The notes to the financial statements are an integral part of this statement.

Classical Charter Schools of America, Inc.
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

Major Enterprise Funds			
	Classical Charter Schools of Whiteville	Classical Charter Schools of Wilmington	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ -	\$ 37,100	\$ 37,100
Cash paid to employees for services	(21,786)	(9,597)	(31,383)
Cash paid for goods and services	(616,148)	(100,972)	(717,120)
Net cash provided (used) by operating activities	(637,934)	(73,469)	(711,403)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal reimbursements	602,282	111,130	713,412
Transfer (to) from other funds	54,623	-	54,623
Net cash provided (used) by noncapital financing activities	656,905	111,130	768,035
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on bonds	-	-	-
Proceeds from bonds	-	-	-
Acquisition of capital assets	-	-	-
Net cash (used) by capital and related financing	-	-	-
Net increase (decrease) in cash and cash equivalents	18,971	37,661	56,632
Balances-beginning of the year	141,402	89,913	231,315
Balances-end of the year	\$ 160,373	\$ 127,574	\$ 287,947
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (636,672)	\$ (73,444)	\$ (710,116)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	4,767	-	4,767
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	(25)	(25)
Increase (decrease) in accounts payable and accrued liabilities	(6,029)	-	(6,029)
Increase (decrease) in deferred inflows of resources	-	-	-
Total adjustments	(1,262)	(25)	(1,287)
Net cash provided (used) by operating activities	\$ (637,934)	\$ (73,469)	\$ (711,403)

The notes to the financial statements are an integral part of this statement.

Classical Charter Schools of America, Inc., North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2023

I. Summary of Significant Accounting Policies

The accounting policies of the Classical Charter Schools of America, Inc. (the School) conform to generally accepted accounting principles (GAAP) as applicable to governments. Because of the authority of the State Board of Education (SBE) to terminate, not renew or seek applicants to assume a charter on grounds sent out in the North Carolina General Statutes at G.S. 115C218.95 with all net assets purchased with the public funds reverting to a local education agency (G.S. 115C-218.100), the charter schools in North Carolina follow the governmental reporting model as used by local education agencies. The following is a summary of the more significant accounting policies:

A. Reporting Entity

Classical Charter Schools of America, Inc. is a North Carolina non-profit corporation incorporated in August 1999. Pursuant to the provisions of the Charter School Act of 1996 as amended (the "Act"), Classical Charter Schools of America, Inc. has been approved to operate four charter schools: Classical Charter Schools of Leland, Classical Charter Schools of Whiteville, Classical Charter Schools of Southport and Classical Charter Schools of Wilmington (collectively, the "Schools"). The Schools are public schools with Classical Charter Schools of Leland serving approximately 947 students, Classical Charter Schools of Whiteville serving approximately 820 students, Classical Charter Schools of Southport serving approximately 560 students and Classical Charter Schools of Wilmington serving approximately 111 students. Each School operates under a separate charter agreement applied for under the provisions of General Statute (G.S.) 115C-218.1. G.S. 115C-218.6(b)(1) and authorized by the State Board of Education ("SBE"). The SBE has the authority to terminate, not renew or seek applicants to assume a charter on ground set out at G.S. 115C-218.95 with all net assets purchased with public funds reverting to a local education agency (G.S. 115C-218.100). The current charters are effective until June 30, 2025 for Classical Charter Schools of Leland, June 30, 2027 for Classical Charter Schools of Whiteville, June 30, 2029 for Classical Charter Schools of Southport and June 30, 2023 for Classical Charter Schools of Wilmington. Charters may be renewed for subsequent periods of ten (10) years unless one of the conditions in G.S. 115C-218.6(b) applies in which case the SBE may renew the charter for a shorter period or not renew the charter. Management believes that the charters will be renewed in the ordinary course of business.

Classical Charter Schools of America, Inc. has been recognized by the Internal Revenue Service as exempt from Federal income taxation under section 501 (a) of the Internal Revenue Code as an organization described in section 501(c)(3).

Leland Charter, LLC, Columbus Charter, LLC, and Southport Charter Campus, LLC were formed on October 7, 2020. The LLCs were created primarily as a vehicle to finance and own real estate and school facilities utilized by the Schools. GASB Statement No. 61, The Financial Reporting Entity: Omnibus, requires blending when 1) component unit provides services entirely, or almost entirely, to the primary government, or 2) a component unit's total debt outstanding, including leases, is expected to be repaid entirely, or almost entirely, with resources of the primary government. The LLCs meet each of the two previously described criteria. The LLCs are reported as capital outlay funds in the School's financial statements.

B. Basis of Presentation

Classical Charter Schools of America, Inc.'s financial statements have been prepared in conformity with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board and required by G.S. 115C-447 of The School Budget and Fiscal Control Act (the "SBFCA"). G.S. 115C-218.6(b)(1) provides that a charter school shall be subject to the audit requirements adopted by the SBE which include audit requirements established by G.S. 115C-47.

In accordance with GASB Statements No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments (GASB 34), Classical Charter Schools of America, Inc. is a special-purpose government that is engaged in governmental activities and is not a component unit of another government. Therefore, the financial statements are prepared in the same manner as general purpose governments.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the Schools. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the School. Governmental activities generally are financed through inter-governmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the School and for each function of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the School's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Classical Charter Schools of America, Inc. reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of The School. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds. Each School's funds include appropriations from the county, the State Department of Public Instruction, the federal government and others. There are subfunds within each special revenue fund including:

County and Other Subfund. The County and Other Subfund includes appropriations from various countries and other support of The School's programs.

State Public School Subfund. The State Public School Subfund includes appropriations from the Department of Public Instruction for specific operating needs of the public school system.

Federal Grants Subfund. The Federal Grants Subfund includes appropriations of federal grants received for specific operating or capital purposes.

Capital Outlay Subfund. The Capital Outlay Subfund includes the operating activity of the LLCs associated with the Schools.

The School reports the following major enterprise funds:

Enterprise Funds. Classical Charter Schools of Whiteville and Classical Charter Schools of Wilmington enterprise funds account for the school food service and before and after school activities.

Before and After School Care Fund. The Before and After School Care Fund is used to account for the before and after school activities conducted by the School.

School Lunch Fund. The School Lunch Fund is used to account for the food service program within the school system.

C. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statement. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

D. Budgetary Data

Annual budgets are adopted for all funds on a government-wide basis. All budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the School's funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget presented in the supplemental data represents the budget of the various Schools at June 30, 2023. All appropriations lapse at year end.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity

1. Deposits and Investments

All deposits of the Schools are made in a local bank, whose accounts are FDIC insured. Also, the Schools have established time deposit accounts such as money market accounts.

2. Cash and Cash Equivalents

The School pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

3. Restricted Cash

Certain amounts of cash are restricted for future debt service and unspent bond funds.

4. Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets

The School's donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the Schools to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items which are purchased and used in large quantities such as student desks and office furniture are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Building	39
Building improvements	39
Textbooks	5
Playground equipment	7
Equipment	3
Computers	5
Vehicles	7

6. 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 and so will not be recognized as an expense or expenditure until then. The School has no items that meet the criterion for this category for the current fiscal year. 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 and so will not be recognized as revenue until then. The School has no items that meet the criterion for this category.

7. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statements of net position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

8. Compensated Absences

Employees on a 10-month work schedule earn twelve days of paid time off each year. Employees on an 11-month work schedule earn twelve to fifteen days of paid time off each year depending on their years of service. Employees on a 12-month work schedule earn twelve to twenty-five days of paid time off each year depending on their years of service. A maximum of eight paid days may be carried forward to the next year if unused. Since the Schools have no obligation for paid time off; no paid time off accrual has been made.

9. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund Balance

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories- portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid Items- portion of fund balance that is not an available resource because it represents the year-end balance of prepaid rent on the school facility which is not a spendable resource.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Committed Fund Balance – portion of fund balance that can only be used for specific purpose imposed by majority vote of The School's governing body (highest level of decision-making authority). Any changes or removal of the specific purpose requires majority action by the governing bodies that approved the original action.

Assigned Fund Balance – Portion of fund balance the Classical Charter Schools of America, Inc. intends to use for specific purposes.

Assigned for Clubs and Activities Fund – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fundraising activities for which they are collected.

Unassigned Fund Balance – the portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the general fund.

Classical Charter Schools of America, Inc. has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Schools.

10. The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of (\$167,716) consists of several elements as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$ 42,582,908
Less accumulated depreciation	(2,430,241)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Long-term notes payable	(40,320,383)
Total adjustment	<u>\$ (167,716)</u>

F. Revenues, Expenditures, and Expenses

1. Funding

The Schools are funded by the SBE, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the School is located (i.e. Brunswick County, Columbus County and New Hanover County Boards of Education) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-238.29H(a)]. Subject to certain limitations, funds allocated by the SBE may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for charter schools and may be used for payments on loans made to charter schools for facilities, equipment, or operations. [G.S. 115C-218.105(b)] Additionally, the appropriate local school administrative unit(s) transfers to the School, for each student who resides in the local administrative unit and attends the charter school, an amount equal to the per pupil local current expense appropriation to the respective unit for the fiscal year. [G.S. 115C.238.29H(b)]. For the fiscal year ended June 30, 2023, the Schools received funding from the Boards of Education for Bladen, Brunswick, Columbus, Cumberland, Duplin, New Hanover, Pender, Robeson and Whiteville counties.

Furthermore, Classical Charter Schools of America, Inc. and the Schools have received donations of cash and/or equipment from individuals and private organizations. The cash has been used for general fund activities.

2. Reconciliation Between Government-Wide and Fund Statements

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance is followed by a reconciliation between the change in fund balance – governmental activities and the change in net position – governmental funds as reported on the government-wide statement of activities. The net difference of \$5,969,283 between the two amounts consists of the following elements:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 6,369,640
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(851,677)
New debt issued during the year is recorded as a source of funds on the fund statements but has no effect on the Statement of Activities, only the Statement of Net Assets.	-
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the Statement of Net Assets in the government-wide statements.	451,320
Rounding adjustment	-
Compensated absences	-
Total	<u>\$ 5,969,283</u>

G. Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

II. Stewardship, Compliance, and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions

Noncompliance with North Carolina General Statutes

None.

Contractual Violations

None.

B. Deficit Fund Balance or Net position of Individual Funds

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2023, The School had deposits with banks and savings and loans with a carrying amount of \$9,747,990. The bank balances with the financial institutions totaled \$9,776,501, of which \$1,000,000 was covered by the FDIC at June 30, 2023. The remaining \$8,776,501 is a credit risk at June 30, 2023. The School invests excess funds overnight in U.S. government securities in accordance with its deposit policy for custodial credit risk.

3. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

Governmental activities:	Beginning	Increases	Decreases	Ending
<u>Classical Charter Schools of Leland</u>				
Capital assets not being depreciated:				
Construction in progress	\$ 79,073	\$ 8,368	\$ -	\$ 87,441
Capital assets being depreciated:				
Building improvements	34,809	-	-	34,809
Land improvements	7,055	-	-	7,055
Equipment	42,693	7,535	-	50,228
Vehicles	7,490	-	-	7,490
Total capital assets being depreciated	92,047	7,535	-	99,582
Less accumulated depreciation for:				
Building improvements	1,258	3,122	-	4,380
Land improvements	-	-	-	-
Equipment	1,779	4,296	-	6,075
Vehicles	374	499	-	873
Total accumulated depreciation	3,411	\$ 7,917	\$ -	11,328
Capital assets being depreciated, net	88,636			88,254
Governmental activities capital assets, net	\$ 167,709			\$ 175,695

Governmental activities:	Beginning	Increases	Decreases	Ending
<u>Classical Charter Schools of Southport</u>				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:				
Leasehold improvements	19,400	15,955	-	35,355
Vehicles	11,396	-	-	11,396
Equipment	-	43,225	-	43,225
Total capital assets being depreciated	30,796	59,180	-	89,976
Less accumulated depreciation for:				
Leasehold improvements	2,155	1,297	-	3,452
Vehicles	2,442	1,628	-	4,070
Equipment	-	4,381	-	4,381
Total accumulated depreciation	4,597	\$ 7,306	\$ -	11,903
Capital assets being depreciated, net	26,199			78,073
Governmental activities capital assets, net	\$ 26,199			\$ 78,073

Governmental activities:	Beginning	Increases	Decreases	Ending
<u>Classical Charter Schools of Whiteville</u>				
Capital assets not being depreciated:				
Construction in progress	\$ 266,306	\$ -	\$ -	\$ 266,306
Capital assets being depreciated:				
Building improvements	76,628	304,321	-	380,949
Equipment	95,721	121,490	-	217,211
Vehicles	257,708	215,282	-	472,990
Total capital assets being depreciated	430,057	641,093	-	1,071,150
Less accumulated depreciation for:				
Building improvements	4,470	33,009	-	37,479
Equipment	13,813	16,906	-	30,719
Vehicles	36,815	54,552	-	91,367
Total accumulated depreciation	55,098	\$ 104,467	\$ -	159,565
Capital assets being depreciated, net	374,959			911,585
Governmental activities capital assets, net	\$ 641,265			\$ 1,177,891

Business-type activities:	Beginning	Increases	Decreases	Ending
<u>Classical Charter Schools of Whiteville</u>				
Capital assets being depreciated:				
Nutrition equipment	\$ -	\$ 25,000	\$ -	\$ 25,000
Total capital assets being depreciated	-	25,000	-	25,000
Less accumulated depreciation for:				
Nutrition equipment	-	4,767	-	4,767
Total accumulated depreciation	-	\$ 4,767	\$ -	4,767
Capital assets being depreciated, net	-			20,233
Governmental activities capital assets, net	\$ -			\$ 20,233

Governmental activities:	Beginning	Increases	Decreases	Ending
<u>Classical Charter Schools of Wilmington</u>				
Capital assets not being depreciated:				
Construction in progress	\$ 4,734	\$ -	\$ -	\$ 4,734
Capital assets being depreciated:				
Leasehold improvements	406,550	-	-	406,550
Textbooks	65,416	-	-	65,416
Vehicles	96,252	-	-	96,252
Equipment	-	127,376	-	127,376
Total capital assets being depreciated	568,218	127,376	-	695,594
Less accumulated depreciation for:				
Leasehold improvements	121,862	18,702	-	140,564
Textbooks	65,416	-	-	65,416
Vehicles	95,151	1,101	-	96,252
Equipment	-	3,884	-	3,884
Total accumulated depreciation	282,429	\$ 23,687	\$ -	306,116
Capital assets being depreciated, net	285,789			389,478
Governmental activities capital assets, net	<u>\$ 290,523</u>			<u>\$ 394,212</u>

Governmental activities:	Beginning	Increases	Decreases	Ending
<u>Southport Charter, LLC</u>				
Capital assets not being depreciated:				
Land	\$ 328,714	\$ -	\$ -	\$ 328,714
Construction in progress	5,686,977	2,639,726	-	8,326,703
Land improvements	2,161,387	-	-	2,161,387
Total capital assets not being depreciated	8,177,078	2,639,726	-	10,816,804
Capital assets being depreciated:				
Buildings	1,810,618	-	-	1,810,618
Building improvements	1,945,902	-	-	1,945,902
Textbooks	15,450	-	-	15,450
Total capital assets being depreciated	3,771,970	-	-	3,771,970
Less accumulated depreciation for:				
Buildings	92,852	51,125	-	143,977
Building improvements	102,251	46,426	-	148,677
Textbooks	6,180	3,090	-	9,270
Total accumulated depreciation	201,283	\$ 100,641	\$ -	301,924
Capital assets being depreciated, net	3,570,687			3,470,046
Governmental activities capital assets, net	<u>\$ 11,747,765</u>			<u>\$ 14,286,850</u>

Governmental activities:	Beginning	Increases	Decreases	Ending
<u>Leland Charter, LLC</u>				
Capital assets not being depreciated:				
Land	\$ 191,306	\$ -	\$ -	\$ 191,306
Construction in progress	1,450,622	2,879,862	-	4,330,484
Total capital assets not being depreciated	1,641,928	2,879,862	-	4,521,790
Capital assets being depreciated:				
Buildings	6,167,576	-	-	6,167,576
Building improvements	3,022,424	-	-	3,022,424
Equipment	83,522	-	-	83,522
Vehicles	184,176	-	-	184,176
Total capital assets being depreciated	9,457,698	-	-	9,457,698
Less accumulated depreciation for:				
Buildings	262,802	158,143	-	420,945
Building improvements	117,506	77,498	-	195,004
Equipment	31,442	11,932	-	43,374
Vehicles	54,755	26,311	-	81,066
Total accumulated depreciation	466,505	\$ 273,884	\$ -	740,389
Capital assets being depreciated, net	8,991,193			8,717,309
Governmental activities capital assets, net	<u>\$ 10,633,121</u>			<u>\$ 13,239,099</u>

Governmental activities:	Beginning	Increases	Decreases	Ending
<u>Whiteville Charter, LLC</u>				
Capital assets not being depreciated:				
Land	\$ 405,998	\$ -	\$ -	\$ 405,998
Construction in progress	332,861	-	-	332,861
Total capital assets not being depreciated	738,859	-	-	738,859
Capital assets being depreciated:				
Buildings	6,875,849	-	-	6,875,849
Building improvements	3,644,151	-	-	3,644,151
Equipment	20,577	6,500	-	27,077
Vehicles	413,927	-	-	413,927
Total capital assets being depreciated	10,954,504	6,500	-	10,961,004
Less accumulated depreciation for:				
Buildings	289,681	176,304	-	465,985
Building improvements	147,947	93,440	-	241,387
Equipment	9,358	4,899	-	14,257
Vehicles	118,255	59,132	-	177,387
Total accumulated depreciation	565,241	\$ 333,775	\$ -	899,016
Capital assets being depreciated, net	10,389,263			10,061,988
Governmental activities capital assets, net	<u>\$ 11,128,122</u>			<u>\$ 10,800,847</u>

Total capital assets				<u>\$ 40,172,900</u>
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Depreciation expense charged to governmental functions totaled \$851,677 as follows:

<u>Classical Charter Schools of Southport</u>	
Instructional programs	\$ 5,480
Supporting services	1,826
	<u>\$ 7,306</u>
<u>Classical Charter Schools of Whiteville</u>	
Instructional programs	\$ 78,350
Supporting services	26,117
	<u>\$ 104,467</u>
<u>Classical Charter Schools of Wilmington</u>	
Instructional programs	\$ 17,765
Supporting services	5,922
	<u>\$ 23,687</u>
<u>Classical Charter Schools of Leland</u>	
Instructional programs	\$ 5,938
Supporting services	1,979
	<u>\$ 7,917</u>
<u>Leland Charter, LLC</u>	
Instructional programs	\$ 205,413
Supporting services	68,471
	<u>\$ 273,884</u>
<u>Southport Charter, LLC</u>	
Instructional programs	\$ 75,481
Supporting services	25,160
	<u>\$ 100,641</u>
<u>Columbus Charter, LLC</u>	
Instructional programs	\$ 250,331
Supporting services	83,444
	<u>\$ 333,775</u>

B. Liabilities

1. Retirement Plan

The Schools maintained a 401(k) Retirement Plan for the benefit of its employees for fiscal year 2023. Under the plan, the School contributes an amount equal to the employees' contributions up to a limit of 3% of the employees' compensation for the calendar year. The employee may make voluntary contributions, pursuant to a salary reduction agreement of a percentage of annual compensation not to exceed the limits set by the Internal Revenue Code. Classical Charter Schools of America, Inc. made all required contributions. For the year ended June 30, 2023, the retirement cost for the 401(k) plan to the Schools was \$335,351 with employees contributing \$642,929.

2. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

The School has obtained a Major Medical insurance policy for its personnel through a commercial insurer. Through the plan, permanent, full-time employees of the School are eligible to receive health care benefits.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past two fiscal years.

The Schools carry fidelity bond coverage in the amount of \$250,000. The company that does all outsourced accounting carries fidelity bond coverage in the amount of \$500,000.

3. Long-Term Obligations

a.) Notes Payable to Related Schools and Entities

Notes payable to related schools and entities and the corresponding accounts receivable balances are included on the individual school's statements of net position in the supplemental schedules to the financial statements. Notes payable and accounts receivable balances were eliminated from the combined statement of net position in the financial statements.

Classical Charter Schools of Wilmington

On July 8, 2013, Classical Charter Schools of Wilmington obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$300,000 with interest at a rate of 0.00%. The principal will be due on or before June 30, 2024 in the form of a lump sum payment. The note was obtained to assist with construction costs.

On September 13, 2013, Classical Charter Schools of Wilmington obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$100,000 with interest at a rate of 0.00%. The principal will be due on or before June 30, 2024 in the form of a lump sum payment. The note was obtained to assist with construction costs.

On April 30, 2015, Classical Charter Schools of Wilmington obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$100,000. The note was obtained to assist with facilities development.

On June 3, 2015, Classical Charter Schools of Wilmington obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$150,000. The note was obtained to assist with facilities development.

On June 24, 2015, Classical Charter Schools of Wilmington obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$85,000. The note was obtained to assist with facilities development.

The School made one principal payment of \$25,000 during the year ended June 30, 2023. A balance of \$510,000 remained due to Classical Charter Schools of America, Inc. as of year-end.

Classical Charter Schools of Southport

On May 6, 2014, Classical Charter Schools of Leland obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$100,000. The note was obtained to assist with construction costs. The note is interest free and a maturity date has not been determined.

On January 14, 2015, Classical Charter Schools of Leland obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$550,000. The note was obtained to assist with construction costs. The note is interest free and a maturity date has not been determined.

On June 25, 2015, Classical Charter Schools of Leland obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$99,000. The note was obtained to assist with construction costs. The note is interest free and a maturity date has not been determined.

On June 24, 2016, Classical Charter Schools of Leland obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$1,081,000. The note was obtained to assist with construction costs. The note is interest free and a maturity date has not been determined.

On July 19, 2017, Classical Charter Schools of Leland obtained a direct placement note from Classical Charter Schools of America, Inc. with a principal balance of \$100,000. The note was obtained to assist with construction costs. The note is interest free and a maturity date has not been determined.

No payments were made to Classical Charter Schools of America, Inc. during the year ended June 30, 2023. A balance of \$1,930,000 remained due to Classical Charter Schools of America, Inc. as of year-end.

b.) General Obligation Bonds Payable

The Public Finance Authority issued two Series 2020 bonds, as direct placement agreements, on behalf of Leland Charter, LLC, Columbus Charter, LLC and Southport Charter, LLC on December 1, 2020. The proceeds of the 2020 bonds were loaned to Leland Charter, LLC, Columbus Charter, LLC and Southport Charter, LLC for the purpose of financing the costs of acquiring, certain charter school educational facilities, paying off existing debt, supplementing the charter schools, and establishing reserves to be used in the event of default. The amount of the issuance is \$40,771,703; \$40,286,703 in 2020A Series and \$485,000 in 2020B series bonds, and is expected to have a final maturity date of December 1, 2055. The bonds are expected to bear an interest rate of 5% and 5.25%. Rental income from the Schools will be used to repay the bonds.

	Principal	Interest	Total
For fiscal year ended June 30, 2024	\$ 532,627	\$ 2,004,223	\$ 2,536,850
For fiscal year ended June 30, 2025	552,627	1,976,980	2,529,607
For fiscal year ended June 30, 2026	577,627	1,948,724	2,526,351
For fiscal year ended June 30, 2027	597,627	1,919,342	2,516,969
For fiscal year ended June 30, 2028	622,627	1,888,836	2,511,463
For fiscal year ended June 30, 2029 - 2033	3,543,135	8,937,960	12,481,095
For fiscal year ended June 30, 2034 - 2038	4,388,135	7,951,300	12,339,435
For fiscal year ended June 30, 2039 - 2043	5,473,135	6,724,392	12,197,527
For fiscal year ended June 30, 2044 - 2048	6,868,135	5,187,983	12,056,118
For fiscal year ended June 30, 2049 - 2053	8,658,135	3,256,700	11,914,835
For fiscal year ended June 30, 2054 - 2056	8,506,573	762,993	9,269,566
Totals	<u>\$ 40,320,383</u>	<u>\$ 42,559,433</u>	<u>\$ 82,879,816</u>

The Schools are required to meet a debt coverage ratio of 1.00 or above for any fiscal year, commencing with the year ending June 30, 2023 based on maximum annual lease payments and maximum annual debt service excluding bond debt service. The School is in compliance with the debt service coverage ratio.

Change in fund balance (pg 28)	\$ (4,891,421)
Change in fund balance (pg 31)	56,767
Plus: capital outlay (pgs 41-44)	6,394,640
Plus: interest (pgs 28)	<u>1,826,593</u>
Current year net income available for debt payments	3,386,579
Maximum annual lease payments	2,004,223
Maximum Annual debt service (not including payments to series 2020 bonds)	-
Coverage ratio	1.68

The Schools are required to maintain enough cash on hand to operate for at least 45 days. The School is in compliance with the cash on hand requirement.

Unrestricted cash (pg 25)	\$ 4,938,845
Total operating expenses (pg 26)	\$ 31,350,613
Operating expenses divided by 365; multiplied by 45	\$ 3,865,144
Surplus cash	\$ 1,073,701
Days of cash on hand	58

c.) Changes in General Long-Term Obligations

The following is a summary of changes in Classical Charter Schools of America, Inc.'s long term obligations for the fiscal year ended June 30, 2023:

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion
Governmental activities:					
Notes from direct borrowings and direct placements:					
Bonds payable 2020A	\$ 36,570,000	\$ -	\$ 107,500	\$ 36,462,500	\$ 222,500
Bonds payable 2020B	485,000	-	287,500	197,500	197,500
Bonds payable 2020A premium	3,716,703	-	56,320	3,660,383	112,627
Total	<u>\$ 40,771,703</u>	<u>\$ -</u>	<u>\$ 451,320</u>	<u>\$ 40,320,383</u>	<u>\$ 532,627</u>
	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023	Current Portion
Governmental activities:					
Notes from interdivisional loans					
Classical Charter Schools of Southport	\$ 1,930,000	\$ -	\$ -	\$ 1,930,000	\$ -
Classical Charter Schools of Wilmington	535,000	-	25,000	510,000	-
Total	<u>\$ 2,465,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 2,440,000</u>	<u>\$ -</u>

d.) General Long-Term Obligations

The following is a summary of each LLC's long-term obligations at June 30, 2023:

	<u>Southport Charter, LLC</u>		<u>Whiteville Charter, LLC</u>		<u>Leland Charter, LLC</u>	
	Ending Balance	Current Portion	Ending Balance	Current Portion	Ending Balance	Current Portion
Governmental activities:						
Bonds payable 2020A	\$ 12,397,250	\$ 75,650	\$ 10,938,750	\$ 66,750	\$ 13,126,500	\$ 80,100
Bonds payable 2020B	67,150	67,150	59,250	59,250	71,100	71,100
Bonds payable 2020A premium	1,263,679	38,293	1,115,011	33,788	1,338,013	40,546
Total	<u>\$ 13,728,079</u>	<u>\$ 181,093</u>	<u>\$ 12,113,011</u>	<u>\$ 159,788</u>	<u>\$ 14,535,613</u>	<u>\$ 191,746</u>

4. Capital Lease

Capital Lease – Related Party

The Schools entered into three capital lease agreements on December 1, 2020 for facility rental from Columbus Charter, LLC, Leland Charter, LLC and Southport Charter, LLC. The lease agreements is for total payments in principal and interest of \$81,136,753. The agreements require variable monthly payments and expires December 1, 2055. The Schools paid \$2,238,593 in principal and interest under these lease agreements for the year ended June 30, 2023. Future lease payments are included in the schedule below.

	Principal	Interest	Total
For fiscal year ended June 30, 2024	\$ 420,000	\$ 1,822,612	\$ 2,242,612
For fiscal year ended June 30, 2025	440,000	1,801,000	2,241,000
For fiscal year ended June 30, 2026	465,000	1,778,375	2,243,375
For fiscal year ended June 30, 2027	485,000	1,754,625	2,239,625
For fiscal year ended June 30, 2028	510,000	1,729,750	2,239,750
For fiscal year ended June 30, 2029 - 2033	2,980,000	8,227,000	11,207,000
For fiscal year ended June 30, 2034 - 2038	3,825,000	7,381,125	11,206,125
For fiscal year ended June 30, 2039 - 2043	4,910,000	6,295,000	11,205,000
For fiscal year ended June 30, 2044 - 2048	6,305,000	4,899,375	11,204,375
For fiscal year ended June 30, 2049 - 2053	8,095,000	3,108,875	11,203,875
For fiscal year ended June 30, 2054 - 2056	8,225,000	741,875	8,966,875
Totals	<u>\$ 36,660,000</u>	<u>\$ 39,539,612</u>	<u>\$ 76,199,612</u>

C. Fund Balance

Classical Charter Schools of America, Inc. has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, local non-School funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the School.

The following schedule provides management and citizens with information on the portion of General Fund Balance that is available for appropriation.

Total fund balance	\$10,403,582
Less:	
Reserve for prepaid items	411,143
Restricted for Bonds	5,072,092
Remaining Fund Balance	\$4,920,347

IV. Transfers

The general fund transferred \$54,623 to the food service fund to fund food costs.

V. Related Party Transactions

Classical Charter Schools of America, Inc.

Classical Charter Schools of America, Inc. issued non-interest bearing notes totaling \$1,930,000 to Classical Charter Schools of Southport. Classical Charter Schools of Southport has the same board of directors as Classical Charter Schools of America, Inc. Classical Charter Schools of America, Inc. issued non-interest bearing notes totaling \$735,000 to Classical Charter Schools of Wilmington. Classical Charter Schools of Southport has the same board of directors as Classical Charter Schools of America, Inc. The funds from these notes were used for facilities development. At June 30, 2023, Classical Charter Schools of Southport owed

Classical Charter Schools of America, Inc. \$1,930,000 and Classical Charter Schools of Wilmington owed Classical Charter Schools of America, Inc. \$510,000.

Classical Charter Schools of Leland

On July 18, 2001, Classical Charter Schools of Leland entered into an agreement with Roger Bacon Academy, Inc. for management and facility services. Roger Bacon Academy, Inc. provides supervision and administration services for the management, operation and maintenance of the School in accordance with the educational program as adopted by the Board of the School and included in its operational documents. Any documents or policies adopted by the Board of the School may be modified from time to time in the sole and absolute discretion of the Board.

Roger Bacon Academy, Inc. is entitled to compensation for its services based on 16% of revenues, as defined in the management agreement. The agreement was approved by the Board of Classical Charter Schools of America, Inc., State Board of Education and the Internal Revenue Service. During the fiscal year ended June 30, 2023, management and administration fees were paid to Roger Bacon Academy, Inc. in the amount of \$2,284,166. Future obligations under the management agreement are subject to change and are indeterminable since terms are based on projected enrollments and revenues.

Classical Charter Schools of Whiteville

Classical Charter Schools of Whiteville has agreements for management services and property use with Roger Bacon Academy, Inc. Roger Bacon Academy, in turn, rents the land, building, and equipment from Coastal Habitat Conservancy, LLC, which owns all the physical facilities and most of the equipment used by the School.

On June 13, 2007, Classical Charter Schools of Whiteville entered into an agreement with Roger Bacon Academy, Inc. for management and facility services. Roger Bacon Academy, Inc. provides supervision and administration services for the management, operation and maintenance of the School in accordance with the educational program as adopted by the Board of the School and included in its operational documents. Any documents or policies adopted by the Board of the School may be modified from time to time in the sole and absolute discretion of the Board.

Roger Bacon Academy, Inc. is entitled to compensation for its services based on 16% of revenues, as defined in the management agreement. The agreement was approved by the Board of Classical Charter Schools of America, Inc., State Board of Education and the Internal Revenue Service. During the fiscal year ended June 30, 2023, management and administration fees were paid to Roger Bacon Academy, Inc. in the amount of \$2,011,637. Future obligations under the management agreement are subject to change and are indeterminable since terms are based on projected enrollments and revenues.

Classical Charter Schools of Southport

On July 1, 2014, Classical Charter Schools of Southport entered into an agreement with Roger Bacon Academy, Inc. for management and facility services. Roger Bacon Academy, Inc. provides supervision and administration services for the management, operation and maintenance of the School in accordance with the educational program as adopted by the Board of the School and included in its operational documents. Any documents or policies adopted by the Board of the School may be modified from time to time in the sole and absolute discretion of the Board.

Roger Bacon Academy, Inc. is entitled to compensation for its services based on 16% of revenues, as defined in the management agreement. The agreement was approved by the Board of Classical Charter Schools of America, Inc., State Board of Education and the Internal Revenue Service. During the fiscal year ended June 30, 2023, management and administration fees were paid to Roger Bacon Academy, Inc. in the amount of \$1,366,324. Future obligations under the management agreement are subject to change and are indeterminable since terms are based on projected enrollments and revenues.

Classical Charter Schools of Wilmington

On July 1, 2013, Classical Charter Schools of Wilmington entered into an agreement with Roger Bacon Academy, Inc. for management and facility services. Roger Bacon Academy, Inc. provides supervision and administration services for the management, operation and maintenance of the School in accordance with the educational program as adopted by the Board of the School and included in its operational documents. Any documents or policies adopted by the Board of the School may be modified from time to time in the sole and absolute discretion of the Board.

Roger Bacon Academy, Inc. is entitled to compensation for its services based on 16% of revenues, as defined in the management agreement. The agreement was approved by the Board of Classical Charter Schools of America, Inc., State Board of Education and the Internal Revenue Service. During the fiscal year ended June 30, 2023, management and administration fees were paid to Roger Bacon Academy, Inc. in the amount of \$316,704. Future obligations under the management agreement are subject to change and are indeterminable since terms are based on projected enrollments and revenues.

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

The School has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

COVID-19 Contingencies

The COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments and cannot be reasonably predicted and estimated at this time. The COVID-19 outbreak is ongoing as of June 30, 2023, and additional impact on operational and financial performance may occur.

VII. Subsequent Events – Date of Management’s Review

The School has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the Independent Auditor’s Report. The School has not evaluated subsequent events after that date.

COMBINING STATEMENTS

CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.

LELAND, NORTH CAROLINA

JUNE 30, 2023

Classical Charter Schools of America, Inc.
School Resources by Governmental Subfund
June 30, 2023

	Classical Charter Schools of Leland				
	County and Other	State Public School	Federal Grants	Capital Outlay	Fund Total
ASSETS					
Cash and cash equivalents	\$ 3,109,180	\$ -	\$ -	\$ 83,331	\$ 3,192,511
Restricted cash	-	-	-	1,893,388	1,893,388
Due from other governments	358,324	-	-	-	358,324
Accounts receivable - other	113,316	-	-	-	113,316
Prepaid items	94,345	-	-	-	94,345
Advance from LLC	84,000	-	-	-	84,000
Total assets	3,759,165	-	-	1,976,719	5,735,884
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable - trade	185,422	-	-	69,097	254,519
Advance from LEA	-	-	-	145,000	145,000
Total liabilities	185,422	-	-	214,097	399,519
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
Fund balances:					
Nonspendable: prepaids	94,345	-	-	-	94,345
Restricted for debt service	-	-	-	1,893,388	1,893,388
Unassigned	3,479,398	-	-	(130,766)	3,348,632
Total fund balances	3,573,743	-	-	1,762,622	5,336,365
Total liabilities, deferred inflows of resources, and funds balances	\$ 3,759,165	\$ -	\$ -	\$ 1,976,719	\$ 5,735,884

Classical Charter Schools of America, Inc.
School Revenues, Expenditures and Changes in Governmental Subfund Balances
For the Year Ended June 30, 2023

Classical Charter Schools of Leland					
	County and Other	State Public School	Federal Grants	Capital Outlay	Fund Total
Revenues					
State of North Carolina	\$ -	\$ 6,985,671	\$ -	\$ -	\$ 6,985,671
Local education agencies	3,044,969	-	-	-	3,044,969
U.S. Government	-	-	894,088	-	894,088
Fines and forfeitures	24,248	-	-	-	24,248
Contributions and donations	53,800	-	-	-	53,800
Rental income	-	-	-	810,394	810,394
Other	218,597	-	-	84,710	303,307
Total revenues	3,341,614	6,985,671	894,088	895,104	12,116,477
EXPENDITURES					
Current:					
Instructional programs	629,674	4,892,572	894,088	-	6,416,334
Athletics, arts and clubs	-	-	-	-	-
Support services	2,286,968	2,093,099	-	8,742	4,388,809
Community services	-	-	-	-	-
Capital outlay:	15,903	-	-	2,879,862	2,895,765
Debt service:					
Principal	-	-	-	142,200	142,200
Interest and other charges	-	-	-	663,694	663,694
Total expenditures	2,932,545	6,985,671	894,088	3,694,498	14,506,802
Excess (deficiency) of revenues over expenditures	409,069	-	-	(2,799,394)	(2,390,325)
OTHER FINANCING SOURCES (USES)					
Transfers to other funds	-	-	-	-	-
Transfers to LLC rent	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	409,069	-	-	(2,799,394)	(2,390,325)
Fund balances-beginning	3,164,674	-	-	4,562,016	7,726,690
Fund balances-ending	\$ 3,573,743	\$ -	\$ -	\$ 1,762,622	\$ 5,336,365

Classical Charter Schools of America, Inc.
School Resources by Governmental Subfund
June 30, 2023

Classical Charter Schools of Whiteville					
	County and Other	State Public School	Federal Grants	Capital Outlay	Fund Total
ASSETS					
Cash and cash equivalents	\$ 650,871	\$ -	\$ -	\$ 82,387	\$ 733,258
Restricted cash	-	-	-	2,003,805	2,003,805
Due from other governments	135,832	-	-	-	135,832
Accounts receivable - other	171,965	-	-	-	171,965
Prepaid items	75,685	-	-	-	75,685
Advance from LLC	122,500	-	-	-	122,500
Total assets	<u>1,156,853</u>	<u>-</u>	<u>-</u>	<u>2,086,192</u>	<u>3,243,045</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable - trade	156,964	-	-	57,570	214,534
Advance from LEA	-	-	-	137,500	137,500
Total liabilities	<u>156,964</u>	<u>-</u>	<u>-</u>	<u>195,070</u>	<u>352,034</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable: prepaids	198,185	-	-	-	198,185
Restricted for debt service	-	-	-	2,003,805	2,003,805
Unassigned	801,704	-	-	(112,683)	689,021
Total fund balances	<u>999,889</u>	<u>-</u>	<u>-</u>	<u>1,891,122</u>	<u>2,891,011</u>
Total liabilities, deferred inflows of resources, and funds balances	<u>\$ 1,156,853</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,086,192</u>	<u>\$ 3,243,045</u>

Classical Charter Schools of America, Inc.
School Revenues, Expenditures and Changes in Governmental Subfund Balances
For the Year Ended June 30, 2023

Classical Charter Schools of Whiteville					
	County and Other	State Public School	Federal Grants	Capital Outlay	Fund Total
Revenues					
State of North Carolina	\$ -	\$ 7,685,611	\$ -	\$ -	\$ 7,685,611
Local education agencies	819,057	-	-	-	819,057
U.S. Government	-	-	2,531,784	-	2,531,784
Fines and forfeitures	14,292	-	-	-	14,292
Contributions and donations	136,000	-	-	-	136,000
Rental income	-	-	-	675,328	675,328
Other	28,254	-	-	70,592	98,846
Total revenues	997,603	7,685,611	2,531,784	745,920	11,960,918
EXPENDITURES					
Current:					
Instructional programs	214,752	4,385,153	2,100,196	-	6,700,101
Athletics, arts and clubs	-	-	-	-	-
Support services	812,648	3,149,422	59,572	6,070	4,027,712
Community services	-	-	-	-	-
Capital outlay:	118,041	151,036	372,016	6,500	647,593
Debt service:					
Principal	-	-	-	118,500	118,500
Interest and other charges	-	-	-	553,078	553,078
Total expenditures	1,145,441	7,685,611	2,531,784	684,148	12,046,984
Excess (deficiency) of revenues over expenditures	(147,838)	-	-	61,772	(86,066)
OTHER FINANCING SOURCES (USES)					
Transfers to other funds	(54,623)	-	-	-	(54,623)
Transfers to LLC rent	-	-	-	-	-
Total other financing sources (uses)	(54,623)	-	-	-	(54,623)
Net change in fund balance	(202,461)	-	-	61,772	(140,689)
Fund balances-beginning	1,202,350	-	-	1,829,350	3,031,700
Fund balances-ending	\$ 999,889	\$ -	\$ -	\$ 1,891,122	\$ 2,891,011

Classical Charter Schools of America, Inc.
School Net Position by Proprietary Subfund
June 30, 2023

Classical Charter Schools of Whiteville
Enterprise Activities
School Food Service

ASSETS

Current assets:

Cash and cash equivalents	\$ 135,373
Cash - restricted debt service fund	-
Prepays	-
Inventories	-
Total current assets	<u>135,373</u>

Noncurrent assets:

Capital assets:

Land	-
Other capital assets, net of depreciation	20,233
Total noncurrent assets	<u>20,233</u>
Total assets	<u>\$ 155,606</u>

DEFERRED OUTFLOWS OF RESOURCES**LIABILITIES**

Current liabilities:

Accounts payable - trade	\$ -
Deferred revenue	-
Total current liabilities	<u>-</u>

Long-term liabilities:

Due within one year	-
Due in more than one year	-
Total long-term liabilities	<u>-</u>
Total liabilities	<u>-</u>

DEFERRED INFLOWS OF RESOURCES**NET ASSETS**

Net investment in capital assets	-
Restricted for debt service	-
Unrestricted	155,606
Total net position	<u>\$ 155,606</u>

Statement 6

Classical Charter Schools of America, Inc.
School Revenues, Expenses and Changes in Subfund Net Position
For the Year Ended June 30, 2023

	Classical Charter Schools of Whiteville Enterprise Activities School Food Service
OPERATING REVENUES	
Before and after school care	\$ -
Lunch sales	-
Rental income from school	-
Dividend and interest income	-
Total operating revenues	-
OPERATING EXPENSES	
Salary and related costs	21,786
Supplies and materials	1,490
Contracted services	596,878
Building rent	11,751
Food purchases	-
Interest expense	-
Small equipment	-
Depreciation expense	4,767
Total operating expenses	636,672
Operating income (loss)	(636,672)
NONOPERATING REVENUES (EXPENSES)	
Federal reimbursements	602,282
Total nonoperating revenue (expenses)	602,282
Income (loss) before contributions and transfers	-
Transfers (to) from other funds	54,623
Change in net position	20,233
Total net position - beginning	135,373
Total net position - ending	\$ 155,606

Classical Charter Schools of America, Inc.
School Statement of Cash Flows by Proprietary Subfund
For the Year Ended June 30, 2023

Classical Charter Schools of Whiteville Enterprise Activities School Food Service
--

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ -
Cash paid to employees for services	(21,786)
Cash paid for goods and services	(616,148)
Net cash provided (used) by operating activities	<u>(637,934)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal reimbursements	602,282
Transfer (to) from other funds	54,623
Net cash provided (used) by noncapital financing activities	<u>656,905</u>

CASH FLOWS FROM CAPITAL AND RELATED**FINANCING ACTIVITIES**

Payments on bonds payable	-
Bond discount	-
Acquisition of capital assets	(25,000)
Net cash (used) by capital and related financing	<u>(25,000)</u>
Net increase (decrease) in cash and cash equivalents	(6,029)
Balances-beginning of the year	<u>141,402</u>
Balances-end of the year	<u><u>\$ 135,373</u></u>

Reconciliation of operating income to net cash
provided by operating activities

Operating income	\$ (636,672)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	4,767
Changes in assets and liabilities:	
(Increase) decrease in prepaids	-
Increase (decrease) in accounts payable and accrued liabilities	(6,029)
Increase (decrease) in deferred inflows of resources	-
Total adjustments	<u>(1,262)</u>
Net cash provided (used) by operating activities	<u><u>\$ (637,934)</u></u>

Classical Charter Schools of America, Inc.
School Resources by Governmental Subfund
June 30, 2023

Classical Charter Schools of Southport					
	County and Other	State Public School	Federal Grants	Capital Outlay	Fund Total
ASSETS					
Cash and cash equivalents	\$ 387,206	\$ -	\$ -	\$ 84,217	\$ 471,423
Restricted cash	-	-	-	1,174,899	1,174,899
Due from other governments	221,741	-	-	-	221,741
Accounts receivable - other	6,472	-	-	17,000	23,472
Prepaid items	84,558	-	-	-	84,558
Advance to LLC	83,500	-	-	-	83,500
Total assets	<u>783,477</u>	<u>-</u>	<u>-</u>	<u>1,276,116</u>	<u>2,059,593</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable - trade	17,640	-	-	65,258	82,898
Advance from LEA	-	-	-	142,500	142,500
Total liabilities	<u>17,640</u>	<u>-</u>	<u>-</u>	<u>207,758</u>	<u>225,398</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable: prepaids	168,058	-	-	-	168,058
Restricted for debt service	-	-	-	1,174,899	1,174,899
Unassigned	597,779	-	-	(106,541)	491,238
Total fund balances	<u>765,837</u>	<u>-</u>	<u>-</u>	<u>1,068,358</u>	<u>1,834,195</u>
Total liabilities, deferred inflows of resources, and funds balances	<u>\$ 783,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,276,116</u>	<u>\$ 2,059,593</u>

Classical Charter Schools of America, Inc.
School Revenues, Expenditures and Changes in Governmental Subfund Balances
For the Year Ended June 30, 2023

	Classical Charter Schools of Southport				
	County and Other	State Public School	Federal Grants	Capital Outlay	Fund Total
Revenues					
State of North Carolina	\$ -	\$ 4,236,848	\$ -	\$ -	\$ 4,236,848
Local education agencies	2,031,564	-	-	-	2,031,564
U.S. Government	64,199	-	322,468	-	386,667
Fines and forfeitures	12,679	-	-	-	12,679
Contributions and donations	100,000	-	-	-	100,000
Rental income	-	-	-	765,372	765,372
Other	16,613	-	-	80,004	96,617
Total revenues	2,225,055	4,236,848	322,468	845,376	7,629,747
EXPENDITURES					
Current:					
Instructional programs	520,082	3,112,783	322,341	-	3,955,206
Athletics, arts and clubs	-	-	-	-	-
Support services	1,630,660	1,124,065	127	7,052	2,761,904
Community services	-	-	-	-	-
Capital outlay:	59,180	-	-	2,639,726	2,698,906
Debt service:					
Principal	-	-	-	134,300	134,300
Interest and other charges	-	-	-	609,821	609,821
Total expenditures	2,209,922	4,236,848	322,468	3,390,899	10,160,137
Excess (deficiency) of revenues over expenditures	15,133	-	-	(2,545,523)	(2,530,390)
OTHER FINANCING SOURCES (USES)					
Transfers to other funds	-	-	-	-	-
Proceeds from debt	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balance	15,133	-	-	(2,545,523)	(2,530,390)
Fund balances-beginning	750,704	-	-	3,613,881	4,364,585
Fund balances-ending	\$ 765,837	\$ -	\$ -	\$ 1,068,358	\$ 1,834,195

Classical Charter Schools of America, Inc.
School Resources by Governmental Subfund
June 30, 2023

	Classical Charter Schools of Wilmington			
	County and Other	State Public School	Federal Grants	Fund Total
ASSETS				
Cash and cash equivalents	\$ 278,706	\$ -	\$ -	\$ 278,706
Restricted cash	-	-	-	-
Due from other governments	94,453	-	-	94,453
Accounts receivable - other	28,783	-	-	28,783
Prepaid items	555	-	-	555
Security deposits	-	-	-	-
Total assets	402,497	-	-	402,497
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	11,155	-	-	11,155
Accrued salaries payable	-	-	-	-
Total liabilities	11,155	-	-	11,155
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
Fund balances:				
Nonspendable:				
Reserve for prepaid items	555	-	-	555
Unassigned	390,787	-	-	390,787
Total fund balances	391,342	-	-	391,342
Total liabilities, deferred inflows of resources, and funds balances	\$ 402,497	\$ -	\$ -	\$ 402,497

Classical Charter Schools of America, Inc.
School Revenues, Expenditures and Changes in Governmental Subfund Balances
For the Year Ended June 30, 2023

	Classical Charter Schools of Wilmington			
	County and Other	State Public School	Federal Grants	Fund Total
Revenues				
State of North Carolina	\$ -	\$ 907,211	\$ -	\$ 907,211
Local education agencies	404,437	-	-	404,437
U.S. Government	-	-	518,187	518,187
Fines and forfeitures	4,881	-	-	4,881
Contributions and donations	250,000	-	-	250,000
Other	195,093	-	-	195,093
Total revenues	854,411	907,211	518,187	2,279,809
EXPENDITURES				
Current:				
Instructional programs	239,859	742,447	440,916	1,423,222
Athletics, arts and clubs	-	-	-	-
Support services	399,919	154,566	4,743	559,228
Community services	-	-	-	-
Capital outlay:	44,650	10,198	72,528	127,376
Debt service:				
Principal	25,000	-	-	25,000
Interest and other charges	-	-	-	-
Total expenditures	709,428	907,211	518,187	2,134,826
Excess (deficiency) of revenues over expenditures	144,983	-	-	144,983
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	-	-	-	-
Proceeds from debt	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	144,983	-	-	144,983
Fund balances-beginning	246,359	-	-	246,359
Fund balances-ending	\$ 391,342	\$ -	\$ -	\$ 391,342

Classical Charter Schools of America, Inc.
School Net Position by Proprietary Subfund
June 30, 2023

Classical Charter Schools of Wilmington			
Enterprise Activities			
	School Food Service	Before and After School	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,247	\$ 115,327	\$ 127,574
Cash - restricted debt service fund	-	-	-
Accounts receivable - trade	-	25	25
Inventories	-	-	-
Total current assets	12,247	115,352	127,599
Noncurrent assets:			
Capital assets:			
Land	-	-	-
Other capital assets, net of depreciation	-	-	-
Total noncurrent assets	-	-	-
Total assets	\$ 12,247	\$ 115,352	\$ 127,599
DEFERRED OUTFLOWS OF RESOURCES	-	-	-
LIABILITIES			
Current liabilities:			
Accounts payable - trade	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Total current liabilities	-	-	-
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total long-term liabilities	-	-	-
Total liabilities	-	-	-
DEFERRED INFLOWS OF RESOURCES	-	-	-
NET ASSETS			
Net investment in capital assets	-	-	-
Restricted for debt service	-	-	-
Unrestricted	12,247	115,352	127,599
Total net position	\$ 12,247	\$ 115,352	\$ 127,599

Classical Charter Schools of America, Inc.
School Revenues, Expenses and Changes in Subfund Net Position
For the Year Ended June 30, 2023

Classical Charter Schools of Wilmington			
Enterprise Activities			
	School Food Service	Before and After School	Total
OPERATING REVENUES			
Lunch sales	\$ -	\$ -	\$ -
Before and after school revenue	-	37,125	37,125
Total operating revenues	-	37,125	37,125
OPERATING EXPENSES			
Salary and related costs	9,597	-	9,597
Supplies and materials	1,778	-	1,778
Contracted services	96,340	-	96,340
Food purchases	-	2,854	2,854
Interest expense	-	-	-
Depreciation expense	-	-	-
Total operating expenses	107,715	2,854	110,569
Operating income (loss)	(107,715)	34,271	(73,444)
NONOPERATING REVENUES (EXPENSES)			
Federal reimbursements	109,978	-	109,978
Total nonoperating revenue (expenses)	109,978	-	109,978
Income (loss) before contributions and transfers	2,263	34,271	36,534
Capital contributions	-	-	-
Transfers (to) from other funds	-	-	-
Change in net position	2,263	34,271	36,534
Total net position - beginning	9,984	81,081	91,065
Total net position - ending	\$ 12,247	\$ 115,352	\$ 127,599

Classical Charter Schools of America, Inc.
School Statement of Cash Flows by Proprietary Subfund
For the Year Ended June 30, 2023

Southwest Charlotte STEM Academy			
Enterprise Activities			
Southwest			
Charlotte STEM	School Food		
Academy, LLC	Service		Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ -	\$ 37,100	\$ 37,100
Cash paid to employees for services	(9,597)	-	(9,597)
Cash paid for goods and services	(98,118)	(2,854)	(100,972)
Net cash provided (used) by operating activities	(107,715)	34,246	(73,469)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal reimbursements	111,130	-	111,130
Transfer (to) from other funds	-	-	-
Net cash provided (used) by noncapital financing activities	111,130	-	111,130
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Repayment of bonds payable	-	-	-
Bond discount	-	-	-
Acquisition of capital assets	-	-	-
Net cash (used) by capital and related financing	-	-	-
Net increase (decrease) in cash and cash equivalents	3,415	34,246	37,661
Balances-beginning of the year	8,832	81,081	89,913
Balances-end of the year	\$ 12,247	\$ 115,327	\$ 127,574
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (107,715)	\$ 34,271	\$ (73,444)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	-	-	-
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	(25)	(25)
Increase (decrease) in accounts payable and accrued liabilities	-	-	-
Increase (decrease) in deferred inflows of resources	-	-	-
Total adjustments	-	(25)	(25)
Net cash provided (used) by operating activities	\$ (107,715)	\$ 34,246	\$ (73,469)

Classical Charter Schools of America, Inc.
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
All Fund Types
Year Ended June 30, 2023

	Classical Charter Schools of Leland			Classical Charter Schools of Whiteville			Classical Charter Schools of Southport			Classical Charter Schools of Wilmington		
	Final Budget	Actual	Favorable (Unfavorable) Variance	Final Budget	Actual	Favorable (Unfavorable) Variance	Final Budget	Actual	Favorable (Unfavorable) Variance	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:												
State of North Carolina	\$ 6,988,217	\$ 6,985,671	\$ (2,546)	\$ 7,374,668	\$ 7,685,611	\$ 310,943	\$ 4,144,746	\$ 4,236,848	\$ 92,102	\$ 878,341	\$ 907,211	\$ 28,870
Boards of Education	2,994,419	3,044,969	50,550	802,778	819,057	16,279	2,012,102	2,031,564	19,462	407,558	404,437	(3,121)
Fines and forfeitures	22,500	24,248	1,748	15,000	14,292	(708)	9,500	12,679	3,179	9,000	4,881	(4,119)
U.S.Government	1,542,008	894,088	(647,920)	2,877,941	2,531,784	(346,157)	342,129	386,667	44,538	659,012	518,187	(140,825)
Before and after school	-	-	-	-	-	-	-	-	-	-	37,125	37,125
Contributions and donations	89,600	53,800	(35,800)	127,200	136,000	8,800	-	100,000	100,000	200,000	250,000	50,000
Rental income	-	-	-	-	-	-	-	-	-	-	-	-
Others	244,000	218,597	(25,403)	5,500	28,254	22,754	2,020	16,613	14,593	26,050	195,093	169,043
Total revenues	11,880,744	11,221,373	(659,371)	11,203,087	11,214,998	11,911	6,510,497	6,784,371	273,874	2,179,961	2,316,934	136,973
Expenditures												
Salaries and bonuses	4,488,286	4,395,665	92,621	4,671,684	4,997,276	(325,592)	2,467,937	2,455,032	12,905	1,006,808	1,007,704	(896)
Benefits	1,065,000	1,030,072	34,928	1,002,240	1,064,514	(62,274)	558,440	571,136	(12,696)	183,030	205,471	(22,441)
Books and supplies	335,000	241,094	93,906	265,500	223,419	42,081	188,100	225,185	(37,085)	53,500	63,156	(9,656)
Contracted student services	988,214	806,933	181,281	933,724	800,992	132,732	618,818	705,688	(86,870)	156,718	141,723	14,995
Staff development	7,500	4,422	3,078	5,000	6,965	(1,965)	2,500	2,588	(88)	1,000	980	20
Administrative services	2,983,464	2,860,323	123,141	2,265,203	2,013,427	251,776	1,473,963	1,468,525	5,438	439,653	359,440	80,213
Insurances	90,500	108,313	(17,813)	105,500	273,896	(168,396)	87,000	100,948	(13,948)	33,750	33,731	19
Rents and debt service	858,409	46,388	812,021	676,328	67,382	608,946	766,372	244	766,128	1	25,000	(24,999)
Facilities	679,000	226,824	452,176	947,500	585,086	362,414	73,500	222,781	(149,281)	104,500	47,901	56,599
Utilities	119,200	124,551	(5,351)	155,000	158,259	(3,259)	105,460	96,838	8,622	56,660	55,534	1,126
Transportation and travel	24,000	23,995	5	95,500	168,479	(72,979)	2,000	2,292	(292)	18,000	11,495	6,505
Technology	78,000	63,161	14,839	23,000	80,100	(57,100)	16,000	49,609	(33,609)	18,000	23,390	(5,390)
Non Capital Equipment	108,500	35,669	72,831	50,500	79,345	(28,845)	132,500	38,334	94,166	12,500	20,674	(8,174)
Capital purchases	20,000	10,622	9,378	265,000	244,932	20,068	-	49,493	(49,493)	60,000	117,178	(57,178)
Nutrition and food	20,000	23,878	(3,878)	620,000	643,972	(23,972)	10,000	15,173	(5,173)	80,000	109,214	(29,214)
Others	2,500	-	2,500	2,500	-	2,500	-	-	-	25,000	2,000	23,000
Capital Development LLC	-	810,394	(810,394)	-	611,697	(611,697)	-	765,372	(765,372)	-	20,804	(20,804)
Total expenditures	11,867,573	10,812,304	1,055,269	12,084,179	12,019,741	64,438	6,502,590	6,769,238	(266,648)	2,249,120	2,245,395	3,725
Other financing sources (uses):												
Federal reimbursements	-	-	-	600,000	602,282	2,282	-	-	-	75,000	109,978	34,978
Fund balance appropriation	-	-	-	300,000	-	(300,000)	-	-	-	-	-	-
Total other financing sources	-	-	-	900,000	602,282	(297,718)	-	-	-	75,000	109,978	34,978
Excess of revenues over expenditures	\$ 13,171	\$ 409,069	\$ 395,898	\$ 18,908	\$ (202,461)	\$ (221,369)	\$ 7,907	\$ 15,133	\$ 7,226	\$ 5,841	\$ 181,517	\$ 175,676
prepaid												

COMPLIANCE SECTION

CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.

LELAND, NORTH CAROLINA

JUNE 30, 2023



INDEPENDENT AUDITOR'S 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

Board of Directors
Classical Charter Schools of America, Inc.
Leland, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Classical Charter Schools of America, Inc. as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprises Classical Charter Schools of America, Inc.'s basic financial statements and have issued our report thereon dated October 12, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Classical Charter Schools of America, Inc.'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 Classical Charter Schools of America, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Classical Charter Schools of America, Inc.'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 School'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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Classical Charter Schools of America, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

October 12, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; WITH OMB UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Classical Charter Schools of America, Inc.
Leland, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Classical Charter Schools of America, Inc.'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Classical Charter Schools of America, Inc.'s major federal program for the year ended June 30, 2023. Classical Charter Schools of America, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Classical Charter Schools of America, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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) and the State Single Audit Implementation Act.² Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Example Entity 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 provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Classical Charter Schools of America, Inc.'s compliance with the compliance requirements referred to above.

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 Classical Charter Schools of America, Inc.'s federal programs.

Auditor's 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 Classical Charter Schools of America, Inc.'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 Classical Charter Schools of America, Inc.'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 Example Entity'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 Example Entity'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 Example Entity'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.

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 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 Auditor's Responsibilities for the Audit of Compliance section and above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses 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. However, material weaknesses or significant deficiencies 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

October 12, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH OMB UNIFORM GUIDANCE; AND THE STATE SINGLE AUDIT
IMPLEMENTATION ACT

Board of Directors
Classical Charter Schools of America, Inc.
Leland, North Carolina

Report on Compliance for Each Major State Program

We have audited Classical Charter Schools of America, Inc.'s compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on its major State program for the year ended June 30, 2023. Classical Charter Schools of America, Inc.'s major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Classical Charter Schools of America, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Classical Charter Schools of America, Inc. 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 state program. Our audit does not provide a legal determination of Classical Charter Schools of America, Inc.'s compliance with the compliance requirements referred to above.

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 its major State program.

Auditor's 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 Classical Charter Schools of America, Inc.'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 generally accepted auditing standards, *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 Classical Charter Schools of America, Inc.'s compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Classical Charter Schools of America, Inc.'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 Classical Charter Schools of America, Inc.'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 Classical Charter Schools of America, Inc.'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 audit.

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 State 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 State program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control* over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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 have not been 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

October 12, 2023

CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I. -- SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified.

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported

Noncompliance material to financial statements noted	<u> </u> yes	<u> X </u> no
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Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported

Type of auditors' report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	<u> </u> yes	<u> X </u> no
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Identification of major federal programs:

<u>Program Name</u>	<u>CFDA Number</u>
Education Stabilization Funds	84.425D

Dollar threshold used to distinguish between Type A and Type B Programs	<u>\$</u> <u>750,000</u>
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Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no
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CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

State Awards

Internal control over major state programs:

Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> yes	<u> X </u> none reported

Type of auditors' report issued on compliance for major state programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with State Single Audit Implementation Act	<u> </u> yes	<u> X </u> no
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Identification of major state programs:

Program Name
State Public School Funds (PRC036 - Charter School Funds)

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported

SECTION III. -- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2023

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported

SECTION III. -- FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported

SECTION IV. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported

CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

There were no prior year audit findings.

CLASSICAL CHARTER SCHOOLS OF AMERICA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	ASSISTANCE LISTING NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL GRANTS:			
CASH ASSISTANCE			
<u>US Department of Education</u>			
Direct Award:			
Rural Education Achievement Grant	84.358	PRC 341	\$ 64,199
Passed Through the North Carolina			
Department of Public Instruction:			
Title 1 Basic Funding	84.010A	PRC 050	642,845
Improving Teacher Quality	84.367A	PRC 103	81,701
Student Support and Academic Enrich	84.424A	PRC 108	60,020
Education Stabilization Funds:			
CARES ACT K12 Emergency Relief	84.425D	PRC 163	29,027
ESSERF - EC Grants	84.425D	PRC 167	7,763
GEER - Student Health Support	84.425D	PRC 169	1,050
GEER - Supplemental Instructional	84.425D	PRC 170	9,462
ESSER II - Supplemental K12 Emergency	84.425D	PRC 171	849,831
ESSER II - Instructional Support	84.425D	PRC 173	11,285
ESSER III - K12 Emergency Relief	84.425D	PRC 181	1,753,094
ESSER III - ARP - Instructional Learning	84.425D	PRC 189	61,489
ESSER III - ARP - COVID-19 Student	84.425D	PRC 202	9,000
Total Education Stabilization Funds			2,732,001
Special Education Cluster:			
Idea VI-B Pre-School Handicapped	84.027-CL	PRC 049	7,776
Idea VI-B Handicapped	84.027-CL	PRC 060	643,542
ESSER III - ARP - Idea 611 Grants	84.027	PRC 185	89,717
ESSER III - ARP - Idea Preschool	84.027	PRC 186	4,907
Special Needs Targeted Assistance	84.027-CL	PRC 118	4,018
Total Special Education Cluster			749,960
<u>US Department of Agriculture</u>			
Passed Through the NC Department			
of Public Instruction:			
National School Lunch Program	10.555	PRC 035	712,261
			712,261
TOTAL FEDERAL CASH ASSISTANCE			5,042,987
NC STATE GRANTS:			
CASH ASSISTANCE			
<u>NC Department of Public Instruction</u>			
Summer Reading Camps		PRC 016	101,897
Charter Schools		PRC 036	19,697,854
Third Grade Read to Achieve		PRC 046	6,978
Principal and Teacher Performance Bonuses		PRC 048	8,612
TOTAL NC STATE CASH ASSISTANCE			19,815,341
TOTAL FEDERAL AND STATE AWARDS			\$ 24,858,328

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Classical Charter Schools of America, Inc. under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Classical Charter Schools of America, Inc., it is not intended to and does not present the financial position, changes in net position, or cash flows of Classical Charter Schools of America, Inc.

Note 2: Indirect Costs

The School has not elected to charge a 10 percent de minimis indirect cost rate to its grants and has not elected to obtain a federal indirect cost rate.

Note 3: Summary of Significant Accounting Policies

Expenditures reported in the schedule of expenditures of federal and state awards are reported on the accrual basis of accounting.