

Charter Day School, Inc.

*General Purpose and Combining
Financial Statements
For the Year Ended
June 30, 2001*

Earney & Company, LLP
Certified Public Accountants
P.O. Box 410
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Charter Day School, Inc.
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as of June 30, 2001

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INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Trustees
Charter Day School, Inc.
Wilmington, North Carolina

We have audited the accompanying general purpose financial statements of the Charter Day School, Inc., (a North Carolina non-profit corporation), as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of Charter Day School's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. This was our initial engagement.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Charter Day School, Inc., North Carolina as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2001 on our consideration of the Charter Day School North Carolina internal controls over financial reporting and our tests of its compliance with certain provisions of law, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the Charter Day School, North Carolina, taken as a whole. The combining and individual fund financial statements and schedules, as well as the accompanying schedule of expenditures of federal and state awards as required by U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, and the State Single Audit implementation Act, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Ernst & Young LLP

Wilmington, North Carolina
August 31, 2001

Charter Day School, Inc.
COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
As of June 30, 2001

	<u>Governmental Fund Type</u>		<u>Account Group</u>	<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>General Long-term Liability</u>	<u>(Memorandum Only)</u>
Assets and other debits				
Assets:				
Cash and cash equivalents	\$ 15,115	\$ -	\$ -	\$ 15,115
Due from other governments	-	-	-	-
Accounts receivable, net	39	-	-	39
Due from other fund	-	-	-	-
Prepaid items	1,491	-	-	1,491
Inventories	-	-	-	-
Fixed assets, net	-	-	-	-
Other debits:				
Amount to be provided for retirement of general long - term debt	-	-	17,500	17,500
Total assets and other debits	<u>\$ 16,645</u>	<u>\$ -</u>	<u>\$ 17,500</u>	<u>\$ 34,145</u>
Liabilities, equity and other credits				
Liabilities:				
Accounts payable and accrued liabilities	\$ 7,092	\$ -	\$ -	\$ 7,092
Accrued salaries and wages payable	-	-	-	-
Due to other governments	-	-	-	-
Due to other fund	-	-	-	-
Deferred revenue	-	-	-	-
Line of credit payable	-	-	17,500	17,500
Total liabilities	<u>7,092</u>	<u>-</u>	<u>17,500</u>	<u>24,592</u>
Equity and other credits:				
Fund balances:				
Reserved for prepaid items	1,491	-	-	1,491
Reserved for inventories	-	-	-	-
Unreserved:				
Designated for subsequent year's expenditures	-	-	-	-
Undesignated	<u>8,062</u>	<u>-</u>	<u>-</u>	<u>8,062</u>
Total equity and other credits	<u>9,553</u>	<u>-</u>	<u>-</u>	<u>9,553</u>
Total liabilities, equity and other credits	<u>\$ 16,645</u>	<u>\$ -</u>	<u>\$ 17,500</u>	<u>\$ 34,145</u>

The Accompanying Notes are an integral part of the Financial Statements

Charter Day School, Inc.
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
For the Year Ended June 30, 2001

	Governmental Fund Type		
	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Revenues:			
State of North Carolina	\$ -	\$ 267,509	\$ 267,509
Board(s) of Education	104,042	-	104,042
U.S. Government	-	28,862	28,862
Donations	3,242	-	3,242
Total revenues	<u>107,284</u>	<u>296,371</u>	<u>403,655</u>
Expenditures:			
Current:			
Instructional programs	71,480	154,194	225,674
Supporting services	85,689	142,177	227,866
Non-programmed charges	1,407	-	1,407
Capital outlay	-	-	-
Debt service:			
Principal payments	15,000	-	15,000
Interest	73	-	73
Total expenditures	<u>173,649</u>	<u>296,371</u>	<u>470,020</u>
Revenues over (under) expenditures	<u>(66,365)</u>	<u>-</u>	<u>(66,365)</u>
Other financing sources:			
Operating transfers out	-	-	-
Proceeds of line of credit	32,500	-	32,500
Total other financing sources	<u>32,500</u>	<u>-</u>	<u>32,500</u>
Expenditures and other uses over revenues and other sources	(33,865)	-	(33,865)
Fund balances, beginning of year	<u>41,927</u>	<u>-</u>	<u>41,927</u>
Fund balances, end of year	<u>\$ 8,062</u>	<u>\$ -</u>	<u>\$ 8,062</u>

The Accompanying Notes are an integral part of the Financial Statements

Charter Day School, Inc.
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
BUDGET & ACTUAL – GENERAL & SPECIAL REVENUE
For the Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable</u>
Revenues:						
State of North Carolina	\$ -	\$ -	\$ -	\$ 267,509	\$267,509	\$ -
Board(s) of Education	103,902	104,042	140	-	-	-
U.S. Government	-	-	-	28,862	28,862	-
Donations	5,995	3,242	(2,753)	-	-	-
Other	758	-	(758)	-	-	-
Total revenues	<u>110,655</u>	<u>107,284</u>	<u>(3,371)</u>	<u>296,371</u>	<u>296,371</u>	<u>-</u>
Expenditures:						
Current:						
Instructional programs	68,922	71,480	(2,558)	154,194	154,194	-
Supporting services	85,209	85,689	(480)	142,177	142,177	-
Non-programmed charges	785	1,407	(622)	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal payments	15,000	15,000	-	-	-	-
Interest	51	73	(22)	-	-	-
Total expenditures	<u>169,967</u>	<u>173,649</u>	<u>(3,682)</u>	<u>296,371</u>	<u>296,371</u>	<u>-</u>
Revenues over (under) expenditures	(59,312)	(66,365)	(7,053)	-	-	-
Other financing sources (uses):						
Operating transfers out						
Proceeds of line of credit	<u>32,500</u>	<u>32,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures and other uses over revenues and other sources	<u>\$ (26,812)</u>	<u>\$ (33,865)</u>	<u>\$ (7,053)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances, beginning of year	<u>41,927</u>	<u>41,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 15,115</u>	<u>\$ 8,062</u>	<u>\$ (7,053)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Accompanying Notes are an integral part of the Financial Statements

Charter Day School, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2001

1. ORGANIZATION

The Charter Day School, Inc. (School) was incorporated August 17, 1999 as a North Carolina Non-profit Corporation. It filed its federal application for recognition of exemption in February 2000. It operates a public school in Brunswick County, North Carolina, serving approximately 70 students. The School began classes on July 18, 2000 in facilities rented from a church. On November 18, 2000, it occupied its permanent facilities. The School operates under an approved charter received from the North Carolina State Board of Education (SBE) on February 3, 2000, and applied for under the provisions of General Statute (G.S.) 1 15C-238.29B. G.S. 115C-238.29F(f)(1) states that a charter school shall be subject to the audit requirements adopted by the SBE, which includes the audit requirements established by G.S. 115C-447 of the School Budget and Fiscal Control Act (SBFCA). G.S. 1 15C-447.

Charter Day School has agreements for management services and property use with Roger Bacon Academy, Inc. Bacon Academy, in turn, rents the land, building, and equipment from Coastal Habitat Conservancy, LLC, (The Conservancy) which owns all the physical facilities and equipment used by the school. The owner of Bacon Academy and The Conservancy is also on the Board of Trustees of Charter Day School, Inc.

On July 18, 2000, Charter Day School entered into an agreement with Bacon Academy for management and faculty services. Bacon Academy 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.

Bacon Academy is entitled to retain as compensation for its services, the budgeted expenditures, as defined in the agreement and approved by the Board of Charter Day School and State Board of Education. During fiscal 2001, management and maintenance fees of \$45,947 were budgeted and paid. Rent budgeted, approved, and paid Bacon Academy for use of facility and equipment from November 18, 2000, to June 30, 2001, was \$40,537.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School conform to generally accepted accounting principles (GAAP) as applicable to governments. Although charter schools are not for profit entities, the State Board of Education (SBE) may unilaterally abolish a school with all the assets reverting to a local education agency. Accordingly, 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:

Basis of Presentation - Fund Accounting

The accounts of the Charter Day School, Inc. are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts comprised of assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The account groups are not funds but are a reporting device used to account for certain assets and liabilities of the governmental funds that are not recorded directly in those funds.

The School has the following fund categories and account group:

Governmental Funds are used to account for the School's general government activities. Governmental funds include the following fund types:

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 - Special Revenue Funds account for specific revenue sources (other than expendable trusts) that are legally restricted to expenditures for specified purposes. The School maintains two Special Revenue Funds: the State Public School Fund and the Federal Grants Fund. The sources of funds in the Special Revenue Funds are from the Department of Public Instruction (DPI) and/or federal grants. Moneys in these funds are expended in accordance with DPI requirements, federal requirements, and State law.

Account Group - The general fixed assets account group is used to account for fixed assets. The general long-term debt account group is used to account for general long-term debt.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using the current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All funds of the School are maintained during the year using the modified accrual basis of accounting. The governmental fund types are presented in the financial statements under the modified accrual basis. Revenues are recognized in the accounting period when they become susceptible to accrual (i.e., when they are "measurable" and available) to pay the liabilities of the current period. In addition, expenditures are recorded when the related fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

As required by GASB Statement No. 33, the School has begun recognizing assets of nonexchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Nonexchange transactions occur when one government provides (or receives) value to another party without receiving (or giving) equal or nearly equal value in return. State shared sales tax, property taxes, federal grants funding federal mandates, and most donations are examples of nonexchange transactions.

Investment earnings and intergovernmental revenues received from the Department of Public Instruction are accrued because they are measurable at year end and are collected within 60 days after year end. Most other intergovernmental revenues are not susceptible to accrual because they generally are not measurable until received in cash. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been satisfied.

Annual budgets are adopted for all funds. 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 should not exceed appropriations, for all of the School's funds, based on the adopted budget and subsequent amendments. The budget presented in these financial statements represents the budget of the School at June 30, 2001. All appropriations lapse at year-end.

Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents

The School pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash is essentially demand deposits and are considered cash and cash equivalents. All deposits of the School were held in a local bank, whose accounts are FDIC insured.

Inventories

Inventories of the School, if any, are valued at cost, applying the first-in, first-out (FIFO) flow assumption in determining cost. The School's policy is to expense library books and textbooks in the period obtained.

Fixed Assets

The School's policy is to capitalize any long term fixed assets worth an individual value over \$1,000. The School has not recorded any fixed assets since all are property of the Bacon Academy and are leased.

Long-Term Obligations

All long-term debt is carried at face value in the general long-term debt account group. The debt service requirements for all of the debt carried in the general long-term debt account group are appropriated annually in the general fund.

Fund Equity

Reservations or restrictions of equity represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change.

The governmental fund types classify fund balances as follows:

Reserved:

Reserved for prepaid items is the portion of fund balance not available for appropriation because it represents the year-end balance of prepaid insurance, which is not an expendable, available resource.

Reserved for inventories is the portion of fund balance not available for appropriation because it represents the year-end fund balance of ending inventories, which are not expendable, available resources.

Unreserved:

Designated for subsequent year's expenditures is the portion of total fund balance available for appropriation, which has been designated for the adopted 2001-2002 budget ordinance.

Undesignated is the portion of total fund balance available for appropriation, which is uncommitted at year-end.

Revenues, Expenditures, and Expenses

Funding

The Charter Day School, Inc. is funded by the State Board of Education, receiving 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. Carolina County Board of Education) for each child attending the School except for the allocation for children with special needs and an additional amount for each child attending the School who is a child with special needs [G.S. 115C-238.29H(a)]. 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 local school administrative unit for the fiscal year. [G.S. 115C-238.29H(b)]. For the fiscal year ended June 30, 2001, the Charter Day School received funding from the Boards of Education for Brunswick County, Columbus County, Pender County and New Hanover County.

Furthermore, the School has received donations of cash and/or equipment from private organizations. The cash has been used for the purchase of instructional supplies.

Compensated Absences

Employees are entitled to three personal days and 10 sick days per school year. Those days do not rollover year to year. Since leave time is not vested, no expenditure or liability has been reported in the School's governmental funds.

Total (Memorandum Only) Columns

The total columns on the accompanying financial statements are captioned as "Total (Memorandum Only)" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

Reclassification

Certain budgeted revenue and expenditures have been re-classed for consistent comparison to actual.

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Material Violations of Finance-Related Legal and Contractual Provisions

Noncompliance with North Carolina General Statutes

NONE

Contractual Violations

The school, in violation of G.S. 1 15C-238H(a)(a1), signed a promissory note for a line of credit in the amount of \$50,000 with BB&T, and did not include the required language for indebtedness from the previous statute. At the date of the report, August 31, 2001, the balance of \$17,500 had been paid in full and the board of trustees agreed to amend the note with BB&T before drawing additional amounts.

Deficit Fund Balance or Retained Earnings of Individual Funds

NONE

4. DETAIL NOTES ON ALL FUNDS AND ACCOUNT GROUPS

Assets

Deposits

At June 30, 2001, the School had deposits with banks and savings and loans with a carrying amount of \$15,115. The bank balance with the financial institutions was \$15,115, which was covered by federal depository insurance.

Investments

At June 30, 2001, the School has no investments.

Liabilities

Pension Plan Obligations

a. Retirement Plan

The Charter Day School, Inc. does not participate in the North Carolina Teachers' and State Employees' Retirement System.

b. Post-employment Benefits

The Charter Day School does not offer any post-employment benefits.

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 does not participate in the Teachers' and State Employees' Comprehensive Major Medical Plan. The School pays full time staff a supplement of \$215 per month to cover medical insurance costs.

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 time during the year.

Claims and Judgments

At June 30, 2001, there are no claims or judgments against the school.

Changes in General Long-Term Debt

The following is a summary of changes in the School's long-term debt for the fiscal year ended June 30, 2001

	Balance July 1, 2000	Additions	Retirements	Balance June 30, 2001
By type:				
Line of Credit	\$ <u> - </u>	\$ <u>32,500</u>	\$ <u>15,000</u>	\$ <u>17,500</u>

Interfund Receivables and Payables

There are no interfund balances as of June 30, 2001.

6. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

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.

Charter Day School, Inc.
GENERAL FUND
COMPARATIVE BALANCE SHEET
as of Year Ended June 30, 2001 and June 30, 2000

	<u>2001</u>	<u>2000</u> (unaudited)
Assets		
Cash and cash equivalents	\$ 15,115	\$ 41,927
Sales tax receivable	39	-
Prepaid items	1,491	-
Inventories	-	-
Total assets	<u>\$ 16,645</u>	<u>\$ 41,927</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ 7,092	\$ -
Accrued salaries and wages payable	-	-
Due to other fund	-	-
Deferred revenue	-	-
Total liabilities	<u>7,092</u>	<u>-</u>
Fund Balances:		
Reserved for prepaid items	1,491	-
Reserved for inventories	-	-
Unreserved:		
Designated for subsequent year's expenditures	-	-
Undesignated	8,062	41,927
Total fund balances	<u>9,553</u>	<u>41,927</u>
Total liabilities and fund balances	<u>\$ 16,645</u>	<u>\$ 41,927</u>

Charter Day School, Inc.
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended June 30, 2001

	Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
State of North Carolina	\$ -	\$ -	\$ -
Boards of Education:			
Brunswick County	81,112	81,252	140
Columbus County	10,097	10,097	-
New Hanover County	10,610	10,610	-
Pender County	2,083	2,083	-
U.S. Government	-	-	-
Donations	5,995	3,242	(2,753)
Others	758	-	(758)
Total	<u>110,655</u>	<u>107,284</u>	<u>(3,371)</u>
Expenditures:			
Current:			
Instructional programs:			
Regular programs	52,863	55,421	(2,558)
Special programs	2,756	2,756	-
Other programs	13,303	13,303	-
Total instructional programs	<u>68,922</u>	<u>71,480</u>	<u>(2,558)</u>
Support services:			
Pupil services	-	-	-
Administrative services	85,209	85,689	(480)
Total support services	<u>85,209</u>	<u>85,689</u>	<u>(480)</u>
Non-programmed charges:			
Other	785	1,407	(622)
Total non-programmed charges	<u>785</u>	<u>1,407</u>	<u>(622)</u>
Capital outlay	-	-	-
Debt service:			
Principal payments	15,000	15,000	-
Interest	51	73	(22)
Total debt service	<u>15,051</u>	<u>15,073</u>	<u>(22)</u>
Total expenditures	<u>169,967</u>	<u>173,649</u>	<u>(3,682)</u>
Other financing sources:			
Proceeds of line of credit	<u>32,500</u>	<u>32,500</u>	-
Excess of expenditures over revenue	<u>\$ (26,812)</u>	<u>\$ (33,865)</u>	<u>\$ (7,053)</u>
Fund balance:			
Beginning of the year	<u>41,927</u>	<u>41,927</u>	-

Charter Day School, Inc.
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
as of June 30, 2001

	State Public School Fund	Federal Grants Fund	Total
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Due from other governments			
Due from other fund	-	-	-
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and fund balances			
Liabilities:			
Accrued salaries and wages payable	\$ -	\$ -	\$ -
Due to other governments			
Deferred revenue	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Charter Day School, Inc.
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2001

	State Public School Fund	Federal Grants Fund	Total
Revenues:			
State of North Carolina:			
State Public School Fund	\$ 267,509	\$ -	\$ 267,509
Total	<u>267,509</u>	<u>-</u>	<u>267,509</u>
U.S. Government:			
Title X - PRC-86 Program 84.282	-	28,862	28,862
Other U.S. government	-	-	-
Total	<u>-</u>	<u>28,862</u>	<u>28,862</u>
Total revenues	<u>267,509</u>	<u>28,862</u>	<u>296,371</u>
Expenditures:			
Current:			
Instructional programs:			
Regular programs	116,044	26,000	142,044
Special programs	2,550	-	2,550
Other	9,600	-	9,600
Total	<u>128,194</u>	<u>26,000</u>	<u>154,194</u>
Supporting services:			
Pupil services	6,000	-	6,000
Instructional staff services	-	-	-
General administrative	117,411	2,862	120,273
School administrative	12,027	-	12,027
Other	3,877	-	3,877
Total	<u>139,315</u>	<u>2,862</u>	<u>142,177</u>
Non-programmed charges:			
Other	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>267,509</u>	<u>28,862</u>	<u>296,371</u>
Revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Other financing uses:			
Operating transfers out:			
Enterprise Fund	-	-	-
Revenues over expenditures and other financing uses	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Beginning of year	-	-	-
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Charter Day School, Inc.
FEDERAL GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
For the Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
U.S. Government	\$ 28,862	\$ 28,862	\$ -
Total Revenues	<u>28,862</u>	<u>28,862</u>	<u>-</u>
Expenditures:			
Current			
Instructional programs	26,000	26,000	-
Supporting services	2,862	2,862	-
Non-programmed charges	-	-	-
Total Expenditures	<u>28,862</u>	<u>28,862</u>	<u>-</u>
Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances			
Beginnng of year		-	
End of year		<u>\$ -</u>	

Charter Day School, Inc.
STATE PUBLIC SCHOOL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
State of North Carolina	\$ 267,509	\$ 267,509	\$ -
Total Revenues	<u>267,509</u>	<u>267,509</u>	<u>-</u>
Expenditures:			
Current			
Instructional programs	128,194	128,194	-
Supporting services	139,315	139,315	-
Non-programmed charges	-	-	-
Total Expenditures	<u>267,509</u>	<u>267,509</u>	<u>-</u>
Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances			
Beginnng of year		-	
End of year		<u>\$ -</u>	

Charter Day School, Inc.

Schedule of Expenditures of Federal and State Awards For the Year Ended June 30, 2001

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Disbursements Expenditures</u>	<u>State Disbursements Expenditures</u>
<u>Other Federal Assistance</u>			
Passed through NC Department of Public Instruction <u>Title X – PRC 86 Program</u>	84.282	\$ 28,862	\$ -
NC Department of Public Instruction <u>Public School Fund</u>	N/A	-	<u>267,509</u>
		\$ <u>28,862</u>	\$ <u>267,509</u>

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Charter Day School, Inc.

We have audited the financial statements of Charter Day School, Inc. as of and for the year ended June 30, 2000, and have issued our report thereon dated August 31, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Charter Day School, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charter Day School, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Trustees, Finance Committee and management of Charter Day School and the North Carolina State Board of Education. However, this report is a matter of public record and its distribution is not limited.

Wilmington, North Carolina
August 31, 2001

Earney & Company LLP