

AUDITED FINANCIAL STATEMENTS

CHARTER DAY SCHOOL, INC.

LELAND, NORTH CAROLINA

JUNE 30, 2020

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FINANCIAL SECTION  
CHARTER DAY SCHOOL, INC.  
LELAND, NORTH CAROLINA  
JUNE 30, 2020

**PETWAY  
MILLS &  
PEARSON, PA**

*CERTIFIED PUBLIC ACCOUNTANTS*

C. Briggs Petway, Jr.  
Phyllis M. Pearson

*Zebulon Office*  
P.O. Box 1036  
806 N. Arendell Ave.  
Zebulon, NC 27597  
919.269.7405  
919.269.8728 Fax

*Raleigh Office*  
9121 Anson Way  
Suite 200  
Raleigh, NC 27615  
919.781.1047

www.pmpcpa.com

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**Independent Auditors' Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charter Day School, Inc., as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Charter Day School, Inc.'s basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Charter Day School, Inc. as of June 30, 2020, and the respective changes in financial position for the year ended June 30, 2020 and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 9 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Charter Day School, Inc.'s basic financial statements. The combining and individual subfund financial statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis 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* and the State Single Audit Implementation Act, and is also not a required part of the basic financial statements.

The combining and individual subfund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual subfund financial statements, budgetary schedules, other schedules, and the accompanying 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 November 6, 2020 on our consideration of Charter Day School, 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 the 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 Charter Day School, Inc.'s internal control over financial reporting and compliance.

*Petway Mills & Pearson, PA*

PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina  
November 6, 2020



**EXCELLENCE WITHOUT EXCUSES**



# *Management's Discussion and Analysis*

## *Charter Day School, Inc.*

### **June 30, 2020**



**Charter Day School, Inc.** 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: Charter Day School in Leland, Columbus Charter School in Whiteville, Douglass Academy in downtown Wilmington, and South Brunswick Charter School in Southport.

Charter Day School, Inc. 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*

## *Charter Day School, Inc.*

### **June 30, 2020**



## **School Features**

- Tuition-free, open enrollment charter schools.
- 4 Campuses
  - **Charter Day School:** K-8th. Picturesque, 66-acre campus in Brunswick County, just fifteen minutes from downtown Wilmington.
  - **Columbus Charter School:** K-8th. Scenic, 142-acre campus in Columbus County, just five minutes from downtown Whiteville.
  - **Douglass Academy:** K-5th. Located in the newly renovated, historic Peabody building in the heart of downtown Wilmington.
  - **South Brunswick Charter School:** K-5th. Beautiful, 45-acre campus in Brunswick County, conveniently located off Hwy 211 between Southport and Supply.
- All four campuses consistently outperformed the national average on standardized SAT10 test.
- Diverse student population, including 12.5% special needs students, 35.5% non-white students, and 54.7% 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*  
*Charter Day School, Inc.*  
**June 30, 2020**



**Academic Performance**  
**2019-2020**

**CDS, Inc. Operated Charter SAT10 Results 2019-2020**

Percent of students at or above national 40% Rank

|                           | <b>Total Math</b><br><b>% ≥ 40 PR</b> | <b>Reading Comprehension</b><br><b>% ≥ 40 PR</b> |
|---------------------------|---------------------------------------|--------------------------------------------------|
| <b>Charter Day School</b> | 79.8%                                 | 78.1%                                            |
| <b>Columbus Charter</b>   | 61.9%                                 | 66.9%                                            |
| <b>Douglass Academy</b>   | 57.8%                                 | 69.9%                                            |
| <b>S B Charter School</b> | 84.2%                                 | 85.6%                                            |

The state-mandated standardized North Carolina End of Grade tests were cancelled for the 2019-2020 academic year due to the shutdown caused by the Covid-19 epidemic. The results for the Stanford Achievement Test Tenth Edition, (Sat10) assessment for reading and math comprehension have been provided. All four campuses reported significantly high numbers of students who outscored the national averages.

- Nearly 80% of the students at Charter Day School scored higher than the national average in math and 78% scored higher in reading comprehension.
- Nearly 62% of Columbus Charter School's Kindergarten through 8<sup>th</sup> grade math students scored higher than the national average, and almost 70% scored higher in reading comprehension.
- Almost 58% of the Kindergarten through Fifth Grade students at Douglass Academy scored higher than the national average in math, and almost 70% of Douglass Academy students scored higher in reading.
- 84% of South Brunswick Charter School students outscored the national average in math and more than 85% outscored the nation in reading comprehension.

*Management's Discussion and Analysis*  
*Charter Day School, Inc.*  
**June 30, 2020**



**Management's Discussion and Analysis**  
**Charter Day School**  
**June 30, 2020**

As management of Charter Day School, Inc. we offer readers of Charter Day School Inc.'s audited financial statements this narrative overview and analysis of the financial activities of Charter Day School for the fiscal year ended June 30, 2020. 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**

Charter Day School, Inc. has four replicate charter schools. The following financial highlights are reflective of Charter Day School, Inc.

- Cumulatively, the Charter Day School, Inc. family of charter schools experienced an enrollment increase of 5.5% from the 2018 - 2019 academic year to the 2019 - 2020 academic year, with an enrollment increase from 2,124 students to 2,241 students. The Charter Day School, Inc. family of charter schools increased its student enrollment at all four schools for the 2020 - 2021 school year by 272 students, a 12.1% increase.
  - **Charter Day School** enrollment increased 10 students with the 2019 - 2020 school year enrollment of 963 students. Enrollment for the 2020 - 2021 school year increased by 74 students for a total of 1,037.
  - **Columbus Charter School** enrollment increased 97 students with the 2019 - 2020 school year enrollment of 755 students. Enrollment for the 2020 - 2021 school year increased by 112 students for a total of 867.
  - **Douglass Academy** enrollment increased 8 students with the 2019 - 2020 school year enrollment of 127 students. Enrollment for the 2020 - 2021 school year increased by 3 students for a total of 130.
  - **South Brunswick Charter School** enrollment increased 2 students with the 2019 - 2020 school year enrollment of 396 students. Enrollment for the 2020 - 2021 school year increased by 83 students for a total of 479.
- The assets of Charter Day School, Inc. exceeded its liabilities at the close of the fiscal year by \$5,979,483 (net assets).
- The company's total net assets increased by \$308,402, due to increases in the governmental activities net assets.
- As of the close of the current fiscal year, Charter Day School, Inc.'s governmental funds reported combined ending fund balances of \$2,888,836, a decrease of \$114,721 in comparison with the prior year.
- As of the close of the current fiscal year, Charter Day School, Inc. reported fixed assets net of depreciation of \$7,253,265, an increase of \$200,114 in comparison with the prior year's \$7,053,151.
- Per-pupil revenue from governmental sources for the 2019 - 2020 year was \$9,207, compared to \$8,906 in 2018 - 2019.
- Charter Day School, Inc. has long-term debt of \$5,846,167 (\$4,226,567 net of PPP loan of \$1,619,600) of which \$909,606 (\$189,784 net of PPP loan) is due within one year. Charter

*Management's Discussion and Analysis*  
*Charter Day School, Inc.*  
**June 30, 2020**



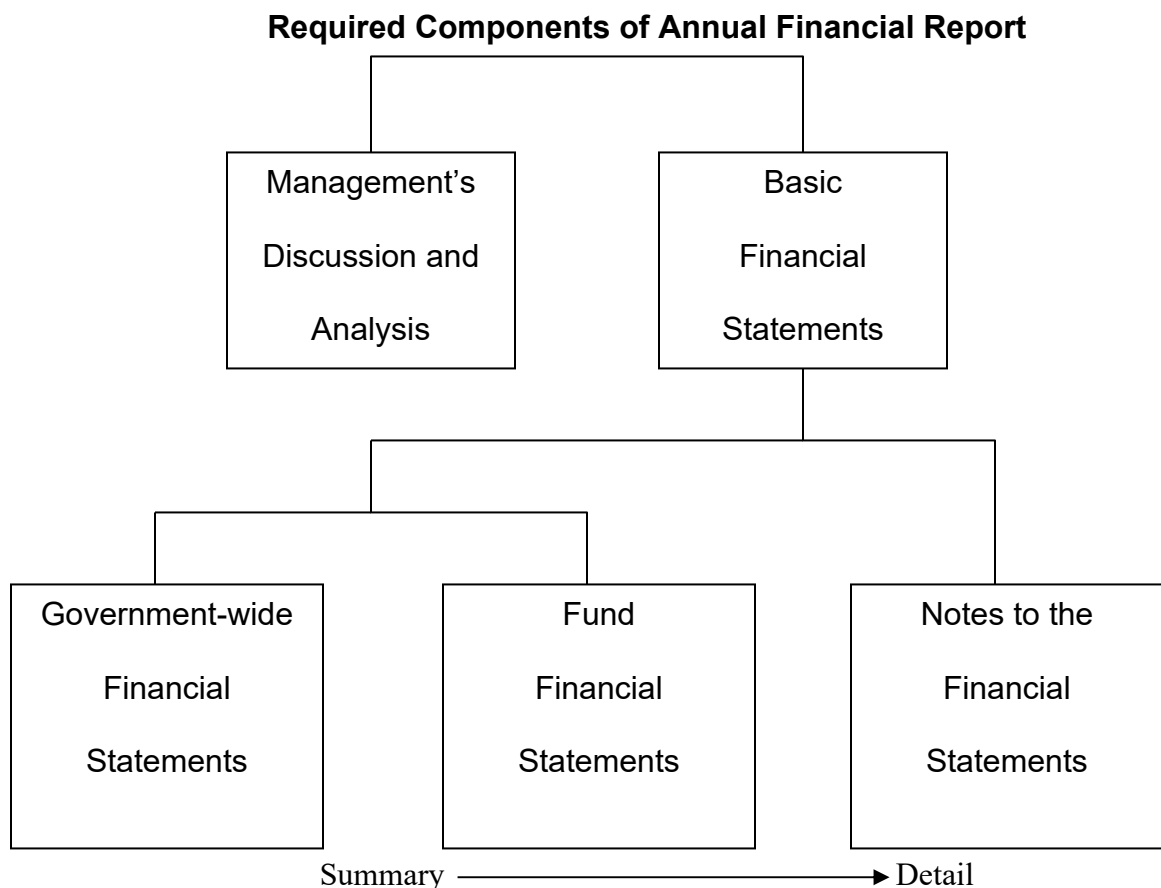
Day School, Inc. received a “Payroll Protection Program” loan, this loan is anticipated to be forgiven before December 31, 2020.

- Charter Day School, Inc. spent \$313,468 in legal fees defending the lawsuit regarding the school’s uniform policy, these expenses were offset by insurance proceeds of \$40,343.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Charter Day School Inc.’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 Charter Day School, Inc.

**Figure 1**



## Basic Financial Statements

*Management's Discussion and Analysis*  
*Charter Day School, Inc.*  
**June 30, 2020**



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.

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. Charter Day School, Inc. 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. Charter Day School, Inc. 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 Charter Day School, Inc. can be divided into two categories: governmental funds and proprietary funds.

*Management's Discussion and Analysis*  
*Charter Day School, Inc.*  
**June 30, 2020**



**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 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, Charter Day School, Inc. 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** – Charter Day School, Inc. 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 Charter Day School, Inc. exceeded liabilities by \$5,979,483 as of June 30, 2020. As of June 30, 2019, the net assets of Charter Day School, Inc. stood at \$5,671,081. The School's net assets increased by \$308,402 for the fiscal year ended June 30, 2020. The amount of \$3,026,697 reflects the company's net investment in capital assets (e.g. land, buildings, electronic equipment, textbooks, and playground equipment). Charter Day School, Inc. uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. The remaining balance of \$2,952,786 is unrestricted.

*Management's Discussion and Analysis*  
*Charter Day School, Inc.*  
**June 30, 2020**



**Figure 2**  
**Charter Day School Inc.'s Net Assets**

|                                                        | Governmental Activities |                     | Business-Type Activities |                 | Total               |                    |
|--------------------------------------------------------|-------------------------|---------------------|--------------------------|-----------------|---------------------|--------------------|
|                                                        | 2020                    | 2019                | 2020                     | 2019            | 2020                | 2019               |
| <b>Current and other assets</b>                        | \$ 5,688,598            | \$ 3,444,168        | \$ 64,085                | \$ 37,894       | \$5,752,683         | \$3,482,062        |
| <b>Due from other governments</b>                      | 82,880                  | 14,704              | 0                        | 0               | 82,880              | 14,704             |
| <b>Capital assets, net of depreciation</b>             | 7,253,265               | 7,053,151           | 0                        | 0               | 7,253,265           | 7,053,151          |
| <b>Total assets</b>                                    | <b>13,024,743</b>       | <b>10,512,023</b>   | <b>64,085</b>            | <b>37,894</b>   | <b>13,088,828</b>   | <b>10,549,917</b>  |
| <b>Other liabilities</b>                               | 1,263,042               | 455,315             | 135                      | 1,999           | 1,263,177           | 457,314            |
| <b>Longterm Debt</b>                                   | 5,846,168               | 4,421,522           | 0                        | 0               | 5,846,168           | 4,421,522          |
| <b>Total liabilities</b>                               | <b>7,109,210</b>        | <b>4,876,837</b>    | <b>135</b>               | <b>1,999</b>    | <b>7,109,345</b>    | <b>4,878,836</b>   |
| <b>Invested in capital assets, net of related debt</b> | 3,026,697               | 2,631,629           | 0                        | 0               | 3,026,697           | 2,631,629          |
| <b>Unrestricted</b>                                    | 2,888,836               | 3,003,557           | 0                        | 0               | 2,888,836           | 3,003,557          |
| <b>Total net assets</b>                                | <b>\$ 5,915,533</b>     | <b>\$ 5,635,186</b> | <b>\$63,950</b>          | <b>\$35,895</b> | <b>\$ 5,979,483</b> | <b>\$5,671,081</b> |

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 continues to maintain additional classroom space at the four schools at very competitive rental rates.

*Management's Discussion and Analysis*  
*Charter Day School, Inc.*  
**June 30, 2020**



**Figure 3**  
**Charter Day School Inc.'s Changes in Net Assets**

|                                                           | Governmental Activities |                     | Business-Type Activities |                 | Total               |                     |
|-----------------------------------------------------------|-------------------------|---------------------|--------------------------|-----------------|---------------------|---------------------|
|                                                           | 2020                    | 2019                | 2020                     | 2019            | 2020                | 2019                |
| Other Revenues                                            | \$868,187               | \$960,217           | \$0                      | \$ 0            | \$868,187           | \$ 960,217          |
| Charges for services                                      | 0                       | 0                   | 14,452                   | 49,834          | 14,452              | 49,834              |
| Operating Grants and Contributions                        | 826,968                 | 716,385             | 456,671                  | 272,690         | 1,283,639           | 989,075             |
| County, State, and Federal Funds                          | 19,883,604              | 18,321,537          | 0                        | 0               | 19,883,604          | 18,321,537          |
| <b>Total revenues</b>                                     | <b>21,578,759</b>       | <b>19,998,139</b>   | <b>471,123</b>           | <b>322,524</b>  | <b>22,049,882</b>   | <b>20,320,663</b>   |
| Instructional Programs                                    | 14,835,828              | 13,743,743          | 452,951                  | 304,462         | 15,288,779          | 14,048,205          |
| Support services                                          | 6,248,854               | 5,283,299           | 0                        | 0               | 6,248,854           | 5,283,299           |
| Fund raising                                              | 8,201                   | 0                   | 0                        | 0               | 8,201               | 0                   |
| Interest on short-term debt                               | 195,646                 | 164,400             | 0                        | 0               | 195,646             | 164,400             |
| <b>Total expenses</b>                                     | <b>21,288,529</b>       | <b>19,191,442</b>   | <b>452,951</b>           | <b>304,462</b>  | <b>21,741,480</b>   | <b>19,495,904</b>   |
| <b>Increase (Decrease) in net assets before transfers</b> | <b>290,230</b>          | <b>806,697</b>      | <b>18,172</b>            | <b>18,062</b>   | <b>308,402</b>      | <b>824,759</b>      |
| Transfers                                                 | (9,883)                 | (181)               | 9,883                    | 181             | 0                   | 0                   |
| <b>Increase (Decrease) in net assets</b>                  | <b>280,347</b>          | <b>806,516</b>      | <b>28,055</b>            | <b>18,243</b>   | <b>308,402</b>      | <b>824,759</b>      |
| <b>Net assets, July 1</b>                                 | <b>5,635,186</b>        | <b>4,828,670</b>    | <b>35,895</b>            | <b>17,652</b>   | <b>5,671,081</b>    | <b>4,846,322</b>    |
| <b>Net assets, June 30</b>                                | <b>\$ 5,915,533</b>     | <b>\$ 5,635,186</b> | <b>\$ 63,950</b>         | <b>\$35,895</b> | <b>\$ 5,979,483</b> | <b>\$ 5,671,081</b> |

**Governmental activities.** Governmental activities increased the company's net assets by \$806,516.

**Business-type activities.** Charter Day School, Inc. operated business-type activities during the year.

### **Financial Analysis of the School's Funds**

As noted earlier, Charter Day School, Inc. uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of Charter Day School Inc.'s governmental funds is to provide information on near-term inflows, outflows, and balances of usable financial resources. Such information is useful in assessing Charter Day School, Inc.'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.

The general fund is the chief operating fund for all four schools operated by Charter Day School, Inc. At the end of the current fiscal year, unrestricted fund balance of the General Fund was \$2,888,836

*Management's Discussion and Analysis*  
*Charter Day School, Inc.*  
**June 30, 2020**



**Proprietary Funds.** Charter Day School, Inc. 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.** Charter Day School, Inc.'s investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$7,253,265 (net of accumulated depreciation). Capital assets include textbooks, playground equipment, and computers. There were capital asset purchases during the year for equipment.

**Figure 4**  
**Charter Day School Inc.'s Capital Assets**  
 (net of depreciation)

|                                 | Governmental Activities |                     | Business-Type Activities |             | Total               |                     |
|---------------------------------|-------------------------|---------------------|--------------------------|-------------|---------------------|---------------------|
|                                 | 2020                    | 2019                | 2020                     | 2019        | 2020                | 2019                |
| Buildings/building improvements | \$ 3,77,097             | \$ 3,898,883        | \$ 0                     | \$ 0        | \$ 3,77,097         | \$ 3,898,883        |
| Computers                       | 0                       | 0                   | 0                        | 0           | 0                   | 0                   |
| Equipment                       | 70,594                  | 19,574              | 0                        | 0           | 70,594              | 19,574              |
| Land/land improvements          | 2,453,620               | 2,453,620           | 0                        | 0           | 2,453,620           | 2,453,620           |
| Leasehold improvements          | 322,092                 | 340,794             | 0                        | 0           | 322,092             | 340,794             |
| Playground equipment            | 0                       | 0                   | 0                        | 0           | 0                   | 0                   |
| Textbooks                       | 28,945                  | 53,606              | 0                        | 0           | 28,945              | 53,606              |
| Vehicles                        | 600,917                 | 286,674             | 0                        | 0           | 600,917             | 286,674             |
| <b>Total</b>                    | <b>\$ 7,253,265</b>     | <b>\$ 7,053,151</b> | <b>\$ 0</b>              | <b>\$ 0</b> | <b>\$ 7,253,265</b> | <b>\$ 7,053,151</b> |

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, 2020, Charter Day School, Inc. had outstanding debt of \$5,846,168, of which \$909,606 was due within a year. Charter Day School, Inc. received a "Payroll Protection Program" loan in the amount of \$1,617,600, this loan is anticipated to be forgiven before December 31, 2020. As of June 30, 2020, long-term debt without the "PPP" loan was \$4,228,568, a decrease from June 30, 2019 of \$192,954.

**Economic Factors**

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

- 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.

*Management's Discussion and Analysis*  
*Charter Day School, Inc.*  
**June 30, 2020**



- Due to statutory enrollment limits, some of the schools were obligated to hold a random lottery in February 2020, and not all of the applicants were admitted for the upcoming year.
- The four schools received donations of \$805,408 during the 2019 - 2020 school year.
- Douglass Academy provides food services, both breakfast and lunch, to all students. The school also provides school transportation for all students.
- Columbus Charter School provides food service, both breakfast and lunch, to all students. The school also provides school transportation for students from Lumberton and other distant communities.
- Four buses were purchased during the 2019 - 2020 school year, one for Charter Day School and three for Columbus Charter School. Funds for these buses were approved by the board to come out of operating capital.
- Competitive salary increases effective for the 2019 - 2020 school year increased all school's expenditures but were partially offset by state revenue increases.
- Expenditures budgeted for Administrative Services increased in 2019 - 2020 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, Charter Day School 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, Charter Day School, Inc., 7055 Bacon's Way Leland, North Carolina 28451, (910) 655-3600.

Exhibit 1

Charter Day School, Inc.  
Statement of Net Position  
June 30, 2020

|                                                  | Primary Government |               |              |
|--------------------------------------------------|--------------------|---------------|--------------|
|                                                  | Governmental       | Business-type |              |
|                                                  | Activities         | Activities    | Total        |
| <b>ASSETS</b>                                    |                    |               |              |
| Cash and cash equivalents                        | \$ 5,671,273       | \$ 62,851     | \$ 5,734,124 |
| Due from other governments                       | 82,880             | -             | 82,880       |
| Accounts Receivable - other (net)                | 5,015              | 1,234         | 6,249        |
| Prepaid expenses                                 | 12,310             | -             | 12,310       |
| Capital assets:                                  |                    |               |              |
| Land, improvements, and construction in progress | 2,453,620          | -             | 2,453,620    |
| Other capital assets, net of depreciation        | 4,799,645          | -             | 4,799,645    |
| Total capital assets                             | 7,253,265          | -             | 7,253,265    |
| Total assets                                     | 13,024,743         | 64,085        | 13,088,828   |
| <b>LIABILITIES</b>                               |                    |               |              |
| Accounts payable - trade                         | 1,263,042          | 135           | 1,263,177    |
| Long - term liabilities:                         |                    |               |              |
| Due within one year                              | 909,606            | -             | 909,606      |
| Due in more than one year                        | 4,936,562          | -             | 4,936,562    |
| Total liabilities                                | 7,109,210          | 135           | 7,109,345    |
| <b>NET POSITION</b>                              |                    |               |              |
| Net investment in capital assets                 | 3,026,697          | -             | 3,026,697    |
| Unrestricted                                     | 2,888,836          | 63,950        | 2,952,786    |
| Total net position                               | \$ 5,915,533       | \$ 63,950     | \$ 5,979,483 |

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

Charter Day School, Inc.  
Statement of Activities  
For the Year Ended June 30, 2020

| 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           |
| <b>Primary government:</b>           |                  |                      |                                    |                                  |                                                   |                          |                 |
| Governmental Activities:             |                  |                      |                                    |                                  |                                                   |                          |                 |
| Instructional programs               | \$ 14,835,828    | \$ -                 | \$ 826,968                         | \$ -                             | \$ (14,008,860)                                   | \$ -                     | \$ (14,008,860) |
| Support services                     | 6,248,854        | -                    | -                                  | -                                | (6,248,854)                                       | -                        | (6,248,854)     |
| Ancillary services                   | 8,201            | -                    | -                                  | -                                | (8,201)                                           | -                        | (8,201)         |
| Interest on short-term debt          | 195,646          | -                    | -                                  | -                                | (195,646)                                         | -                        | (195,646)       |
| Total governmental activities        | 21,288,529       | -                    | 826,968                            | -                                | (20,461,561)                                      | -                        | (20,461,561)    |
| Business-type activities:            |                  |                      |                                    |                                  |                                                   |                          |                 |
| School food service                  | 451,201          | 164                  | 456,671                            | -                                | -                                                 | 5,634                    | 5,634           |
| Before and after school revenue      | 1,750            | 14,288               | -                                  | -                                | -                                                 | 12,538                   | 12,538          |
| Total business-type activities       | 452,951          | 14,452               | 456,671                            | -                                | -                                                 | 18,172                   | 18,172          |
| Total primary government             | \$ 21,741,480    | \$ 14,452            | \$ 1,283,639                       | \$ -                             | (20,461,561)                                      | 18,172                   | (20,443,389)    |
| General revenues:                    |                  |                      |                                    |                                  |                                                   |                          |                 |
| Unrestricted County appropriations   |                  |                      |                                    |                                  | 4,979,520                                         | -                        | 4,979,520       |
| Unrestricted State appropriations    |                  |                      |                                    |                                  | 14,872,449                                        | -                        | 14,872,449      |
| Unrestricted Federal appropriations  |                  |                      |                                    |                                  | 31,635                                            | -                        | 31,635          |
| Donations - general                  |                  |                      |                                    |                                  | 805,408                                           | -                        | 805,408         |
| Miscellaneous, unrestricted          |                  |                      |                                    |                                  | 62,779                                            | -                        | 62,779          |
| Transfers                            |                  |                      |                                    |                                  | (9,883)                                           | 9,883                    | -               |
| Total general revenues and transfers |                  |                      |                                    |                                  | 20,741,908                                        | 9,883                    | 20,751,791      |
| Change in net position               |                  |                      |                                    |                                  | 280,347                                           | 28,055                   | 308,402         |
| Net position-beginning               |                  |                      |                                    |                                  | 5,635,186                                         | 35,895                   | 5,671,081       |
| Net position-ending                  |                  |                      |                                    |                                  | \$ 5,915,533                                      | \$ 63,950                | \$ 5,979,483    |

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

Charter Day School, Inc.  
Balance Sheet  
Governmental Funds  
June 30, 2020

|                                                                                | Major Special Revenue Funds |                       |                            |                                      |                     |                       | Total<br>Governmental<br>Funds |
|--------------------------------------------------------------------------------|-----------------------------|-----------------------|----------------------------|--------------------------------------|---------------------|-----------------------|--------------------------------|
|                                                                                | General Fund                | Charter Day<br>School | Columbus<br>Charter School | South<br>Brunswick<br>Charter School | Douglass<br>Academy | Eliminations          |                                |
| <b>ASSETS</b>                                                                  |                             |                       |                            |                                      |                     |                       |                                |
| Cash and cash equivalents                                                      | \$ -                        | \$ 3,069,286          | \$ 1,216,092               | \$ 1,100,606                         | \$ 285,289          | \$ -                  | \$ 5,671,273                   |
| Due from other governments                                                     | -                           | 28,035                | 53,881                     | 267                                  | 697                 | -                     | 82,880                         |
| Accounts Receivable - other (net)                                              | -                           | 4,735                 | -                          | 245                                  | 35                  | -                     | 5,015                          |
| Prepaid expenses                                                               | -                           | -                     | -                          | -                                    | 12,310              | -                     | 12,310                         |
| Due from South Brunswick Charter School                                        | 2,430,000                   | -                     | -                          | -                                    | -                   | (2,430,000)           | -                              |
| Due from Douglass Academy                                                      | 535,000                     | -                     | -                          | -                                    | -                   | (535,000)             | -                              |
| <b>Total assets</b>                                                            | <b>2,965,000</b>            | <b>3,102,056</b>      | <b>1,269,973</b>           | <b>1,101,118</b>                     | <b>298,331</b>      | <b>(2,965,000)</b>    | <b>5,771,478</b>               |
| <b>LIABILITIES AND FUND BALANCES</b>                                           |                             |                       |                            |                                      |                     |                       |                                |
| <b>Liabilities:</b>                                                            |                             |                       |                            |                                      |                     |                       |                                |
| Accounts payable - trade                                                       | -                           | 576,959               | 401,275                    | 277,697                              | 7,111               | -                     | 1,263,042                      |
| <b>Total liabilities</b>                                                       | <b>-</b>                    | <b>576,959</b>        | <b>401,275</b>             | <b>277,697</b>                       | <b>7,111</b>        | <b>-</b>              | <b>1,263,042</b>               |
| <b>Fund balances:</b>                                                          |                             |                       |                            |                                      |                     |                       |                                |
| Restricted for prepaid expenses                                                | -                           | -                     | -                          | -                                    | 12,310              | -                     | 12,310                         |
| Unassigned:                                                                    | 2,965,000                   | 2,525,097             | 868,698                    | 823,421                              | 278,910             | (2,965,000)           | 4,496,126                      |
| <b>Total fund balances</b>                                                     | <b>2,965,000</b>            | <b>2,525,097</b>      | <b>868,698</b>             | <b>823,421</b>                       | <b>291,220</b>      | <b>(2,965,000)</b>    | <b>4,508,436</b>               |
| <b>Total liabilities, deferred inflows of resources,<br/>and fund balances</b> | <b>\$ 2,965,000</b>         | <b>\$ 3,102,056</b>   | <b>\$ 1,269,973</b>        | <b>\$ 1,101,118</b>                  | <b>\$ 298,331</b>   | <b>\$ (2,965,000)</b> |                                |

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.

7,253,265

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 (Note  
5).

(5,846,168)

Net position of governmental activities

\$ 5,915,533

**Charter Day School, Inc.**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

|                                                              | Major Special Revenue Funds |                       |                            |                                      |                     | Total<br>Governmental<br>Funds |
|--------------------------------------------------------------|-----------------------------|-----------------------|----------------------------|--------------------------------------|---------------------|--------------------------------|
|                                                              | General Fund                | Charter Day<br>School | Columbus<br>Charter School | South<br>Brunswick<br>Charter School | Douglass<br>Academy |                                |
| <b>REVENUES</b>                                              |                             |                       |                            |                                      |                     |                                |
| State of North Carolina                                      | \$ -                        | \$ 6,013,218          | \$ 5,673,430               | \$ 2,426,465                         | \$ 759,336          | \$ -                           |
| Local education agencies                                     | -                           | 2,702,823             | 696,559                    | 1,222,294                            | 357,844             | -                              |
| U.S. Government                                              | -                           | 343,676               | 259,636                    | 146,864                              | 108,427             | -                              |
| Donations - general                                          | -                           | 88,034                | 345,213                    | 156,853                              | 215,308             | -                              |
| Miscellaneous, unrestricted                                  | -                           | 52,415                | 4,190                      | 3,625                                | 2,549               | -                              |
| Total revenues                                               | -                           | 9,200,166             | 6,979,028                  | 3,956,101                            | 1,443,464           | -                              |
| <b>EXPENDITURES</b>                                          |                             |                       |                            |                                      |                     |                                |
| <b>Current:</b>                                              |                             |                       |                            |                                      |                     |                                |
| Instructional programs                                       | -                           | 6,170,643             | 5,117,630                  | 2,302,666                            | 984,816             | -                              |
| Support services                                             | -                           | 2,891,013             | 1,886,170                  | 1,096,234                            | 396,370             | -                              |
| Ancillary services                                           | -                           | -                     | 8,201                      | -                                    | -                   | -                              |
| Capital outlay                                               | -                           | 148,891               | 290,363                    | -                                    | -                   | -                              |
| <b>Debt service:</b>                                         |                             |                       |                            |                                      |                     |                                |
| Principal                                                    | -                           | -                     | -                          | 174,831                              | 20,123              | -                              |
| Interest and other charges                                   | -                           | -                     | -                          | 195,071                              | 575                 | -                              |
| Total expenditures                                           | -                           | 9,210,547             | 7,302,364                  | 3,768,802                            | 1,401,884           | -                              |
| Excess (deficiency) of revenues over<br>(under) expenditures | -                           | (10,381)              | (323,336)                  | 187,299                              | 41,580              | -                              |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                             |                       |                            |                                      |                     |                                |
| Loan proceeds                                                | -                           | 695,181               | 516,719                    | 276,181                              | 131,519             | -                              |
| Transfers from other funds                                   | -                           | -                     | -                          | -                                    | (9,883)             | -                              |
| Total other financing sources (uses)                         | -                           | 695,181               | 516,719                    | 276,181                              | 121,636             | -                              |
| Net change in fund balance                                   | -                           | 684,800               | 193,383                    | 463,480                              | 163,216             | -                              |
| Fund balances-beginning                                      | 2,965,000                   | 1,840,297             | 675,315                    | 359,941                              | 128,004             | (2,965,000)                    |
| Fund balances-ending                                         | \$ 2,965,000                | \$ 2,525,097          | \$ 868,698                 | \$ 823,421                           | \$ 291,220          | \$ (2,965,000)                 |

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

**Charter Day School, Inc.**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2020**

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

|                                                                                                                                                                                                                                                                                                          |                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| Net changes in fund balances - total governmental funds                                                                                                                                                                                                                                                  | \$ 1,504,879             |
| 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 | 200,114                  |
| Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.                                                                                                                             | <u>(1,424,646)</u>       |
| Total changes in net position of governmental activities                                                                                                                                                                                                                                                 | <u><u>\$ 280,347</u></u> |

**Charter Day School, Inc.**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

|                                       | <b>Major Enterprise Funds</b>  |                        |              |
|---------------------------------------|--------------------------------|------------------------|--------------|
|                                       | <b>Columbus Charter School</b> | <b>Douglas Academy</b> | <b>Total</b> |
| <b>ASSETS</b>                         |                                |                        |              |
| Current assets:                       |                                |                        |              |
| Cash and cash equivalents             | \$ 28,047                      | \$ 34,804              | \$ 62,851    |
| Due from other governments            | -                              | -                      | -            |
| Accounts Receivable - other (net)     | 1,234                          | -                      | 1,234        |
| Inventories                           | -                              | -                      | -            |
| Total current assets                  | 29,281                         | 34,804                 | 64,085       |
| Non-current assets:                   |                                |                        |              |
| Capital assets:                       |                                |                        |              |
| Furniture and office equipment, net   | -                              | -                      | -            |
| Food service equipment                | -                              | -                      | -            |
| Computer equipment, net               | -                              | -                      | -            |
| Total Non-current assets              | -                              | -                      | -            |
| Total assets                          | 29,281                         | 34,804                 | 64,085       |
| <b>LIABILITIES</b>                    |                                |                        |              |
| Current liabilities:                  |                                |                        |              |
| Accounts payable and accrued expenses | 135                            | -                      | 135          |
| Due to other funds                    | -                              | -                      | -            |
| Total current liabilities             | 135                            | -                      | 135          |
| Long-term liabilities:                |                                |                        |              |
| Due within one year                   | -                              | -                      | -            |
| Due in more than one year             | -                              | -                      | -            |
| Total long-term liabilities           | -                              | -                      | -            |
| Total liabilities                     | 135                            | -                      | 135          |
| <b>NET POSITION</b>                   |                                |                        |              |
| Net invested in capital assets        | -                              | -                      | -            |
| Unrestricted                          | 29,146                         | 34,804                 | 63,950       |
| Total net position                    | \$ 29,146                      | \$ 34,804              | \$ 63,950    |

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

**Charter Day School, Inc.**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

|                                                  | <b>Major Enterprise Funds</b>  |                        |              |
|--------------------------------------------------|--------------------------------|------------------------|--------------|
|                                                  | <b>Columbus Charter School</b> | <b>Douglas Academy</b> | <b>Total</b> |
| <b>OPERATING REVENUES</b>                        |                                |                        |              |
| Lunch sales                                      | \$ 164                         | \$ -                   | \$ 164       |
| Before and after school revenue                  | -                              | 14,288                 | 14,288       |
| Total operating revenues                         | 164                            | 14,288                 | 14,452       |
| <b>OPERATING EXPENSES</b>                        |                                |                        |              |
| Purchase of food                                 | -                              | 1,519                  | 1,519        |
| Salaries and benefits                            | -                              | 14,136                 | 14,136       |
| Contracted Services                              | 378,320                        | 57,074                 | 435,394      |
| Supplies and Materials                           | 759                            | -                      | 759          |
| Other expenses                                   | 912                            | 231                    | 1,143        |
| Total operating expenses                         | 379,991                        | 72,960                 | 452,951      |
| Operating income (loss)                          | (379,827)                      | (58,672)               | (438,499)    |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>         |                                |                        |              |
| Federal Reimbursements                           | 395,345                        | 61,326                 | 456,671      |
| Transfers from other funds                       | -                              | 9,883                  | 9,883        |
| Total non-operating revenue (expenses)           | 395,345                        | 71,209                 | 466,554      |
| Income (loss) before contributions and transfers | 15,518                         | 12,537                 | 28,055       |
| Change in net position                           | 15,518                         | 12,537                 | 28,055       |
| Total net position- beginning                    | 13,628                         | 22,267                 | 35,895       |
| Total net position - ending                      | \$ 29,146                      | \$ 34,804              | \$ 63,950    |

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

**Charter Day School, Inc.**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

|                                                                                         | <b>Major Enterprise Funds</b> |                |              |
|-----------------------------------------------------------------------------------------|-------------------------------|----------------|--------------|
|                                                                                         | <b>Columbus</b>               | <b>Douglas</b> |              |
|                                                                                         | <b>Charter School</b>         | <b>Academy</b> | <b>Total</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                             |                               |                |              |
| Cash received from customers                                                            | \$ 1,301                      | \$ 15,477      | \$ 16,778    |
| Cash paid for goods and services                                                        | (379,991)                     | (58,824)       | (438,815)    |
| Cash paid to employees for services                                                     | -                             | (14,136)       | (14,136)     |
| Net cash provided (used) by operating activities                                        | (378,690)                     | (57,483)       | (436,173)    |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                  |                               |                |              |
| Federal Reimbursements                                                                  | 395,345                       | 61,326         | 456,671      |
| Transfers                                                                               | -                             | 9,883          | 9,883        |
| Net cash provided (used) by noncapital financing activities                             | 395,345                       | 71,209         | 466,554      |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                         |                               |                |              |
| Capital contributions                                                                   | -                             | -              | -            |
| Acquisition of capital assets                                                           | -                             | -              | -            |
| Net cash (used) by capital and related financing activities                             | -                             | -              | -            |
| Net increase (decrease) in cash and cash equivalents                                    | 16,655                        | 13,726         | 30,381       |
| Balances-beginning                                                                      | 11,392                        | 21,078         | 32,470       |
| Balances-ending                                                                         | \$ 28,047                     | \$ 34,804      | \$ 62,851    |
| <b>Reconciliation of operating income to net cash provided by operating activities</b>  |                               |                |              |
| Operating income (loss)                                                                 | \$ (379,827)                  | \$ (58,672)    | \$ (438,499) |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                               |                |              |
| Depreciation                                                                            | -                             | -              | -            |
| Salaries paid by special revenue fund                                                   | -                             | -              | -            |
| Changes in assets and liabilities:                                                      |                               |                |              |
| Decrease in accounts receivable                                                         | 2,186                         | 2,004          | 4,190        |
| Increase in inventory                                                                   | -                             | -              | -            |
| Increase (decrease) in accounts payable and accrued liabilities                         | (1,049)                       | (815)          | (1,864)      |
| Increase (decrease) in salaries and wages payable                                       | -                             | -              | -            |
| Total adjustments                                                                       | 1,137                         | 1,189          | 2,326        |
| Net cash provided by operating activities                                               | \$ (378,690)                  | \$ (57,483)    | \$ (436,173) |

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

# **Charter Day School, Inc.**

## **Notes to the Financial Statements**

### **For the Fiscal Year Ended June 30, 2020**

#### **I. Summary of Significant Accounting Policies**

The accounting policies of Charter Day School, Inc. (the School) conform to generally accepted accounting principles (GAAP) as applicable to governments. The School is considered a governmental organization because of the potential for its unilateral dissolution by the State with its net assets returning to a local education agency and therefore follows the governmental reporting model as used by local education agencies.

The following is a summary of the more significant accounting policies:

#### **A. Reporting Entity**

Charter Day School, Inc. is a North Carolina non-profit corporation incorporated in August 1999. Pursuant to the provisions of Charter School Act of 1996 as amended (the "Act") Charter Day School, Inc., as the charter holder, has been approved to operate four charter schools: Charter Day School, Columbus Charter School, South Brunswick Charter School, and Douglass Academy (collectively, the "Schools"). The Schools are public schools with Charter Day School serving approximately 963 students, Columbus Charter School serving 755 students, South Brunswick Charter School serving 396 students, and Douglass Academy serving 127 students. Each school operates under a separate charter agreement applied for under the provisions of North Carolina General Statute (hereafter "G.S.") 115C-218.1 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 grounds sent 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 Charter Day School, June 30, 2027 for Columbus Charter School, June 30, 2029 for South Brunswick Charter School, and June 30, 2023 for Douglass Academy. 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.

Charter Day School, 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).

#### **B. Basis of Presentation**

Charter Day School, 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 the audit requirements established by G.S. 115C-447.

In accordance with GASB Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments ("GASB 34"), Charter Day School, 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 Schools. Governmental activities generally are financed through intergovernmental 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 Schools 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

# **Charter Day School, Inc.**

## **Notes to the Financial Statements**

### **For the Fiscal Year Ended June 30, 2020**

identifiable to a particular function. Indirect expense allocations that have been made in the governmental funds were 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.

Charter Day School, Inc. reports the following major governmental funds:

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

*Special Revenue Funds.* Charter Day School, Columbus Charter School, South Brunswick Charter School, and Douglass Academy 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 counties and other support of Charter Day School, Inc.'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.

The School reports the following major enterprise funds:

*Enterprise Funds.* Columbus Charter School and Douglass Academy enterprise funds account for the school food service and before and after school.

*School Food Service Subfund.* The School Food Service Subfund accounts for the food service programs within each of the schools.

*Before and After School Subfund.* The Before and After School Subfund accounts for the before and after school programs within each of the schools.

#### **C. Measurement Focus and Basis of Accounting**

*Government-wide and Proprietary Fund Financial Statements.* 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 value given (or received) without directly receiving (or

# **Charter Day School, Inc.**

## **Notes to the Financial Statements**

### **For the Fiscal Year Ended June 30, 2020**

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 Schools consider 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 Schools fund certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is 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 School at June 30, 2020. All appropriations lapse at year-end.

#### **E. Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity**

##### **1. Deposits and Investments**

All deposits of the Schools are made in local banks; 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. Prepaid Items**

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

##### **4. 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.

**Charter Day School, Inc.**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

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:

|                       | Years |
|-----------------------|-------|
| Building              | 39    |
| Building Improvements | 39    |
| Textbooks             | 5     |
| Playground Equipment  | 7     |
| Equipment             | 3     |
| Computers             | 5     |
| Vehicle               | 7     |

**5. 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 Schools have no items that meet this criterion. 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 Schools have no items that meet the criterion.

**6. 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 statement of net position.

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

**7. 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 off 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.

**8. 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, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on

**Charter Day School, Inc.**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

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 balances**

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:

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

**Prepaid Items** – That portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses 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** – The amount 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** – The portion of fund balance that Charter Day School, Inc. intends to use for specific purposes.

**Subsequent year's expenditures** – The amount of unassigned fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however, the budget ordinance authorizes the Board of Trustees to modify the appropriations by resource or appropriation within funds up to \$5,000.

**Assigned for Clubs and Activities funds** - Revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fund raising activities for which they were 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.

Charter Day School, Inc. has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Board of Trustees 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 Board of Trustees has the authority to deviate from this policy if it is in the best interest of the School.

**9. Reconciliation of Government-Wide and Fund Financial Statements**

The governmental fund balance sheet includes a reconciliation between the total fund balance of the governmental funds and net position of the governmental activities as reported in the government-wide statement of net position. The net adjustment of \$1,407,097 consists of several elements as follows:

**Charter Day School, Inc.**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

| <u>DESCRIPTION</u>                                                                                                                                                                                        | <u>AMOUNT</u>       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Capital assets used in governmental activities are not financial resources are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column). | \$ 8,183,046        |
| Less accumulated depreciation                                                                                                                                                                             | (929,781)           |
| 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                                                                                                                                                                                   | <u>(5,846,168)</u>  |
| Total adjustment                                                                                                                                                                                          | <u>\$ 1,407,097</u> |

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by a reconciliation between the change in governmental funds' fund balance and the change in governmental activities' net position as reported on the government-wide statement of activities. The net difference of (\$1,224,532) 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.                                                         | \$ 439,254            |
| Depreciation expense that is recorded on the statement of activities but not in the fund statements.                                                                          | (239,140)             |
| Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.  | 194,954               |
| 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 position. | <u>(1,619,600)</u>    |
| Total                                                                                                                                                                         | <u>\$ (1,224,532)</u> |

**F. Revenues, Expenditures, and Expenses**

**1. Funding**

The Schools are funded by the State Board of Education, 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

**Charter Day School, Inc.**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

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, 2020, the Schools received funding from the Boards of Education for Bladen, Brunswick, Columbus, Cumberland, Duplin, New Hanover, Pender, Robeson, and Whiteville counties.

Furthermore, Charter Day School, Inc. has received donations of cash and/or equipment from various private organizations. The cash has been used for the purchase of new equipment for the School's facilities.

**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, 2020, the Schools had deposits with banks and savings and loans with a carrying amount of \$5,734,123. The bank balance with the financial institutions was \$5,734,740 of which \$500,000 was covered by the Federal Deposit Insurance Corporation. The remaining \$5,234,740 was a credit risk at June 30, 2020. The School invests excess funds overnight in U.S. government securities in accordance with its deposit policy for custodial credit risk.

**Charter Day School, Inc.**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

**2. Capital Assets**

Capital assets for governmental activities for the year ended June 30, 2020, was as follows:

|                                             | Beginning<br>Balances | Increases | Decreases | Ending<br>Balances |
|---------------------------------------------|-----------------------|-----------|-----------|--------------------|
| Governmental activities:                    |                       |           |           |                    |
| <u>Charter Day School</u>                   |                       |           |           |                    |
| Capital assets being depreciated:           |                       |           |           |                    |
| Equipment                                   | \$ 105,768            | \$ 56,568 | \$ -      | \$ 162,336         |
| Playground Equipment                        | 5,724                 | -         | -         | 5,724              |
| Vehicles                                    | 91,853                | 92,323    |           | 184,176            |
| Total capital assets being depreciated      | 203,345               | 148,891   | -         | 352,236            |
| Less accumulated depreciation for:          |                       |           |           |                    |
| Equipment                                   | 86,194                | 5,548     | -         | 91,742             |
| Playground Equipment                        | 5,724                 | -         | -         | 5,724              |
| Vehicles                                    | 8,748                 | 16,419    | -         | 25,167             |
| Total accumulated depreciation              | 100,666               | \$ 21,967 | \$ -      | 122,633            |
| Total capital assets being depreciated, net | 102,679               |           |           | 229,603            |
| Governmental activity capital assets, net   | <u>\$ 102,679</u>     |           |           | <u>\$ 229,603</u>  |

|                                             | Beginning<br>Balances | Increases | Decreases | Ending<br>Balances |
|---------------------------------------------|-----------------------|-----------|-----------|--------------------|
| Governmental activities:                    |                       |           |           |                    |
| <u>Columbus Charter School</u>              |                       |           |           |                    |
| Capital assets being depreciated:           |                       |           |           |                    |
| Building Improvements                       | \$ 57,200             | \$ -      | \$ -      | \$ 57,200          |
| Vehicles                                    | 183,706               | 290,363   | -         | 474,069            |
| Total capital assets being depreciated      | 240,906               | 290,363   | -         | 531,269            |
| Less accumulated depreciation for:          |                       |           |           |                    |
| Building Improvements                       | 24,220                | 12,403    | -         | 36,623             |
| Vehicles                                    | 21,870                | 38,272    | -         | 60,142             |
| Total accumulated depreciation              | 46,090                | \$ 50,675 | \$ -      | 96,765             |
| Total capital assets being depreciated, net | 194,816               |           |           | 434,504            |
| Governmental activity capital assets, net   | <u>\$ 194,816</u>     |           |           | <u>\$ 434,504</u>  |

|                                             | Beginning<br>Balances | Increases  | Decreases | Ending<br>Balances  |
|---------------------------------------------|-----------------------|------------|-----------|---------------------|
| Governmental activities:                    |                       |            |           |                     |
| <u>South Brunswick Charter School</u>       |                       |            |           |                     |
| Capital assets not being depreciated:       |                       |            |           |                     |
| Land                                        | \$ 292,233            | \$ -       | \$ -      | \$ 292,233          |
| Land Improvements                           | 2,161,387             | -          | -         | 2,161,387           |
| Total capital assets not being depreciated  | 2,453,620             | -          | -         | 2,453,620           |
| Capital assets being depreciated:           |                       |            |           |                     |
| Buildings and Building Improvements         | 4,195,107             | -          | -         | 4,195,107           |
| Textbooks                                   | 82,596                | -          | -         | 82,596              |
| Total capital assets being depreciated      | 4,277,703             | -          | -         | 4,277,703           |
| Less accumulated depreciation for:          |                       |            |           |                     |
| Buildings and Building Improvements         | 329,204               | 109,383    | -         | 438,587             |
| Textbooks                                   | 52,502                | 14,644     | -         | 67,146              |
| Total accumulated depreciation              | 381,706               | \$ 124,027 | \$ -      | 505,733             |
| Total capital assets being depreciated, net | 3,895,997             |            |           | 3,771,970           |
| Governmental activity capital assets, net   | <u>\$ 6,349,617</u>   |            |           | <u>\$ 6,225,590</u> |

**Charter Day School, Inc.**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

|                                                     | Beginning<br>Balances | Increases | Decreases | Ending<br>Balances      |
|-----------------------------------------------------|-----------------------|-----------|-----------|-------------------------|
| Governmental activities:                            |                       |           |           |                         |
| <u>Douglass Academy</u>                             |                       |           |           |                         |
| Capital assets being depreciated:                   |                       |           |           |                         |
| Leasehold                                           | \$ 406,550            | \$ -      | \$ -      | \$ 406,550              |
| Textbooks                                           | 65,416                | -         | -         | 65,416                  |
| Vehicle                                             | 96,252                | -         | -         | 96,252                  |
| Total capital assets being depreciated              | 568,218               | -         | -         | 568,218                 |
| Less accumulated depreciation for:                  |                       |           |           |                         |
| Leasehold                                           | 65,756                | 18,702    | -         | 84,458                  |
| Textbooks                                           | 41,904                | 10,017    | -         | 51,921                  |
| Vehicle                                             | 54,519                | 13,752    | -         | 68,271                  |
| Total accumulated depreciation                      | 162,179               | \$ 42,471 | \$ -      | 204,650                 |
| Total capital assets being depreciated, net         | 406,039               |           |           | 363,568                 |
| Governmental activity capital assets, net           | <u>\$ 406,039</u>     |           |           | <u>\$ 363,568</u>       |
| <br>Total Governmental activity capital assets, net |                       |           |           | <br><u>\$ 7,253,265</u> |

Depreciation expense charged to governmental functions totaled \$239,140 as follows:

|                           |                  |
|---------------------------|------------------|
| <u>Charter Day School</u> |                  |
| Instructional Programs    | \$ 16,475        |
| Supporting Services       | 5,492            |
|                           | <u>\$ 21,967</u> |

|                                |                  |
|--------------------------------|------------------|
| <u>Columbus Charter School</u> |                  |
| Instructional Programs         | \$ 38,006        |
| Supporting Services            | 12,669           |
|                                | <u>\$ 50,675</u> |

|                                       |                   |
|---------------------------------------|-------------------|
| <u>South Brunswick Charter School</u> |                   |
| Instructional Programs                | \$ 93,020         |
| Supporting Services                   | 31,007            |
|                                       | <u>\$ 124,027</u> |

|                         |                  |
|-------------------------|------------------|
| <u>Douglass Academy</u> |                  |
| Instructional Programs  | \$ 31,853        |
| Supporting Services     | 10,618           |
|                         | <u>\$ 42,471</u> |

|                                 |                   |
|---------------------------------|-------------------|
| <u>Charter Day School, Inc.</u> |                   |
| Instructional Programs          | \$ 179,354        |
| Supporting Services             | 59,786            |
|                                 | <u>\$ 239,140</u> |

**Charter Day School, Inc.**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

**B. Liabilities**

**1. Pension Plan Obligations**

**a. Retirement Plan**

The Schools maintained a 401(k) retirement plan for the benefit of its employees for fiscal year 2020. The Schools will match up to a maximum of 3% of the employee's gross salary. All employees who are employed by the Schools and have reached the age of 18, except substitute teachers, are eligible to participate in the plan. Employees may contribute an unlimited portion of their salary into the retirement plan, with tax deductible amounts up to the amounts allowable by the Internal Revenue Service. Charter Day School, Inc. made all required contributions. For the year ended June 30, 2020, the retirement cost for the 401(k) plan to the School was \$172,808 with employees contributing \$289,952.

**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.

**3. Long-Term Obligations**

**a. Operating Leases – Related Parties**

**Charter Day School**

Charter Day School rents space for the School under a ten-year lease from the Roger Bacon Academy. The School paid a total of \$775,809 on this lease agreement for the year ended June 30, 20. Future lease payments are included in the schedule below.

| <u>Year<br/>Ended<br/>June 30,</u> | <u>Amount</u>     |
|------------------------------------|-------------------|
| 2021                               | \$ 775,809        |
| Total                              | <u>\$ 775,809</u> |

**Columbus Charter School**

Columbus Charter School rents space for the School under a ten-year lease from the Roger Bacon Academy. The School paid a total of \$970,677 on this lease agreement for the year ended June 30, 2020. Future lease payments are included in the schedule below.

**Charter Day School, Inc.**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

| <u>Year<br/>Ended<br/>June 30,</u> | <u>Amount</u>       |
|------------------------------------|---------------------|
| 2021                               | \$ 970,677          |
| 2022                               | 970,677             |
| 2023                               | 970,677             |
| 2024                               | 970,677             |
| 2025                               | 970,677             |
| 2026-2029                          | 3,882,708           |
| Total                              | <u>\$ 8,736,093</u> |

**b. 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 statement 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.

**Douglass Academy**

On July 8, 2013, Douglass Academy obtained a direct placement note from Charter Day School, 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, 2023 in the form of a lump sum payment. The note was obtained to assist with construction costs.

On September 13, 2013, Douglass Academy obtained a direct placement note from Charter Day School, 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, 2023 in the form of a lump sum payment. The note was obtained to assist with construction costs.

On April 30, 2015, Douglass Academy obtained a direct placement note from Charter Day School, Inc. with a principal balance of \$100,000. The note was obtained to assist with facilities development.

On June 3, 2015, Douglass Academy obtained a direct placement note from Charter Day School, Inc. with a principal balance of \$150,000. The note was obtained to assist with facilities development.

On June 24, 2015, Douglass Academy obtained a direct placement note from Charter Day School, Inc. with a principal balance of \$85,000. The note was obtained to assist with facilities development.

No payments were made to Charter Day School, Inc. during the year ended June 30, 2020. A balance of \$535,000 remained due to Charter Day School, Inc. as of year-end.

**South Brunswick**

On May 6, 2014, South Brunswick obtained a direct placement note from Charter Day School, 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, South Brunswick obtained a direct placement note Charter Day School, 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.

**Charter Day School, Inc.**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

On June 25, 2015, South Brunswick obtained a direct placement note from Charter Day School, Inc. with a principal balance of \$99,000. The note was obtained to assist with construction costs. The note is interest free and maturity dates have not been determined.

On June 24, 2016, South Brunswick obtained a direct placement note from Charter Day School, Inc. with a principal balance of \$1,081,000. The note was obtained to assist with construction costs. The note is interest free and maturity dates have not been determined.

On July 19, 2017, South Brunswick obtained a direct placement note from Charter Day School, Inc. with a principal balance of \$100,000. The note was obtained to assist with construction costs. The note is interest free and maturity dates have not been determined.

No payments were made to Charter Day School, Inc. during the year ended June 30, 2020. A balance of \$1,930,000 remained due to Charter Day School, Inc. as of year-end.

On June 30, 2017, South Brunswick obtained a direct placement note from Columbus Charter School with a principal balance of \$500,000. The note was obtained to assist with construction costs. The note is interest free and maturity dates have not been determined.

No payments were made to Columbus Charter School during the year ended June 30, 2020. A balance of \$500,000 remained due to Columbus Charter School as of year-end.

On February 12, 2015 Charter Day School, Inc. obtained a direct borrowing note on behalf of South Brunswick Charter from First Bank with a principal balance of \$2,996,000 with interest at a rate of 4.00%. Payments began on March 12, 2015 with interest only payments for the first 12 months followed by monthly payments in the amount of \$18,240. The remaining principal will be due on or before February 12, 2026 in the form of a lump sum payment. The note was obtained to assist with construction costs. Future maturities are as follows:

|                                  | Principal    | Interest   | Total        |
|----------------------------------|--------------|------------|--------------|
| For the year ended June 30, 2021 | \$ 119,847   | \$ 99,033  | \$ 218,880   |
| For the year ended June 30, 2022 | 124,730      | 94,150     | 218,880      |
| For the year ended June 30, 2023 | 129,811      | 89,069     | 218,880      |
| For the year ended June 30, 2024 | 135,100      | 83,780     | 218,880      |
| For the year ended June 30, 2025 | 140,604      | 78,276     | 218,880      |
| For the year ended June 30, 2026 | 1,883,962    | 49,016     | 1,932,978    |
| Total                            | \$ 2,534,054 | \$ 493,324 | \$ 3,027,378 |

On April 27, 2017 Charter Day School, Inc. obtained a direct borrowing note on behalf of South Brunswick Charter from First Bank with a principal balance of \$1,817,000 with interest at a rate of 4.00%. Payments began on April 27, 2018 with interest only payments for the first 12 months followed by monthly payments in the amount of \$11,065. The principal will be due on or before May 9, 2028 in the form of a lump sum payment. The note was obtained to assist with construction costs.

|                                  | Principal | Interest  | Total      |
|----------------------------------|-----------|-----------|------------|
| For the year ended June 30, 2021 | \$ 66,516 | \$ 66,264 | \$ 132,780 |
| For the year ended June 30, 2022 | 69,226    | 63,554    | 132,780    |
| For the year ended June 30, 2023 | 72,046    | 60,734    | 132,780    |
| For the year ended June 30, 2024 | 74,981    | 57,799    | 132,780    |

# Charter Day School, Inc.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2020

|                                       |              |            |              |
|---------------------------------------|--------------|------------|--------------|
| For the year ended June 30, 2025      | 78,036       | 54,744     | 132,780      |
| For the year ended June 30, 2026-2028 | 1,328,287    | 144,632    | 1,472,919    |
| Total                                 | \$ 1,689,092 | \$ 447,727 | \$ 2,136,819 |

On April 20, 2020, Charter Day School, Inc. entered into a direct placement from a bank for \$1,619,600 in SBA funds plus interest at 1% evidenced by an unsecured note with a 24-month term. The note may be forgiven if qualifying expenditures are incurred to protect payroll. The loan was obtained through the Payroll Protection Program. The balance on the note as of June 30, 2020 was \$1,619,600.

|                                  | Principal    | Interest  | Total        |
|----------------------------------|--------------|-----------|--------------|
| For the year ended June 30, 2021 | \$ 719,822   | \$ 16,796 | \$ 736,618   |
| For the year ended June 30, 2022 | 899,778      | 4,124     | 903,902      |
| Total                            | \$ 1,619,600 | \$ 20,920 | \$ 1,640,520 |

#### c. Daimler Bus Loan

The School entered into a direct borrowing agreement from Daimler Truck Financial on August 14, 2015 for \$93,689. The School borrowed this money in order to cover the cost of a new school bus. The loan carries a 3.99% interest rate and requires fixed principal and interest payments until August 13, 2020, when all principal and interest is due. As of June 30, 2020, the balance on this loan is \$3,421. Future maturities are:

|                                  | Principal | Interest | Total    |
|----------------------------------|-----------|----------|----------|
| For the year ended June 30, 2021 | \$ 3,421  | \$ 8     | \$ 3,429 |
| Total                            | \$ 3,421  | \$ 8     | \$ 3,429 |

#### d. Changes in Long-Term Obligations

The following is a summary of changes in Charter Day School, Inc.'s long term obligations for the fiscal year ended June 30, 2020:

|                                                    | Balance<br>July 1, 2019 | Increases    | Decreases  | Balance<br>June 30, 2020 | Current<br>Portion |
|----------------------------------------------------|-------------------------|--------------|------------|--------------------------|--------------------|
| Governmental Activities:                           |                         |              |            |                          |                    |
| Notes from direct borrowings and direct placements |                         |              |            |                          |                    |
| CDS, Inc. First Bank (5734)                        | \$ 2,646,193            | \$ -         | \$ 112,139 | \$ 2,534,054             | \$ 119,847         |
| CDS, Inc. First Bank (6780)                        | 1,751,785               | -            | 62,693     | 1,689,092                | 66,516             |
| CDS, Inc. PPP Loan                                 | -                       | 1,619,600    | -          | 1,619,600                | 719,822            |
| Damier Bus Loan                                    | 23,544                  | -            | 20,123     | 3,421                    | 3,421              |
| Total                                              | \$ 4,421,522            | \$ 1,619,600 | \$ 194,955 | \$ 5,846,167             | \$ 909,606         |

# Charter Day School, Inc.

## Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2020

|                                     | Balance<br>July 1, 2019 | Increases | Decreases | Balance<br>June 30, 2020 | Current<br>Portion |
|-------------------------------------|-------------------------|-----------|-----------|--------------------------|--------------------|
| Governmental Activities:            |                         |           |           |                          |                    |
| Notes from interdivisional loans    |                         |           |           |                          |                    |
| South Brunswick Charter School Loan | \$ 2,430,000            | \$ -      | \$ -      | \$ 2,430,000             | \$ -               |
| Douglass Academy Loan               | 535,000                 | -         | -         | 535,000                  | -                  |
| Total                               | \$ 2,965,000            | \$ -      | \$ -      | \$ 2,965,000             | \$ -               |

### e. General Long-Term Obligations

The following is a summary of Charter Day School, Inc.'s long-term obligations at June 30, 2020 by school:

|                                     | South Brunswick Charter School |                    | Douglass Academy  |                    | Columbus Charter School |                    | Charter Day School |                    |
|-------------------------------------|--------------------------------|--------------------|-------------------|--------------------|-------------------------|--------------------|--------------------|--------------------|
|                                     | Ending<br>Balance              | Current<br>Portion | Ending<br>Balance | Current<br>Portion | Ending<br>Balance       | Current<br>Portion | Ending<br>Balance  | Current<br>Portion |
| Governmental Activities:            |                                |                    |                   |                    |                         |                    |                    |                    |
| CDS, Inc. First Bank (5734)         | \$ 2,534,054                   | \$ 119,847         | \$ -              | \$ -               | \$ -                    | \$ -               | \$ -               | \$ -               |
| CDS, Inc. First Bank (6780)         | 1,689,092                      | 66,516             | -                 | -                  | -                       | -                  | -                  | -                  |
| PPP Loan                            | 276,181                        | 122,747            | 131,519           | 58,453             | 516,719                 | 229,653            | 695,181            | 308,969            |
| South Brunswick Charter School Loan | 2,430,000                      | -                  | -                 | -                  | -                       | -                  | -                  | -                  |
| Douglass Academy Loan               | -                              | -                  | 535,000           | -                  | -                       | -                  | -                  | -                  |
| Damier Bus Loan                     | -                              | -                  | 3,421             | 3,421              | -                       | -                  | -                  | -                  |
| Total                               | \$ 6,929,327                   | \$ 309,110         | \$ 669,940        | \$ 61,874          | \$ 516,719              | \$ 229,653         | \$ 695,181         | \$ 308,969         |

### C. Transfers

The general fund transferred \$9,883 to the food service fund to fund food costs.

### D. Fund Balance

Charter Day School, Inc. has a revenue spending policy that provides for programs with multiple revenue sources. The Board of Trustees will use resources in the following hierarchy: federal funds, State funds, local non-School funds, Charter Day School, Inc. 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 Board of Trustees 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     | \$ 4,508,436 |
| Less:                  |              |
| Prepaid Items          | 12,310       |
| Remaining Fund Balance | \$ 4,496,126 |

## **Charter Day School, Inc.**

### **Notes to the Financial Statements**

#### **For the Fiscal Year Ended June 30, 2020**

#### **IV. Related Party Transactions**

##### **Charter Day School, Inc.**

Charter Day School, Inc. issued non interest bearing notes totaling \$1,930,000 to South Brunswick Charter School. South Brunswick Charter has the same Board of Directors as Charter Day School, Inc. Charter Day School, Inc. issued non interest bearing notes totaling \$735,000 to Douglass Academy. The funds from these notes were used for facilities development. At June 30, 2020, South Brunswick Charter School owed Charter Day School, Inc. \$1,930,000 and Douglass Academy owed Charter Day School, Inc. \$535,000.

##### **Charter Day School**

On July 18, 2001, Charter Day School 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 Charter Day School, State Board of Education and the Internal Revenue Service. During the fiscal year ended June 30, 2020, management and administration fees were paid to Roger Bacon Academy, Inc. in the amount of \$2,013,780. Rent paid to Roger Bacon Academy, Inc. for the use of facility and equipment was \$775,413 for the year ended June 30, 2020. Future obligations under the management agreement are subject to change and are indeterminable since terms are based on projected enrollments and revenues.

##### **Columbus Charter School**

Columbus Charter School 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, Columbus Charter School entered into an agreement with Roger Bacon Academy for management and faculty services. Roger 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.

Roger Bacon Academy 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 Columbus Charter School, State Board of Education and the Internal Revenue Service. During the fiscal year ended June 30, 2020, management and administration fees were paid to Roger Bacon Academy in the amount of \$1,395,441. Rent paid to Roger Bacon Academy for the use of facility and equipment was \$970,677 for the year ended June 30, 2020. Future obligations under the management agreement are subject to change and are indeterminable since terms are based on projected enrollments and revenues.

Columbus Charter School issued a non interest bearing note totaling \$500,000 to South Brunswick Charter School. South Brunswick Charter has the same Board of Directors as Columbus Charter School. The funds from this note was used for facilities development. At June 30, 2020, South Brunswick Charter School owed Columbus Charter School \$500,000.

**Charter Day School, Inc.**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2020**

South Brunswick Charter School

On July 1, 2014, South Brunswick Charter School entered into an agreement with Roger Bacon Academy for management and faculty services. Roger 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.

Roger Bacon Academy 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 South Brunswick Charter School, State Board of Education and the Internal Revenue Service. During the fiscal year ended June 30, 2020, management and administration fees were paid to Roger Bacon Academy in the amount of \$860,248. Future obligations under the management agreement are subject to change and are indeterminable since terms are based on projected enrollments and revenues.

Douglass Academy

On July 1, 2013, Douglass Academy entered into an agreement with Roger Bacon Academy for management and faculty services. Roger 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.

Roger Bacon Academy 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 Douglass Academy, State Board of Education and the Internal Revenue Service. During the fiscal year ended June 30, 2020, management and administration fees were paid to Roger Bacon Academy in the amount of \$228,136. Future obligations under the management agreement are subject to change and are indeterminable since terms are based on projected enrollments and revenues.

V. 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

During the year ended June 30, 2020, 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, 2020, and additional impact on operational and financial performance may occur.

VI. Subsequent Events

The School has evaluated subsequent events from the date of the balance sheet through the date of the independent auditors' report which is the date the financial statements are available to be issued. The School has not evaluated subsequent events after that date.

# Charter Day School, Inc.

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2020

Charter Day School, Inc. has entered into an agreement with Ziegler, an investment bank, to market and price an approximate \$38.5 million bond financing. The proceeds from the bond will be used to pay off the existing long-term debt, purchase the land and buildings of two of the current schools and for future capital improvements. The bond transaction is estimated to be finished before December 31, 2020.

#### VII. Management Company

Charter Day School paid Roger Bacon Academy, Inc., their managing agent, for the following services during the fiscal year ended June 30, 2020:

| <u>Roger Bacon Academy, Inc.</u> | <u>Amount</u>      |
|----------------------------------|--------------------|
| Management & Administrative Fees | \$2,013,780        |
| Rent                             | <u>775,413</u>     |
| Total                            | <u>\$2,789,193</u> |

Columbus Charter School paid Roger Bacon Academy, Inc., their managing agent, for the following services during the fiscal year ended June 30, 2020:

| <u>Roger Bacon Academy, Inc.</u> | <u>Amount</u>      |
|----------------------------------|--------------------|
| Management & Administrative Fees | \$1,395,441        |
| Rent                             | <u>970,677</u>     |
| Total                            | <u>\$2,366,118</u> |

South Brunswick Charter School paid Roger Bacon Academy, Inc., their managing agent, for the following services during the fiscal year ended June 30, 2020:

| <u>Roger Bacon Academy, Inc.</u> | <u>Amount</u>    |
|----------------------------------|------------------|
| Management & Administrative Fees | <u>\$860,248</u> |
| Total                            | <u>\$860,248</u> |

Douglass Academy paid Roger Bacon Academy, Inc., their managing agent, for the following services during the fiscal year ended June 30, 2020:

| <u>Roger Bacon Academy, Inc.</u> | <u>Amount</u>    |
|----------------------------------|------------------|
| Management & Administrative Fees | <u>\$228,136</u> |
| Total                            | <u>\$228,136</u> |

#### VIII. Pending or Threatened Litigation, Claims and Assessments

During the year ended June 30, 2016, a claim was placed against Charter Day School, Inc. regarding the uniform dress code. The Plaintiff's through the ACLU are requesting attorney fees which are estimated to run over \$900,000 if the defense is unsuccessful. However, the outcome at this point is unknown.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## **NON-MAJOR SUBFUNDS**

Federal Grants Subfund This subfund is used to account for the Federal moneys that are passed through the State Department of Public Instruction to the School.

Charter Day School, Inc.  
Non-major Governmental Subfunds  
Balance Sheet  
June 30, 2020

Statement 1

|                                          | <u>Special<br/>Revenue Funds</u>  |
|------------------------------------------|-----------------------------------|
|                                          | <u>Federal<br/>Grants Subfund</u> |
| <b>Assets</b>                            |                                   |
| Cash and cash equivalents                | \$ -                              |
| Due from other governments               | -                                 |
| Total assets                             | <u>\$ -</u>                       |
| <br><b>Liabilities and Fund Balances</b> |                                   |
| Liabilities:                             |                                   |
| Accrued salaries and wages payable       | \$ -                              |
| Total liabilities                        | <u>-</u>                          |
| Fund balances                            | <u>-</u>                          |
| Total liabilities and<br>fund equity     | <u>\$ -</u>                       |

## Statement 2

Charter Day School, Inc.  
 Non-major Governmental Subfund  
 Statement of Revenues, Expenditures, and  
 Changes in Fund Balance  
 For the Fiscal Year Ended June 30, 2020

|                                | Special<br>Revenue Funds  |
|--------------------------------|---------------------------|
|                                | Federal<br>Grants Subfund |
| Revenues:                      |                           |
| U.S. Government:               |                           |
| Title I, Basic                 | \$ 437,501                |
| IDEA VI-B Targeted Assistance  | 5,251                     |
| IDEA - VI B Handicapped        | 344,959                   |
| REAP                           | 30,222                    |
| Title I - ESEA                 | 7,500                     |
| IDEA Preschool Handicapped     | 1,535                     |
| Total revenues                 | <u>826,968</u>            |
| Expenditures:                  |                           |
| Current:                       |                           |
| Instructional programs:        |                           |
| Regular Programs               | -                         |
| Special programs               | <u>826,968</u>            |
| Total                          | <u>826,968</u>            |
| Support services:              |                           |
| Pupil services                 | -                         |
| Instructional staff services   | -                         |
| General administrative         | -                         |
| School administrative          | -                         |
| Club and activity expenditures | <u>-</u>                  |
| Total                          | <u>-</u>                  |
| Total expenditures             | <u>826,968</u>            |
| Revenues over expenditures     | <u>-</u>                  |
| Fund balances:                 |                           |
| Beginning of year, July 1      | -                         |
| End of year, June 30           | <u><u>\$ -</u></u>        |

## **COMBINING STATEMENTS**

**Charter Day School, Inc.**  
**Combining Balance Sheet by Governmental Subfund**  
**June 30, 2020**

|                                                                        | Charter Day School  |                        |                   |                     |
|------------------------------------------------------------------------|---------------------|------------------------|-------------------|---------------------|
|                                                                        | County and<br>Other | State Public<br>School | Federal<br>Grants | Fund Total          |
| <b>ASSETS</b>                                                          |                     |                        |                   |                     |
| Cash and cash equivalents                                              | \$ 3,069,286        | \$ -                   | \$ -              | \$ 3,069,286        |
| Due from other governments                                             | 28,035              | -                      | -                 | 28,035              |
| Accounts Receivable - other (net)                                      | 4,735               | -                      | -                 | 4,735               |
| Due from South Brunswick Charter School                                | -                   | -                      | -                 | -                   |
| Due from Douglass Academy                                              | -                   | -                      | -                 | -                   |
| Total assets                                                           | <u>\$ 3,102,056</u> | <u>\$ -</u>            | <u>\$ -</u>       | <u>\$ 3,102,056</u> |
| <b>LIABILITIES AND FUND BALANCES</b>                                   |                     |                        |                   |                     |
| Liabilities:                                                           |                     |                        |                   |                     |
| Accounts payable - trade                                               | \$ 576,959          | \$ -                   | \$ -              | \$ 576,959          |
| Total liabilities                                                      | <u>576,959</u>      | <u>-</u>               | <u>-</u>          | <u>576,959</u>      |
| Fund balances:                                                         |                     |                        |                   |                     |
| Unassigned:                                                            | 2,525,097           | -                      | -                 | 2,525,097           |
| Total fund balances                                                    | <u>2,525,097</u>    | <u>-</u>               | <u>-</u>          | <u>2,525,097</u>    |
| Total liabilities, deferred inflows of resources,<br>and fund balances | <u>\$ 3,102,056</u> | <u>\$ -</u>            | <u>\$ -</u>       | <u>\$ 3,102,056</u> |

**Charter Day School, Inc.**  
**Combining Statement of Revenues, Expenditures, and Changes in Governmental Subfund Balances**  
**For the Year Ended June 30, 2020**

|                                                              | <b>Charter Day School</b>   |                                |                           |                     |
|--------------------------------------------------------------|-----------------------------|--------------------------------|---------------------------|---------------------|
|                                                              | <b>County and<br/>Other</b> | <b>State Public<br/>School</b> | <b>Federal<br/>Grants</b> | <b>Fund Total</b>   |
| <b>REVENUES</b>                                              |                             |                                |                           |                     |
| State of North Carolina                                      | \$ -                        | \$ 6,013,218                   | \$ -                      | \$ 6,013,218        |
| Local education agencies                                     | 2,702,823                   | -                              | -                         | 2,702,823           |
| U.S. Government                                              | 4,251                       | -                              | 339,425                   | 343,676             |
| Donations - general                                          | 88,034                      | -                              | -                         | 88,034              |
| Miscellaneous, unrestricted                                  | 52,415                      | -                              | -                         | 52,415              |
| Total revenues                                               | <u>2,847,523</u>            | <u>6,013,218</u>               | <u>339,425</u>            | <u>9,200,166</u>    |
| <b>EXPENDITURES</b>                                          |                             |                                |                           |                     |
| <b>Current:</b>                                              |                             |                                |                           |                     |
| Instructional programs                                       | 1,598,464                   | 4,232,754                      | 339,425                   | 6,170,643           |
| Support services                                             | 1,110,549                   | 1,780,464                      | -                         | 2,891,013           |
| <b>Capital outlay</b>                                        | 148,891                     | -                              | -                         | 148,891             |
| <b>Debt service:</b>                                         |                             |                                |                           | -                   |
| Principal                                                    | -                           | -                              | -                         | -                   |
| Interest and other charges                                   | -                           | -                              | -                         | -                   |
| Total expenditures                                           | <u>2,857,904</u>            | <u>6,013,218</u>               | <u>339,425</u>            | <u>9,210,547</u>    |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>(10,381)</u>             | <u>-</u>                       | <u>-</u>                  | <u>(10,381)</u>     |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                             |                                |                           |                     |
| Loan proceeds                                                | 695,181                     | -                              | -                         | 695,181             |
| Transfers from other funds                                   | -                           | -                              | -                         | -                   |
| Total other financing sources (uses)                         | <u>695,181</u>              | <u>-</u>                       | <u>-</u>                  | <u>695,181</u>      |
| Net change in fund balance                                   | 684,800                     | -                              | -                         | 684,800             |
| Fund balances-beginning                                      | 1,840,297                   | -                              | -                         | 1,840,297           |
| Fund balances-ending                                         | <u>\$ 2,525,097</u>         | <u>\$ -</u>                    | <u>\$ -</u>               | <u>\$ 2,525,097</u> |

**Charter Day School, Inc.**  
**Combining Balance Sheet by Governmental Subfund**  
**June 30, 2020**

|                                                                        | Columbus Charter School |                        |                   |                     |
|------------------------------------------------------------------------|-------------------------|------------------------|-------------------|---------------------|
|                                                                        | County and<br>Other     | State Public<br>School | Federal<br>Grants | Fund Total          |
| <b>ASSETS</b>                                                          |                         |                        |                   |                     |
| Cash and cash equivalents                                              | \$ 1,216,092            | \$ -                   | \$ -              | \$ 1,216,092        |
| Due from other governments                                             | 53,881                  | -                      | -                 | 53,881              |
| Accounts Receivable - other (net)                                      | -                       | -                      | -                 | -                   |
| Due from South Brunswick Charter School                                | -                       | -                      | -                 | -                   |
| Due from Douglass Academy                                              | -                       | -                      | -                 | -                   |
| Total assets                                                           | <u>\$ 1,269,973</u>     | <u>\$ -</u>            | <u>\$ -</u>       | <u>\$ 1,269,973</u> |
| <b>LIABILITIES AND FUND BALANCES</b>                                   |                         |                        |                   |                     |
| Liabilities:                                                           |                         |                        |                   |                     |
| Accounts payable - trade                                               | \$ 401,275              | \$ -                   | \$ -              | \$ 401,275          |
| Total liabilities                                                      | <u>401,275</u>          | <u>-</u>               | <u>-</u>          | <u>401,275</u>      |
| Fund balances:                                                         |                         |                        |                   |                     |
| Unassigned:                                                            | 868,698                 | -                      | -                 | 868,698             |
| Total fund balances                                                    | <u>868,698</u>          | <u>-</u>               | <u>-</u>          | <u>868,698</u>      |
| Total liabilities, deferred inflows of resources,<br>and fund balances | <u>\$ 1,269,973</u>     | <u>\$ -</u>            | <u>\$ -</u>       | <u>\$ 1,269,973</u> |

**Charter Day School, Inc.**  
**Combining Statement of Revenues, Expenditures, and Changes in Governmental Subfund**  
**For the Year Ended June 30, 2020**

|                                                              | <b>Columbus Charter School</b> |                                |                           |                   |
|--------------------------------------------------------------|--------------------------------|--------------------------------|---------------------------|-------------------|
|                                                              | <b>County and<br/>Other</b>    | <b>State Public<br/>School</b> | <b>Federal<br/>Grants</b> | <b>Fund Total</b> |
| <b>REVENUES</b>                                              |                                |                                |                           |                   |
| State of North Carolina                                      | \$ -                           | \$ 5,673,430                   | \$ -                      | \$ 5,673,430      |
| Local education agencies                                     | 696,559                        | -                              | -                         | 696,559           |
| U.S. Government                                              | -                              | -                              | 259,636                   | 259,636           |
| Donations - general                                          | 345,213                        | -                              | -                         | 345,213           |
| Miscellaneous, unrestricted                                  | 4,190                          | -                              | -                         | 4,190             |
| Total revenues                                               | 1,045,962                      | 5,673,430                      | 259,636                   | 6,979,028         |
| <b>EXPENDITURES</b>                                          |                                |                                |                           |                   |
| <b>Current:</b>                                              |                                |                                |                           |                   |
| Instructional programs                                       | 942,522                        | 3,915,472                      | 259,636                   | 5,117,630         |
| Support services                                             | 136,413                        | 1,749,757                      | -                         | 1,886,170         |
| Ancillary services                                           | -                              | 8,201                          | -                         | 8,201             |
| <b>Capital outlay</b>                                        | 290,363                        | -                              | -                         | 290,363           |
| <b>Debt service:</b>                                         |                                |                                |                           | -                 |
| Principal                                                    | -                              | -                              | -                         | -                 |
| Interest and other charges                                   | -                              | -                              | -                         | -                 |
| Total expenditures                                           | 1,369,298                      | 5,673,430                      | 259,636                   | 7,302,364         |
| Excess (deficiency) of revenues over<br>(under) expenditures | (323,336)                      | -                              | -                         | (323,336)         |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                                |                                |                           |                   |
| Loan proceeds                                                | 516,719                        | -                              | -                         | 516,719           |
| Transfers from other funds                                   | -                              | -                              | -                         | -                 |
| Total other financing sources (uses)                         | 516,719                        | -                              | -                         | 516,719           |
| Net change in fund balance                                   | 193,383                        | -                              | -                         | 193,383           |
| Fund balances-beginning                                      | 675,315                        | -                              | -                         | 675,315           |
| Fund balances-ending                                         | \$ 868,698                     | \$ -                           | \$ -                      | \$ 868,698        |

**Charter Day School, Inc.**  
**Combining Statement of Net Position by Proprietary Subfund**  
**June 30, 2020**

|                                       | <u>Columbus Charter School</u> |
|---------------------------------------|--------------------------------|
|                                       | <u>Enterprise Activities</u>   |
|                                       | <u>School Food Service</u>     |
| <b>ASSETS</b>                         |                                |
| Current assets:                       |                                |
| Cash and cash equivalents             | \$ 28,047                      |
| Due from other governments            | 1,234                          |
| Accounts Receivable - other (net)     | -                              |
| Inventories                           | -                              |
| Total current assets                  | <u>29,281</u>                  |
| Non-current assets:                   |                                |
| Capital assets:                       |                                |
| Furniture and office equipment, net   | -                              |
| Food service equipment                | -                              |
| Computer equipment, net               | -                              |
| Total Non-current assets              | <u>-</u>                       |
| Total assets                          | <u>29,281</u>                  |
| <b>LIABILITIES</b>                    |                                |
| Current liabilities:                  |                                |
| Accounts payable and accrued expenses | 135                            |
| Due to other funds                    | -                              |
| Total current liabilities             | <u>135</u>                     |
| Long-term liabilities:                |                                |
| Due within one year                   | -                              |
| Due in more than one year             | -                              |
| Total long-term liabilities           | <u>-</u>                       |
| Total liabilities                     | <u>135</u>                     |
| <b>NET POSITION</b>                   |                                |
| Net invested in capital assets        | -                              |
| Unrestricted                          | 29,146                         |
| Total net position                    | <u>\$ 29,146</u>               |

**Statement 8**

**Charter Day School, Inc.  
Combining Statement of Revenues, Expenditures and Changes in Subfund Net Position  
For the Year Ended June 30, 2020**

|                                                  | <u>Columbus Charter School</u> |
|--------------------------------------------------|--------------------------------|
|                                                  | <u>Enterprise Activities</u>   |
|                                                  | <u>School Food Service</u>     |
| <b>OPERATING REVENUES</b>                        |                                |
| Lunch sales                                      | \$ 164                         |
| Before and after school revenue                  | -                              |
| Total operating revenues                         | <u>164</u>                     |
| <b>OPERATING EXPENSES</b>                        |                                |
| Purchase of food                                 | -                              |
| Salaries and benefits                            | -                              |
| Contracted Services                              | 378,320                        |
| Supplies and Materials                           | 759                            |
| Other expenses                                   | 912                            |
| Total operating expenses                         | <u>379,991</u>                 |
| Operating income (loss)                          | <u>(379,827)</u>               |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>         |                                |
| Federal Reimbursements                           | 395,345                        |
| Transfers from other funds                       | -                              |
| Total non-operating revenue (expenses)           | <u>395,345</u>                 |
| Income (loss) before contributions and transfers | <u>15,518</u>                  |
| Change in net position                           | 15,518                         |
| Total net position- beginning                    | 13,628                         |
| Total net position - ending                      | <u>\$ 29,146</u>               |

**Charter Day School, Inc.**  
**Combining Statement of Cash Flows by Proprietary Subfund**  
**For the Year Ended June 30, 2020**

|                                                                                         | <u><b>Columbus Charter<br/>School<br/>Enterprise Activities</b></u> | <u><b>School Food Service</b></u> |
|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------|-----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                             |                                                                     |                                   |
| Cash received from customers                                                            | \$ 1,301                                                            |                                   |
| Cash paid for goods and services                                                        | (379,991)                                                           |                                   |
| Cash paid to employees for services                                                     | -                                                                   |                                   |
| Net cash provided (used) by operating activities                                        | <u>(378,690)</u>                                                    |                                   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                  |                                                                     |                                   |
| Federal Reimbursements                                                                  | 395,345                                                             |                                   |
| Transfers                                                                               | -                                                                   |                                   |
| Net cash provided (used) by noncapital financing activities                             | <u>395,345</u>                                                      |                                   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                         |                                                                     |                                   |
| Capital contributions                                                                   | -                                                                   |                                   |
| Acquisition of capital assets                                                           | -                                                                   |                                   |
| Net cash (used) by capital and related financing activities                             | <u>-</u>                                                            |                                   |
| Net increase (decrease) in cash and cash equivalents                                    | 16,655                                                              |                                   |
| Balances-beginning                                                                      | 11,392                                                              |                                   |
| Balances-ending                                                                         | <u>\$ 28,047</u>                                                    |                                   |
| Reconciliation of operating income to net cash provided by operating activities         |                                                                     |                                   |
| Operating income (loss)                                                                 | \$ (379,827)                                                        |                                   |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                                                                     |                                   |
| Depreciation                                                                            | -                                                                   |                                   |
| Salaries paid by special revenue fund                                                   | -                                                                   |                                   |
| Changes in assets and liabilities:                                                      |                                                                     |                                   |
| Decrease in accounts receivable                                                         | 2,186                                                               |                                   |
| Increase in inventory                                                                   | -                                                                   |                                   |
| Increase (decrease) in accounts payable and accrued liabilities                         | (1,049)                                                             |                                   |
| Increase (decrease) in salaries and wages payable                                       | -                                                                   |                                   |
| Total adjustments                                                                       | <u>1,137</u>                                                        |                                   |
| Net cash provided by operating activities                                               | <u>\$ (378,690)</u>                                                 |                                   |

**Charter Day School, Inc.**  
**Combining Balance Sheet by Governmental Subfund**  
**June 30, 2020**

|                                                                        | <b>South Brunswick Charter School</b> |                                |                           |                     |
|------------------------------------------------------------------------|---------------------------------------|--------------------------------|---------------------------|---------------------|
|                                                                        | <b>County and<br/>Other</b>           | <b>State Public<br/>School</b> | <b>Federal<br/>Grants</b> | <b>Fund Total</b>   |
| <b>ASSETS</b>                                                          |                                       |                                |                           |                     |
| Cash and cash equivalents                                              | \$ 1,100,606                          | \$ -                           | \$ -                      | \$ 1,100,606        |
| Due from other governments                                             | 267                                   | -                              | -                         | 267                 |
| Accounts Receivable - other (net)                                      | 245                                   | -                              | -                         | 245                 |
| Due from South Brunswick Charter School                                | -                                     | -                              | -                         | -                   |
| Due from Douglass Academy                                              | -                                     | -                              | -                         | -                   |
| Total assets                                                           | <u>\$ 1,101,118</u>                   | <u>\$ -</u>                    | <u>\$ -</u>               | <u>\$ 1,101,118</u> |
| <b>LIABILITIES AND FUND BALANCES</b>                                   |                                       |                                |                           |                     |
| Liabilities:                                                           |                                       |                                |                           |                     |
| Accounts payable - trade                                               | \$ 277,697                            | \$ -                           | \$ -                      | \$ 277,697          |
| Total liabilities                                                      | <u>277,697</u>                        | <u>-</u>                       | <u>-</u>                  | <u>277,697</u>      |
| Fund balances:                                                         |                                       |                                |                           |                     |
| Unassigned:                                                            | 823,421                               | -                              | -                         | 823,421             |
| Total fund balances                                                    | <u>823,421</u>                        | <u>-</u>                       | <u>-</u>                  | <u>823,421</u>      |
| Total liabilities, deferred inflows of resources,<br>and fund balances | <u>\$ 1,101,118</u>                   | <u>\$ -</u>                    | <u>\$ -</u>               | <u>\$ 1,101,118</u> |

**Charter Day School, Inc.**  
**Combining Statement of Revenues, Expenditures, and Changes in Governmental Subfund Balances**  
**For the Year Ended June 30, 2020**

|                                                              | <b>South Brunswick Charter School</b> |                                |                           |                   |
|--------------------------------------------------------------|---------------------------------------|--------------------------------|---------------------------|-------------------|
|                                                              | <b>County and<br/>Other</b>           | <b>State Public<br/>School</b> | <b>Federal<br/>Grants</b> | <b>Fund Total</b> |
| <b>REVENUES</b>                                              |                                       |                                |                           |                   |
| State of North Carolina                                      | \$ -                                  | \$ 2,426,465                   | \$ -                      | \$ 2,426,465      |
| Local education agencies                                     | 1,222,294                             | -                              | -                         | 1,222,294         |
| U.S. Government                                              | 27,384                                | -                              | 119,480                   | 146,864           |
| Donations - general                                          | 156,853                               | -                              | -                         | 156,853           |
| Miscellaneous, unrestricted                                  | 3,625                                 | -                              | -                         | 3,625             |
| Total revenues                                               | 1,410,156                             | 2,426,465                      | 119,480                   | 3,956,101         |
| <b>EXPENDITURES</b>                                          |                                       |                                |                           |                   |
| <b>Current:</b>                                              |                                       |                                |                           |                   |
| Instructional programs                                       | 705,123                               | 1,478,063                      | 119,480                   | 2,302,666         |
| Support services                                             | 360,143                               | 736,091                        | -                         | 1,096,234         |
| <b>Capital outlay</b>                                        | -                                     | -                              | -                         | -                 |
| <b>Debt service:</b>                                         |                                       |                                |                           |                   |
| Principal                                                    | 62,643                                | 112,188                        | -                         | 174,831           |
| Interest and other charges                                   | 94,948                                | 100,123                        | -                         | 195,071           |
| Total expenditures                                           | 1,222,857                             | 2,426,465                      | 119,480                   | 3,768,802         |
| Excess (deficiency) of revenues over<br>(under) expenditures | 187,299                               | -                              | -                         | 187,299           |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                                       |                                |                           |                   |
| Loan proceeds                                                | 276,181                               | -                              | -                         | 276,181           |
| Transfers from other funds                                   | -                                     | -                              | -                         | -                 |
| Total other financing sources (uses)                         | 276,181                               | -                              | -                         | 276,181           |
| Net change in fund balance                                   | 463,480                               | -                              | -                         | 463,480           |
| Fund balances-beginning                                      | 359,941                               | -                              | -                         | 359,941           |
| Fund balances-ending                                         | \$ 823,421                            | \$ -                           | \$ -                      | \$ 823,421        |

**Charter Day School, Inc.**  
**Combining Balance Sheet by Governmental Subfund**  
**June 30, 2020**

|                                                                        | <b>Douglass Academy</b>     |                                |                           |                   |
|------------------------------------------------------------------------|-----------------------------|--------------------------------|---------------------------|-------------------|
|                                                                        | <b>County and<br/>Other</b> | <b>State Public<br/>School</b> | <b>Federal<br/>Grants</b> | <b>Fund Total</b> |
| <b>ASSETS</b>                                                          |                             |                                |                           |                   |
| Cash and cash equivalents                                              | \$ 285,289                  | \$ -                           | \$ -                      | \$ 285,289        |
| Due from other governments                                             | 697                         | -                              | -                         | 697               |
| Accounts Receivable - other (net)                                      | 35                          | -                              | -                         | 35                |
| Prepaid expenses                                                       | 12,310                      | -                              | -                         | 12,310            |
| Due from South Brunswick Charter School                                | -                           | -                              | -                         | -                 |
| Due from Douglass Academy                                              | -                           | -                              | -                         | -                 |
| Total assets                                                           | <u>\$ 298,331</u>           | <u>\$ -</u>                    | <u>\$ -</u>               | <u>\$ 298,331</u> |
| <b>LIABILITIES AND FUND BALANCES</b>                                   |                             |                                |                           |                   |
| Liabilities:                                                           |                             |                                |                           |                   |
| Accounts payable - trade                                               | \$ 7,111                    | \$ -                           | \$ -                      | \$ 7,111          |
| Total liabilities                                                      | <u>7,111</u>                | <u>-</u>                       | <u>-</u>                  | <u>7,111</u>      |
| Fund balances:                                                         |                             |                                |                           |                   |
| Restricted for prepaid expenses                                        | 12,310                      | -                              | -                         | 12,310            |
| Unassigned:                                                            | 278,910                     | -                              | -                         | 278,910           |
| Total fund balances                                                    | <u>291,220</u>              | <u>-</u>                       | <u>-</u>                  | <u>291,220</u>    |
| Total liabilities, deferred inflows of resources,<br>and fund balances | <u>\$ 298,331</u>           | <u>\$ -</u>                    | <u>\$ -</u>               | <u>\$ 298,331</u> |

**Charter Day School, Inc.**  
**Combining Statement of Revenues, Expenditures, and Changes in Governmental Subfund Balances**  
**For the Year Ended June 30, 2020**

|                                                              | <b>Douglass Academy</b>     |                                |                           |                   |
|--------------------------------------------------------------|-----------------------------|--------------------------------|---------------------------|-------------------|
|                                                              | <b>County and<br/>Other</b> | <b>State Public<br/>School</b> | <b>Federal<br/>Grants</b> | <b>Fund Total</b> |
| <b>REVENUES</b>                                              |                             |                                |                           |                   |
| State of North Carolina                                      | \$ -                        | \$ 759,336                     | \$ -                      | \$ 759,336        |
| Local education agencies                                     | 357,844                     | -                              | -                         | 357,844           |
| U.S. Government                                              | -                           | -                              | 108,427                   | 108,427           |
| Donations - general                                          | 215,308                     | -                              | -                         | 215,308           |
| Miscellaneous, unrestricted                                  | 2,549                       | -                              | -                         | 2,549             |
| Total revenues                                               | <u>575,701</u>              | <u>759,336</u>                 | <u>108,427</u>            | <u>1,443,464</u>  |
| <b>EXPENDITURES</b>                                          |                             |                                |                           |                   |
| <b>Current:</b>                                              |                             |                                |                           |                   |
| Instructional programs                                       | 326,731                     | 549,658                        | 108,427                   | 984,816           |
| Support services                                             | 197,041                     | 199,329                        | -                         | 396,370           |
| <b>Capital outlay</b>                                        | -                           | -                              | -                         | -                 |
| <b>Debt service:</b>                                         |                             |                                |                           |                   |
| Principal                                                    | 10,064                      | 10,059                         | -                         | 20,123            |
| Interest and other charges                                   | 285                         | 290                            | -                         | 575               |
| Total expenditures                                           | <u>534,121</u>              | <u>759,336</u>                 | <u>108,427</u>            | <u>1,401,884</u>  |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>41,580</u>               | <u>-</u>                       | <u>-</u>                  | <u>41,580</u>     |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                             |                                |                           |                   |
| Loan proceeds                                                | 131,519                     | -                              | -                         | 131,519           |
| Transfers from other funds                                   | (9,883)                     | -                              | -                         | (9,883)           |
| Total other financing sources (uses)                         | <u>121,636</u>              | <u>-</u>                       | <u>-</u>                  | <u>121,636</u>    |
| Net change in fund balance                                   | 163,216                     | -                              | -                         | 163,216           |
| Fund balances-beginning                                      | 128,004                     | -                              | -                         | 128,004           |
| Fund balances-ending                                         | <u>\$ 291,220</u>           | <u>\$ -</u>                    | <u>\$ -</u>               | <u>\$ 291,220</u> |

**Charter Day School, Inc.**  
**Combining Statement of Net Position by Proprietary Subfund**  
**June 30, 2020**

|                                       | <b>Douglass Academy</b>      |                     |                   |
|---------------------------------------|------------------------------|---------------------|-------------------|
|                                       | <b>Enterprise Activities</b> |                     |                   |
|                                       | <b>School Food</b>           | <b>Before and</b>   | <b>Fund Total</b> |
|                                       | <b>Service</b>               | <b>After School</b> |                   |
| <b>ASSETS</b>                         |                              |                     |                   |
| Current assets:                       |                              |                     |                   |
| Cash and cash equivalents             | \$ 9,884                     | \$ 24,920           | \$ 34,804         |
| Due from other governments            | -                            | -                   | -                 |
| Accounts Receivable - other (net)     | -                            | -                   | -                 |
| Inventories                           | -                            | -                   | -                 |
| Total current assets                  | 9,884                        | 24,920              | 34,804            |
| Non-current assets:                   |                              |                     |                   |
| Capital assets:                       |                              |                     |                   |
| Furniture and office equipment, net   | -                            | -                   | -                 |
| Food service equipment                | -                            | -                   | -                 |
| Computer equipment, net               | -                            | -                   | -                 |
| Total Non-current assets              | -                            | -                   | -                 |
| Total assets                          | 9,884                        | 24,920              | 34,804            |
| <b>LIABILITIES</b>                    |                              |                     |                   |
| Current liabilities:                  |                              |                     |                   |
| Accounts payable and accrued expenses | -                            | -                   | -                 |
| Due to other funds                    | -                            | -                   | -                 |
| Total current liabilities             | -                            | -                   | -                 |
| Long-term liabilities:                |                              |                     |                   |
| Due within one year                   | -                            | -                   | -                 |
| Due in more than one year             | -                            | -                   | -                 |
| Total long-term liabilities           | -                            | -                   | -                 |
| Total liabilities                     | -                            | -                   | -                 |
| <b>NET POSITION</b>                   |                              |                     |                   |
| Net invested in capital assets        | -                            | -                   | -                 |
| Unrestricted                          | 9,884                        | 24,920              | 34,804            |
| Total net position                    | \$ 9,884                     | \$ 24,920           | \$ 34,804         |

**Charter Day School, Inc.**  
**Combining Statement of Revenues, Expenditures and Changes in Subfund Net Position**  
**For the Year Ended June 30, 2020**

|                                                  | <b>Douglass Academy</b>      |                         |                   |
|--------------------------------------------------|------------------------------|-------------------------|-------------------|
|                                                  | <b>Enterprise Activities</b> |                         |                   |
|                                                  | <b>School Food</b>           | <b>Before and After</b> | <b>Fund Total</b> |
|                                                  | <b>Service</b>               | <b>School</b>           |                   |
| <b>OPERATING REVENUES</b>                        |                              |                         |                   |
| Lunch sales                                      | \$ -                         | \$ -                    | \$ -              |
| Before and after school revenue                  | -                            | 14,288                  | 14,288            |
| Total operating revenues                         | -                            | 14,288                  | 14,288            |
| <b>OPERATING EXPENSES</b>                        |                              |                         |                   |
| Purchase of food                                 | -                            | 1,519                   | 1,519             |
| Salaries and benefits                            | 14,136                       | -                       | 14,136            |
| Contracted Services                              | 57,074                       | -                       | 57,074            |
| Supplies and Materials                           | -                            | 231                     | 231               |
| Other expenses                                   | -                            | -                       | -                 |
| Total operating expenses                         | 71,210                       | 1,750                   | 72,960            |
| Operating income (loss)                          | (71,210)                     | 12,538                  | (58,672)          |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>         |                              |                         |                   |
| Federal Reimbursements                           | 61,326                       | -                       | 61,326            |
| Transfers from other funds                       | 9,883                        | -                       | 9,883             |
| Total non-operating revenue (expenses)           | 71,209                       | -                       | 71,209            |
| Income (loss) before contributions and transfers | (1)                          | 12,538                  | 12,537            |
| Change in net position                           | (1)                          | 12,538                  | 12,537            |
| Total net position- beginning                    | 9,885                        | 12,382                  | 22,267            |
| Total net position - ending                      | \$ 9,884                     | \$ 24,920               | \$ 34,804         |

**Charter Day School, Inc.**  
**Combining Statement of Cash Flows by Proprietary Subfund**  
**For the Year Ended June 30, 2020**

|                                                                                         | <b>Douglass Academy</b>      |                  |                   |
|-----------------------------------------------------------------------------------------|------------------------------|------------------|-------------------|
|                                                                                         | <b>Enterprise Activities</b> |                  |                   |
|                                                                                         | <b>Before</b>                |                  |                   |
|                                                                                         | <b>School Food</b>           | <b>and After</b> |                   |
|                                                                                         | <b>Service</b>               | <b>School</b>    | <b>Fund Total</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                             |                              |                  |                   |
| Cash received from customers                                                            | \$ 1,189                     | \$ 14,288        | \$ 15,477         |
| Cash paid for goods and services                                                        | (57,074)                     | (1,750)          | (58,824)          |
| Cash paid to employees for services                                                     | (14,136)                     | -                | (14,136)          |
| Net cash provided (used) by operating activities                                        | (70,021)                     | 12,538           | (57,483)          |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                  |                              |                  |                   |
| Federal Reimbursements                                                                  | 61,326                       | -                | 61,326            |
| Transfers                                                                               | 9,883                        | -                | 9,883             |
| Net cash provided (used) by noncapital financing activities                             | 71,209                       | -                | 71,209            |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                         |                              |                  |                   |
| Capital contributions                                                                   | -                            | -                | -                 |
| Acquisition of capital assets                                                           | -                            | -                | -                 |
| Net cash (used) by capital and related financing activities                             | -                            | -                | -                 |
| Net increase (decrease) in cash and cash equivalents                                    | 1,188                        | 12,538           | 13,726            |
| Balances-beginning                                                                      | 8,696                        | 12,382           | 21,078            |
| Balances-ending                                                                         | \$ 9,884                     | \$ 24,920        | \$ 34,804         |
| <br>Reconciliation of operating income to net cash provided by operating activities     |                              |                  |                   |
| Operating income (loss)                                                                 | \$ (71,210)                  | \$ 12,538        | \$ (58,672)       |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                              |                  |                   |
| Depreciation                                                                            | -                            | -                | -                 |
| Salaries paid by special revenue fund                                                   | -                            | -                | -                 |
| Changes in assets and liabilities:                                                      |                              |                  |                   |
| Decrease in accounts receivable                                                         | 2,004                        | -                | 2,004             |
| Increase in inventory                                                                   | -                            | -                | -                 |
| Increase (decrease) in accounts payable and accrued liabilities                         | (815)                        | -                | (815)             |
| Increase (decrease) in salaries and wages payable                                       | -                            | -                | -                 |
| Total adjustments                                                                       | 1,189                        | -                | 1,189             |
| Net cash provided by operating activities                                               | \$ (70,021)                  | \$ 12,538        | \$ (57,483)       |

## **BUDGET TO ACTUAL SCHEDULES**

**Charter Day School, Inc.**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Subfund Balances - Budget and Actual**  
**All Funds Except for Federal Subfunds and Enterprise Subfunds**  
**For Year Ended June 30, 2020**

|                                                                  | Charter Day School |                    |                                        | Columbus Charter School |                   |                                        | South Brunswick Charter School |                   |                                        | Douglass Academy |                   |                                        |
|------------------------------------------------------------------|--------------------|--------------------|----------------------------------------|-------------------------|-------------------|----------------------------------------|--------------------------------|-------------------|----------------------------------------|------------------|-------------------|----------------------------------------|
|                                                                  | Final<br>Budget    | Actual             | Variance<br>Favorable<br>(Unfavorable) | Final<br>Budget         | Actual            | Variance<br>Favorable<br>(Unfavorable) | Final<br>Budget                | Actual            | Variance<br>Favorable<br>(Unfavorable) | Final<br>Budget  | Actual            | Variance<br>Favorable<br>(Unfavorable) |
| <b>Revenues:</b>                                                 |                    |                    |                                        |                         |                   |                                        |                                |                   |                                        |                  |                   |                                        |
| State of North Carolina                                          | \$6,024,044        | \$6,013,218        | \$ (10,826)                            | \$5,683,961             | \$5,673,430       | \$ (10,531)                            | \$2,427,522                    | \$ 2,426,465      | \$ (1,057)                             | \$ 760,911       | \$ 759,336        | \$ (1,575)                             |
| Local education agencies                                         | 2,702,823          | 2,702,823          | -                                      | 696,559                 | 696,559           | -                                      | 1,222,294                      | 1,222,294         | -                                      | 357,844          | 357,844           | -                                      |
| U.S. Government                                                  | 4,251              | 4,251              | -                                      | -                       | -                 | -                                      | 41,752                         | 27,384            | (14,368)                               | -                | -                 | -                                      |
| Donations - general                                              | 88,034             | 88,034             | -                                      | 345,213                 | 345,213           | -                                      | 156,853                        | 156,853           | -                                      | 215,308          | 215,308           | -                                      |
| Miscellaneous, unrestricted                                      | 52,415             | 52,415             | -                                      | 4,190                   | 4,190             | -                                      | 3,625                          | 3,625             | -                                      | 2,549            | 2,549             | -                                      |
| <b>Total revenues</b>                                            | <b>8,871,567</b>   | <b>8,860,741</b>   | <b>(10,826)</b>                        | <b>6,729,923</b>        | <b>6,719,392</b>  | <b>(10,531)</b>                        | <b>3,852,046</b>               | <b>3,836,621</b>  | <b>(15,425)</b>                        | <b>1,336,612</b> | <b>1,335,037</b>  | <b>(1,575)</b>                         |
| <b>Expenditures:</b>                                             |                    |                    |                                        |                         |                   |                                        |                                |                   |                                        |                  |                   |                                        |
| Salaries & Benefits                                              |                    |                    |                                        |                         |                   |                                        |                                |                   |                                        |                  |                   |                                        |
| Salaries & Bonuses                                               | 3,150,552          | 3,101,137          | 49,415                                 | 2,456,090               | 2,319,490         | 136,600                                | 1,420,765                      | 1,274,057         | 146,708                                | 614,243          | 528,777           | 85,466                                 |
| Benefits                                                         | 743,231            | 743,230            | 1                                      | 551,099                 | 514,604           | 36,495                                 | 316,770                        | 306,657           | 10,113                                 | 125,160          | 113,349           | 11,811                                 |
| Total Salaries & Benefits                                        | 3,893,783          | 3,844,367          | 49,416                                 | 3,007,189               | 2,834,094         | 173,095                                | 1,737,535                      | 1,580,714         | 156,821                                | 739,403          | 642,126           | 97,277                                 |
| Books & Supplies                                                 | 180,906            | 238,346            | (57,440)                               | 121,716                 | 164,928           | (43,212)                               | 92,665                         | 90,976            | 1,689                                  | 60,972           | 28,724            | 32,248                                 |
| Technology                                                       | 28,000             | 105,356            | (77,356)                               | 13,000                  | 38,991            | (25,991)                               | 17,500                         | 29,848            | (12,348)                               | 7,500            | 18,602            | (11,102)                               |
| Non-Cap Equipment & Leases                                       | 90,500             | 111,436            | (20,936)                               | 51,000                  | 115,321           | (64,321)                               | 65,000                         | 46,244            | 18,756                                 | 25,500           | 21,081            | 4,419                                  |
| Contracted Student Services                                      | 900,825            | 802,106            | 98,719                                 | 743,937                 | 681,368           | 62,569                                 | 371,654                        | 370,862           | 792                                    | 153,223          | 138,465           | 14,758                                 |
| Staff Development                                                | 10,000             | 9,715              | 285                                    | 10,000                  | 4,937             | 5,063                                  | 2,500                          | 2,176             | 324                                    | 2,500            | 8,618             | (6,118)                                |
| Administrative Services                                          | 2,572,319          | 2,457,172          | 115,147                                | 1,496,395               | 1,500,582         | (4,187)                                | 913,544                        | 961,303           | (47,759)                               | 289,660          | 272,474           | 17,186                                 |
| Insurance                                                        | 54,500             | 65,960             | (11,460)                               | 46,750                  | 45,914            | 836                                    | 34,500                         | 36,063            | (1,563)                                | 28,650           | 28,828            | (178)                                  |
| Rents & Debt Service                                             | 780,413            | 775,413            | 5,000                                  | 950,271                 | 970,677           | (20,406)                               | 352,148                        | 369,902           | (17,754)                               | 21,001           | 20,698            | 303                                    |
| Capital Purchases                                                | 10,000             | 148,891            | (138,891)                              | 94,500                  | 290,363           | (195,863)                              | -                              | -                 | -                                      | -                | -                 | -                                      |
| Facilities Repairs & Maintenance                                 | 196,000            | 163,233            | 32,767                                 | 156,000                 | 214,746           | (58,746)                               | 62,000                         | 68,836            | (6,836)                                | 45,500           | 44,422            | 1,078                                  |
| Utilities                                                        | 108,000            | 97,830             | 10,170                                 | 115,000                 | 111,459           | 3,541                                  | 76,200                         | 71,552            | 4,648                                  | 52,200           | 47,486            | 4,714                                  |
| Nutrition & Food                                                 | 7,500              | 7,287              | 213                                    | 3,000                   | 2,655             | 345                                    | 2,500                          | 3,836             | (1,336)                                | 5,000            | 1,522             | 3,478                                  |
| Before & After Care                                              | -                  | 3,388              | (3,388)                                | -                       | 2,219             | (2,219)                                | -                              | 2,783             | (2,783)                                | -                | 2,211             | (2,211)                                |
| COVID-19                                                         | 160,733            | 28,344             | 132,389                                | 123,798                 | 32,963            | 90,835                                 | 24,435                         | 11,521            | 12,914                                 | 75,087           | 2,362             | 72,725                                 |
| Transportation & Travel                                          | 12,500             | 12,278             | 222                                    | 17,000                  | 31,511            | (14,511)                               | 2,000                          | 2,706             | (706)                                  | 13,000           | 15,836            | (2,836)                                |
| <b>Total expenditures</b>                                        | <b>9,005,979</b>   | <b>8,871,122</b>   | <b>134,857</b>                         | <b>6,949,556</b>        | <b>7,042,728</b>  | <b>(93,172)</b>                        | <b>3,754,181</b>               | <b>3,649,322</b>  | <b>104,859</b>                         | <b>1,519,196</b> | <b>1,293,457</b>  | <b>225,739</b>                         |
| <b>Excess (deficiency) of revenues over (under) expenditures</b> | <b>(134,412)</b>   | <b>(10,381)</b>    | <b>124,031</b>                         | <b>(219,633)</b>        | <b>(323,336)</b>  | <b>(103,703)</b>                       | <b>97,865</b>                  | <b>187,299</b>    | <b>89,434</b>                          | <b>(182,584)</b> | <b>41,580</b>     | <b>224,164</b>                         |
| <b>Other financing sources (uses):</b>                           |                    |                    |                                        |                         |                   |                                        |                                |                   |                                        |                  |                   |                                        |
| Transfers from other funds                                       | -                  | -                  | -                                      | -                       | -                 | -                                      | -                              | -                 | -                                      | -                | (9,883)           | -                                      |
| Loan proceeds                                                    | 695,181            | 695,181            | -                                      | 516,719                 | 516,719           | -                                      | 276,181                        | 276,181           | -                                      | 131,519          | 131,519           | -                                      |
| Unappropriated fund balance                                      | (560,769)          | -                  | (560,769)                              | (297,086)               | -                 | (297,086)                              | (374,046)                      | -                 | (374,046)                              | 51,065           | -                 | 51,065                                 |
| Total other financing sources and (uses)                         | 134,412            | 695,181            | (560,769)                              | 219,633                 | 516,719           | (297,086)                              | (97,865)                       | 276,181           | (374,046)                              | 182,584          | 121,636           | 51,065                                 |
| <b>Net change in fund balances</b>                               | <b>\$ -</b>        | <b>684,800</b>     | <b>\$ 684,800</b>                      | <b>\$ -</b>             | <b>193,383</b>    | <b>\$ 193,383</b>                      | <b>\$ -</b>                    | <b>463,480</b>    | <b>\$ 463,480</b>                      | <b>\$ -</b>      | <b>163,216</b>    | <b>\$ 173,099</b>                      |
| Fund balances, beginning                                         |                    | 1,840,297          |                                        |                         | 675,315           |                                        |                                | 359,941           |                                        |                  | 128,004           |                                        |
| Fund balances, ending                                            |                    | <u>\$2,525,097</u> |                                        |                         | <u>\$ 868,698</u> |                                        |                                | <u>\$ 823,421</u> |                                        |                  | <u>\$ 291,220</u> |                                        |

Charter Day School, Inc.  
Schedule of Revenues, Expenditures, and  
Changes in Subfund Balances - Budget and Actual  
Special Revenue Subfund - Federal Grants  
For Year Ended June 30, 2020

|                                                              | Charter Day School |                |                                        | Columbus Charter School |                |                                        | South Brunswick Charter School |                |                                        | Douglass Academy |                |                                        |
|--------------------------------------------------------------|--------------------|----------------|----------------------------------------|-------------------------|----------------|----------------------------------------|--------------------------------|----------------|----------------------------------------|------------------|----------------|----------------------------------------|
|                                                              | Final<br>Budget    | Actual         | Variance<br>Favorable<br>(Unfavorable) | Final<br>Budget         | Actual         | Variance<br>Favorable<br>(Unfavorable) | Final<br>Budget                | Actual         | Variance<br>Favorable<br>(Unfavorable) | Final<br>Budget  | Actual         | Variance<br>Favorable<br>(Unfavorable) |
| Revenues:                                                    |                    |                |                                        |                         |                |                                        |                                |                |                                        |                  |                |                                        |
| U.S. Government                                              | \$ 590,713         | \$ 339,425     | \$ (251,288)                           | \$ 552,364              | \$ 259,636     | \$ (292,728)                           | \$ 150,803                     | \$ 119,480     | \$ (31,323)                            | \$ 229,249       | \$ 108,427     | \$ (120,822)                           |
| Total revenues                                               | <u>590,713</u>     | <u>339,425</u> | <u>(251,288)</u>                       | <u>552,364</u>          | <u>259,636</u> | <u>(292,728)</u>                       | <u>150,803</u>                 | <u>119,480</u> | <u>(31,323)</u>                        | <u>229,249</u>   | <u>108,427</u> | <u>(120,822)</u>                       |
| Expenditures:                                                |                    |                |                                        |                         |                |                                        |                                |                |                                        |                  |                |                                        |
| Salaries & Benefits                                          |                    |                |                                        |                         |                |                                        |                                |                |                                        |                  |                |                                        |
| Salaries & Bonuses                                           | 456,399            | 314,433        | 141,966                                | 374,949                 | 213,214        | 161,735                                | 114,109                        | 109,150        | 4,959                                  | 179,445          | 99,692         | 79,753                                 |
| Benefits                                                     | 27,331             | 22,839         | 4,492                                  | 43,749                  | 37,173         | 6,576                                  | 8,729                          | 8,329          | 400                                    | 8,292            | 7,851          | 441                                    |
| Total Salaries & Benefits                                    | <u>483,730</u>     | <u>337,272</u> | <u>146,458</u>                         | <u>418,698</u>          | <u>250,387</u> | <u>168,311</u>                         | <u>122,838</u>                 | <u>117,479</u> | <u>5,359</u>                           | <u>187,737</u>   | <u>107,543</u> | <u>80,194</u>                          |
| Books & Supplies                                             | 76,686             | 1,463          | 75,223                                 | 86,788                  | 1,089          | 85,699                                 | 26,652                         | 1,394          | 25,258                                 | 25,137           | 884            | 24,253                                 |
| Contracted Student Services                                  | -                  | -              | -                                      | 9,535                   | 8,160          | 1,375                                  | -                              | 607            | (607)                                  | -                | -              | -                                      |
| Staff Development                                            | 29,680             | 690            | 28,990                                 | 940                     | -              | 940                                    | 815                            | -              | 815                                    | 15,596           | -              | 15,596                                 |
| Miscellaneous                                                | 617                | -              | 617                                    | 36,403                  | -              | 36,403                                 | 498                            | -              | 498                                    | 779              | -              | 779                                    |
| Total expenditures                                           | <u>590,713</u>     | <u>339,425</u> | <u>251,288</u>                         | <u>552,364</u>          | <u>259,636</u> | <u>292,728</u>                         | <u>150,803</u>                 | <u>119,480</u> | <u>31,323</u>                          | <u>229,249</u>   | <u>108,427</u> | <u>120,822</u>                         |
| Excess (deficiency) of revenues over<br>(under) expenditures | -                  | -              | -                                      | -                       | -              | -                                      | -                              | -              | -                                      | -                | -              | -                                      |
| Other financing sources (uses):                              |                    |                |                                        |                         |                |                                        |                                |                |                                        |                  |                |                                        |
| Transfers from other funds                                   | -                  | -              | -                                      | -                       | -              | -                                      | -                              | -              | -                                      | -                | -              | -                                      |
| Note payable issued                                          | -                  | -              | -                                      | -                       | -              | -                                      | -                              | -              | -                                      | -                | -              | -                                      |
| Unappropriated fund balance                                  | -                  | -              | -                                      | -                       | -              | -                                      | -                              | -              | -                                      | -                | -              | -                                      |
| Total other financing sources and (uses)                     | -                  | -              | -                                      | -                       | -              | -                                      | -                              | -              | -                                      | -                | -              | -                                      |
| Net change in fund balances                                  | <u>\$ -</u>        | <u>-</u>       | <u>\$ -</u>                            | <u>\$ -</u>             | <u>-</u>       | <u>\$ -</u>                            | <u>\$ -</u>                    | <u>-</u>       | <u>\$ -</u>                            | <u>\$ -</u>      | <u>-</u>       | <u>\$ -</u>                            |
| Fund balances, beginning                                     |                    | -              |                                        |                         | -              |                                        |                                | -              |                                        |                  | -              |                                        |
| Fund balances, ending                                        |                    | <u>\$ -</u>    |                                        |                         | <u>\$ -</u>    |                                        |                                | <u>\$ -</u>    |                                        |                  | <u>\$ -</u>    |                                        |

**Charter Day School, Inc.**  
**School Food Service**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For Year Ended June 30, 2020**

|                                                                         | Columbus Charter School |                  |                                        | Douglass Academy |                 |                                        |
|-------------------------------------------------------------------------|-------------------------|------------------|----------------------------------------|------------------|-----------------|----------------------------------------|
|                                                                         | Final<br>Budget         | Actual           | Variance<br>Favorable<br>(Unfavorable) | Final<br>Budget  | Actual          | Variance<br>Favorable<br>(Unfavorable) |
| Operating Revenues:                                                     |                         |                  |                                        |                  |                 |                                        |
| Lunch sales                                                             | \$ -                    | \$ 164           | \$ -                                   | \$ -             | \$ -            | \$ -                                   |
| Total operating revenues                                                | <u>-</u>                | <u>164</u>       | <u>(164)</u>                           | <u>-</u>         | <u>-</u>        | <u>-</u>                               |
| Operating Expenditures:                                                 |                         |                  |                                        |                  |                 |                                        |
| Contracted Food Services                                                | 190,000                 | 378,320          | (188,320)                              | 60,270           | 57,074          | 3,196                                  |
| Other Expenses                                                          | -                       | 1,671            | (1,671)                                | -                | -               | -                                      |
| Salaries and benefits                                                   | -                       | -                | -                                      | 14,930           | 14,136          | 794                                    |
| Total operating expenditures                                            | <u>190,000</u>          | <u>379,991</u>   | <u>(189,991)</u>                       | <u>75,200</u>    | <u>71,210</u>   | <u>3,990</u>                           |
| Operating Income (Loss)                                                 | <u>(190,000)</u>        | <u>(379,827)</u> | <u>189,827</u>                         | <u>(75,200)</u>  | <u>(71,210)</u> | <u>(3,990)</u>                         |
| Nonoperating revenues (expenses)                                        |                         |                  |                                        |                  |                 |                                        |
| Federal reimbursements                                                  | 190,000                 | 395,345          | (205,345)                              | 75,200           | 61,326          | 13,874                                 |
| Unappropriated fund balance                                             | -                       | -                | -                                      | -                | -               | -                                      |
| Transfers from other funds                                              | -                       | -                | -                                      | -                | 9,883           | (9,883)                                |
| Total other financing sources                                           | <u>190,000</u>          | <u>395,345</u>   | <u>(205,345)</u>                       | <u>75,200</u>    | <u>71,209</u>   | <u>3,991</u>                           |
| Excess of revenues and other sources over expenditures                  | <u>\$ -</u>             | <u>15,518</u>    | <u>\$ 15,518</u>                       | <u>\$ -</u>      | <u>(1)</u>      | <u>\$ (7,981)</u>                      |
| Reconciliation from budgetary basis (modified accrual) to full accrual: |                         |                  |                                        |                  |                 |                                        |
| Reconciling Items:                                                      |                         |                  |                                        |                  |                 |                                        |
| Depreciation                                                            |                         | -                |                                        |                  | -               |                                        |
| Capital Outlay                                                          |                         | -                |                                        |                  | -               |                                        |
| Change in net position (full accrual)                                   |                         | 15,518           |                                        |                  | (1)             |                                        |
| Total net position, beginning                                           |                         | 13,628           |                                        |                  | 9,885           |                                        |
| Total net position, ending                                              |                         | <u>\$ 29,146</u> |                                        |                  | <u>\$ 9,884</u> |                                        |

**Charter Day School, Inc.**  
**Before and After School**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For Year Ended June 30, 2020**

|                                                                         | Douglass Academy |                  |                                        |
|-------------------------------------------------------------------------|------------------|------------------|----------------------------------------|
|                                                                         | Final<br>Budget  | Actual           | Variance<br>Favorable<br>(Unfavorable) |
| Operating Revenues:                                                     |                  |                  |                                        |
|                                                                         | \$ -             | \$ 14,288        | \$ 14,288                              |
| Total operating revenues                                                | -                | 14,288           | (14,288)                               |
| Operating Expenditures:                                                 |                  |                  |                                        |
| Other Food Purchases                                                    | -                | 1,750            | (1,750)                                |
| Total operating expenditures                                            | -                | 1,750            | (1,750)                                |
| Operating Income (Loss)                                                 | -                | 12,538           | (12,538)                               |
| Nonoperating revenues (expenses)                                        |                  |                  |                                        |
| Federal reimbursements                                                  | -                | -                | -                                      |
| Unappropriated fund balance                                             | -                | -                | -                                      |
| Transfers from other funds                                              | -                | -                | -                                      |
| Total other financing sources                                           | -                | -                | -                                      |
| Excess of revenues and other sources over expenditures                  | \$ -             | 12,538           | \$ (12,538)                            |
| Reconciliation from budgetary basis (modified accrual) to full accrual: |                  |                  |                                        |
| Reconciling Items:                                                      |                  |                  |                                        |
| (Increase) in due from other governments                                |                  | -                | -                                      |
| Increase (decrease) in accounts payable and accrued liabilities         |                  | -                | -                                      |
| Change in net position (full accrual)                                   |                  | 12,538           |                                        |
| Total net position, beginning                                           |                  | 12,382           |                                        |
| Total net position, ending                                              |                  | <u>\$ 24,920</u> |                                        |

COMPLIANCE SECTION  
CHARTER DAY SCHOOL, INC.  
LELAND, NORTH CAROLINA  
JUNE 30, 2020

**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**

**PETWAY  
MILLS &  
PEARSON, PA**

*CERTIFIED PUBLIC ACCOUNTANTS*

C. Briggs Petway, Jr.  
Phyllis M. Pearson

*Zebulon Office*  
P.O. Box 1036  
806 N. Arendell Ave.  
Zebulon, NC 27597  
919.269.7405  
919.269.8728 Fax

*Raleigh Office*  
9121 Anson Way  
Suite 200  
Raleigh, NC 27615  
919.781.1047

[www.pmpcpa.com](http://www.pmpcpa.com)

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North Carolina  
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Accountants

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of Certified Public  
Accountants

**Independent Auditors' Report**

To the Board of Trustees  
Charter Day School, 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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Charter Day School, Inc. as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Charter Day School, Inc.'s basic financial statements, and have issued our report thereon dated November 6, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Charter Day School, 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 Charter Day School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Charter Day School, Inc.'s statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express

such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Petway Mills & Pearson, PA*

PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

November 6, 2020

**Independent Auditors' Report on Compliance for Each Major Federal Program  
and on Internal Control over Compliance in Accordance with Uniform Guidance  
and the State Single Audit Implementation Act**

**PETWAY  
MILLS &  
PEARSON, PA**

*CERTIFIED PUBLIC ACCOUNTANTS*

C. Briggs Petway, Jr.  
Phyllis M. Pearson

*Zebulon Office*  
P.O. Box 1036  
806 N. Arendell Ave.  
Zebulon, NC 27597  
919.269.7405  
919.269.8728 Fax

*Raleigh Office*  
9121 Anson Way  
Suite 200  
Raleigh, NC 27615  
919.781.1047

www.pmpcpa.com

*Memberships:*

North Carolina  
Association of  
Certified Public  
Accountants

American Institute  
of Certified Public  
Accountants

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

**Report on Compliance for Each Major Federal Program**

We have audited Charter Day School, Inc.'s (the School) compliance with the types of compliance requirements described in the *U.S. Code of Federal Regulations (CFR)* 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 Charter Day School, Inc.'s major federal programs for the year ended June 30, 2020. Charter Day School, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for Charter Day School, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Charter Day School, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Charter Day School, Inc.'s compliance.

**Opinion on Each Major Federal Program**

In our opinion, Charter Day School, 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, 2020.

## Report on Internal Control Over Compliance

Management of Charter Day School, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Charter Day School, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's 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 the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Petway Mills & Pearson, PA*

PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

November 6, 2020

**PETWAY  
MILLS &  
PEARSON, PA**

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**Report on Compliance for Each Major State Program and on Internal Control  
over Compliance in Accordance with Uniform Guidance and the State Single  
Audit Implementation Act**

**Independent Auditors' Report**

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

**Report on Compliance for Each Major State Program**

We have audited Charter Day School, 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 Charter Day School, Inc.'s major State program as of and for the year ended June 30, 2020. Charter Day School, Inc.'s major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for Charter Day School, Inc.'s major State program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in and applicable sections of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about Charter Day School, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major State program. However, our audit does not provide a legal determination of Charter Day School, Inc.'s compliance.

**Opinion on Each Major State Program**

In our opinion, Charter Day School, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State program as of and for the year ended June 30, 2020.

## Report on Internal Control over Compliance

Management of Charter Day School, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Charter Day School, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Petway Mills & Pearson, PA*

PETWAY MILLS & PEARSON, PA  
Certified Public Accountants  
Zebulon, North Carolina

November 6, 2020

CHARTER DAY SCHOOL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I. -- SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified.

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency (ies) identified  
that are not considered to be  
material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial  
statements noted ☐ yes ☒ no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency (ies) identified  
that are not considered to be  
material weaknesses? ☐ yes ☒ none reported

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

Any audit findings disclosed that are required  
to be reported in accordance with  
Uniform Guidance ☐ yes ☒ no

Identification of major federal programs:

| <u>Program Name</u>           | <u>CFDA No.</u> |
|-------------------------------|-----------------|
| Special Education Cluster     | 84.027, 84.173  |
| National School Lunch Program | 10.555          |

Dollar threshold used to distinguish between  
Type A and Type B Programs \$ 750,000

State Awards

Internal control over major State programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiency (ies) identified  
that are not considered to be  
material weaknesses? ☐ yes ☒ 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  
Uniform Guidance ☐ yes ☒ no

Identification of major State programs:

| <u>Program Name</u>                                        |
|------------------------------------------------------------|
| State Public School Funds (PRC 036 - Charter School Funds) |

CHARTER DAY SCHOOL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None required.

SECTION III. - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CHARTER DAY SCHOOL, INC.  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None required.

SECTION III. - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None required.

SECTION IV. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None required.

CHARTER DAY SCHOOL, INC.  
SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020

There were no findings for the fiscal year ended June 30, 2019.

CHARTER DAY SCHOOL, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020

| GRANTOR/PASS-THROUGH GRANTOR<br>PROGRAM TITLE           | FEDERAL<br>CFDA<br>NUMBER | STATE/<br>PASS-THROUGH<br>GRANTOR'S<br>NUMBER | EXPENDITURES         |
|---------------------------------------------------------|---------------------------|-----------------------------------------------|----------------------|
| <b>FEDERAL GRANTS:</b>                                  |                           |                                               |                      |
| CASH ASSISTANCE                                         |                           |                                               |                      |
| <u>US Department of Education</u>                       |                           |                                               |                      |
| <b>Special Education Cluster</b>                        |                           |                                               |                      |
| IDEA VI B Special Needs Targeted Assistance             | 84.027                    | PRC 118                                       | \$ 5,251             |
| IDEA Part B Handicapped                                 | 84.027                    | PRC 060                                       | 344,959              |
| IDEA Part B Preschool                                   | 84.173                    | PRC 049                                       | 1,535                |
| Total Special Education Cluster                         |                           |                                               | <u>351,745</u>       |
| <b>Rural Education Cluster</b>                          |                           |                                               |                      |
| Passed Through the NC Department of Public Instruction: |                           |                                               |                      |
| Small Rural Schools Achievement Program                 | 84.358                    | PRC 091                                       | <u>30,222</u>        |
| Direct Program                                          |                           |                                               |                      |
| Small Rural Schools Achievement Program                 | 84.358                    | PRC 109                                       | <u>31,635</u>        |
| Total Rural Education Cluster                           |                           |                                               | <u>61,857</u>        |
| <b>Title I, Part A Cluster</b>                          |                           |                                               |                      |
| Title I - LEA Basic Funding                             | 84.010                    | PRC 050                                       | 437,501              |
| Title I - ESEA                                          | 84.010                    | PRC 115                                       | 7,500                |
| Total Title 1, Part A Cluster                           |                           |                                               | <u>445,001</u>       |
| Total US Department of Education                        |                           |                                               | <u>858,603</u>       |
| <u>US Department of Agriculture</u>                     |                           |                                               |                      |
| Passed Through the NC Department of Public Instruction  |                           |                                               |                      |
| National School Lunch Program                           | 10.555                    | PRC 035                                       | <u>451,200</u>       |
| TOTAL FEDERAL CASH ASSISTANCE                           |                           |                                               | <u>1,309,803</u>     |
| <b>STATE OF NORTH CAROLINA GRANTS:</b>                  |                           |                                               |                      |
| CASH ASSISTANCE                                         |                           |                                               |                      |
| <u>NC Department of Public Instruction</u>              |                           |                                               |                      |
| State Public School Funds<br>(Charter School Funds)     |                           | PRC 036                                       | 14,731,855           |
| Test Result Bonus                                       |                           | PRC 046                                       | 3,768                |
| Test Result Bonus                                       |                           | PRC 048                                       | 12,918               |
| COVID-19 Supplemental Fund                              |                           | PRC 154                                       | 73,460               |
| Summer Camp School Funds<br>(Summer Camp Funds)         |                           | PRC 016                                       | <u>50,448</u>        |
| TOTAL STATE CASH ASSISTANCE                             |                           |                                               | <u>14,872,449</u>    |
| TOTAL FEDERAL AND STATE AWARDS                          |                           |                                               | <u>\$ 16,182,252</u> |

Note to the Schedule of Expenditures of State Financial Awards:

Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards includes the federal and State grant activity of Charter Day School, Inc. as of June 30, 2020 and is presented on the accrual basis of accounting. The information in this SEFSA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Charter Day School, Inc., it is not intended to and does not present the financial position, changes in net position or cash flows of Charter Day School, Inc..

Indirect Costs

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

Summary of Accounting Policies

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