

AUDITED FINANCIAL STATEMENTS

CHARTER DAY SCHOOL, INC.

LELAND, NORTH CAROLINA

JUNE 30, 2019

Board of Trustees

Robert Spencer
Chairman

Suzanne West
Trustee

Melissa S. Gott
Trustee

W. Chad Adams
Trustee

Colleen Combs
Trustee

Theodore Bodenschatz
Trustee

Officers

Baker A. Mitchell, Jr.
Secretary

Mark Dudeck
Treasurer

CHARTER DAY SCHOOL, INC.
TABLE OF CONTENTS
JUNE 30, 2019

	<u>EXHIBIT</u>	<u>PAGE</u>
FINANCIAL SECTION		
Independent Auditors' Report		7
Management's Discussion and Analysis		9
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	24
Statement of Activities	2	25
Fund Financial Statements:		
<u>Governmental Funds</u>		
Balance Sheet	3	26
Statement of Revenues, Expenditures, and Changes in Fund Balances	4	27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	28
<u>Proprietary Funds</u>		
Statement of Net Position	6	29
Statement of Revenues, Expenses, and Changes in Fund Net Position	7	30
Statement of Cash Flows	8	31
Notes to the Financial Statements		32
Required Supplementary Information		
<u>Non-major Governmental Subfunds</u>		
Balance Sheet	1	51
Statement of Revenues, Expenditures and Changes in Subfund balance	2	52

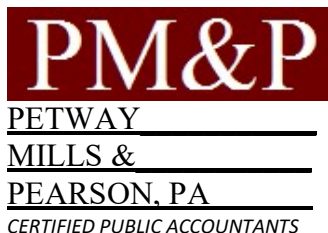
CHARTER DAY SCHOOL, INC.
TABLE OF CONTENTS
JUNE 30, 2019

	STATEMENT	PAGE
<u>Combining Statements</u>		
<u>Charter Day School</u>		
Combining Balance Sheet by Governmental Subfund	3	54
Combining Statement of Revenue, Expenditures and Changes in Governmental Subfund Balances	4	55
<u>Columbus Charter School</u>		
Combining Balance Sheet by Governmental Subfund	5	56
Combining Statement of Revenue, Expenditures and Changes in Governmental Subfund Balances	6	57
Combining Statement of Net Position by Proprietary Subfund	7	58
Combining Statement of Revenues, Expenditures, and Changes in Subfund Net Position	8	59
Combining Statement of Cash Flows by Proprietary Subfund	9	60
<u>South Brunswick Charter School</u>		
Combining Balance Sheet by Governmental Subfund	10	61
Combining Statement of Revenue, Expenditures and Changes in Governmental Subfund Balances	11	62
<u>Douglass Academy</u>		
Combining Balance Sheet by Governmental Subfund	12	63
Combining Statement of Revenue, Expenditures and Changes in Governmental Subfund Balances	13	64
Combining Statement of Net Position by Proprietary Subfund	14	65
Combining Statement of Revenues, Expenditures, and Changes in Subfund Net Position	15	66
Combining Statement of Cash Flows by Proprietary Subfund	16	67

CHARTER DAY SCHOOL, INC.
TABLE OF CONTENTS
JUNE 30, 2019

	<u>SCHEDULE</u>	<u>PAGE</u>
 <u>Budget to Actual Schedules</u>		
All Funds Except Federal Subfunds and Enterprise Subfunds	1	69
Federal Grants	2	70
School Food Service	3	71
Before and After School	4	72
 COMPLIANCE SECTION		
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		74
Independent Auditor's 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		76
Independent Auditor's 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		78
Schedule of Findings and Questioned Costs		80
Corrective Action Plan		82
Summary Schedule of Prior Years' Audit Findings		43
Schedule of Expenditures of Federal and State Awards		84

FINANCIAL SECTION
CHARTER DAY SCHOOL, INC.
LELAND, NORTH CAROLINA
JUNE 30, 2019



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, 2019, 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, 2019, and the respective changes in financial position for the year ended June 30, 2019 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

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
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
Of Certified Public
Accountants

Medical Group
Management
Association

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 9 through 23 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 October 21, 2019 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
October 21, 2019



EXCELLENCE WITHOUT EXCUSES



7055 Bacon's Way, Leland, NC 28451
910-655-1214 www.charterdayschool.net

Management's Discussion and Analysis

Charter Day School, Inc.

June 30, 2019



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, 2019



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 surrounding district schools on End-of-Grade tests in 2018-2019.
- Diverse student population, including 11.7% special needs students, 32.3% non-white students, and 48.6% 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 Direct Instruction Wesley Becker Excellent School Award.



Academic Performance
2018-2019

Charter Day School EOG Results 2018-19
Percent of Students Proficient

	All Subjects	ELA/Reading	Math	Science
Charter Day School	74.6%	74.3%	71.7%	84.7%
North Carolina	58.8%	57.2%	58.6%	75.5%
Brunswick County	59.5%	55.1%	57.9%	78.8%
New Hanover Co.	65.0%	63.5%	66.2%	81.2%

Charter Day School's elementary campus and South Brunswick Charter School joined the district's Union Elementary School as the top three highest-scoring elementary schools in Brunswick County.

Charter Day School's middle school campus provided Brunswick County's highest-scoring middle school, by a margin of 15.2 percentage points.

Charter Day School's EOG performance average of 74.6% exceeds the state average (58.8%) by 15.8 percentage points and the county average (59.5%) by 9.4 percentage points. Charter Day School is a Title I school, which means that 40% or more of its students are economically disadvantaged. The school was one of three elementary schools in Brunswick County to earn a school performance grade of "B."

Management's Discussion and Analysis
Charter Day School, Inc.
June 30, 2019



Columbus Charter School EOG Results 2018-19

Percent of Students Proficient

	All Subjects	ELA/Reading	Math	Science
Columbus Charter	64.4%	67.3%	51.1%	87.3%
North Carolina	58.8%	57.2%	58.6%	75.5%
Columbus Co.	51.9%	52.0%	50.8%	69.8%
Bladen Co.	47.5%	47.1%	44.2%	68.7%

Columbus Charter School's elementary is one of three elementary schools in Columbus County to exceed growth expectations. Overall, Columbus Charter School's performance average exceeded state, Columbus County, and Bladen County performance averages. The Bladen County district is included in this comparison, as Columbus Charter School serves significant populations of students residing in Bladen County.

Columbus Charter School's EOG performance average is 64.4%. The state performance average is 58.8%. The Columbus and Bladen districts' performance averages are 51.9% and 47.5%, respectively. Columbus Charter School is a Title 1 school, which means that 40% or more of its students are economically disadvantaged. The school earned a school performance grade of "C."

Management's Discussion and Analysis
Charter Day School, Inc.
June 30, 2019



Douglass Academy EOG Results 2018-19

Percent of Students Proficient

	All Subjects	ELA/Reading	Math	Science
Douglass Academy <i>15 attendees since K</i>	64.5%	73.3%	53.3%	*
Douglass Academy <i>includes transfers</i>	48.6%	56.0%	40.0%	54.6%
Snipes Academy	34.1%	30.4%	34.0%	43.8%
Freeman School	25.8%	19.4%	23.2%	58.8%
Gregory	52.5%	52.5%	48.2%	69.0%
D.C. Virgo <i>Lab School</i>	30.9%	27.4%	25.5%	56.4%
North Carolina	58.8%	57.2%	58.6%	75.5%
New Hanover Co.	65.0%	63.5%	66.2%	81.2%

*** = not enough data to report score**

Douglass Academy's achievement score of tests passed, including a large number of transfer students, is 48.6% on the Common Core End-Of-Grade tests. For comparison, the four neighboring elementary schools—Rachel Freeman, Snipes Academy, D.C. Virgo and Gregory—reveal that 25.8%, 34.1%, 30.9% and 52.5% of tests were passed, respectively. Douglass Academy also met its growth expectation and was the only one of the schools to make a “C” in reading.

Management's Discussion and Analysis
Charter Day School, Inc.
June 30, 2019



South Brunswick Charter School EOG Results 2018-19
Percent of Students Proficient

	All Subjects	ELA/Reading	Math	Science
S B Charter School	76.5%	75.2%	75.2%	86.5%
North Carolina	58.8%	57.2%	58.6%	75.5%
Brunswick County	59.5%	55.1%	57.9%	78.8%

South Brunswick Charter School and Charter Day School's elementary campus joined the district's Union Elementary School as the top three highest-scoring elementary schools in Brunswick County.

South Brunswick Charter School's EOG performance average of 76.5% exceeds the state average (58.8%) by 17.7 percentage points and the county average (59.5%) by 17 percentage points. South Brunswick Charter School is a Title 1 school, which means that 40% or more of its students are economically disadvantaged. The school was one of three elementary schools in Brunswick County to earn a school performance grade of "B."

Management's Discussion and Analysis
Charter Day School, Inc.
June 30, 2019



Management's Discussion and Analysis
Charter Day School
June 30, 2019

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, 2019. 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 decline of 5.4% from the 2017-2018 academic year to the 2018-2019 academic year, with an enrollment decrease from 2,241 students to 2,124 students. The Charter Day School, Inc. family of charter schools increased its student enrollment at all four schools for the 2019-2020 school year by 117 students, a 5.5% increase.
 - **Charter Day School** enrollment increased 6 students with the 2018-2019 school year enrollment of 953 students. Enrollment for the 2019-2020 school year increased by 10 students for a total of 963.
 - **Columbus Charter School** enrollment decreased 97 students with the 2018-2019 school year enrollment of 658 students. Enrollment for the 2019-2020 school year increased by 97 students for a total of 755.
 - **Douglass Academy** enrollment decreased 66 students with the 2018-2019 school year enrollment of 119 students. Enrollment for the 2019-2020 school year increased by 8 students for a total of 127.
 - **South Brunswick Charter School** enrollment increased 36 students with the 2018-2019 school year enrollment of 394 students. Enrollment for the 2019-2020 school year increased by 2 students for a total of 396.
- The assets of Charter Day School, Inc. exceeded its liabilities at the close of the fiscal year by \$5,671,081 (net position).
- Charter Day School, Inc.'s total net position increased by \$824,759, due to increases in the governmental activities net position.
- As of the close of the current fiscal year, Charter Day School, Inc.'s governmental funds reported combined ending fund balances of \$3,003,557 an increase of \$565,020 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 \$7,053,151, an increase of \$51,775 in comparison with the prior year's \$7,001,376.
- Per-pupil revenue from governmental sources for the 2018-2019 year was \$8,447, compared to \$8,378 in 2017-2018.
- Charter Day School, Inc. has long-term debt of \$4,421,522 of which \$199,191 is due within one year.

Management's Discussion and Analysis
Charter Day School, Inc.
June 30, 2019

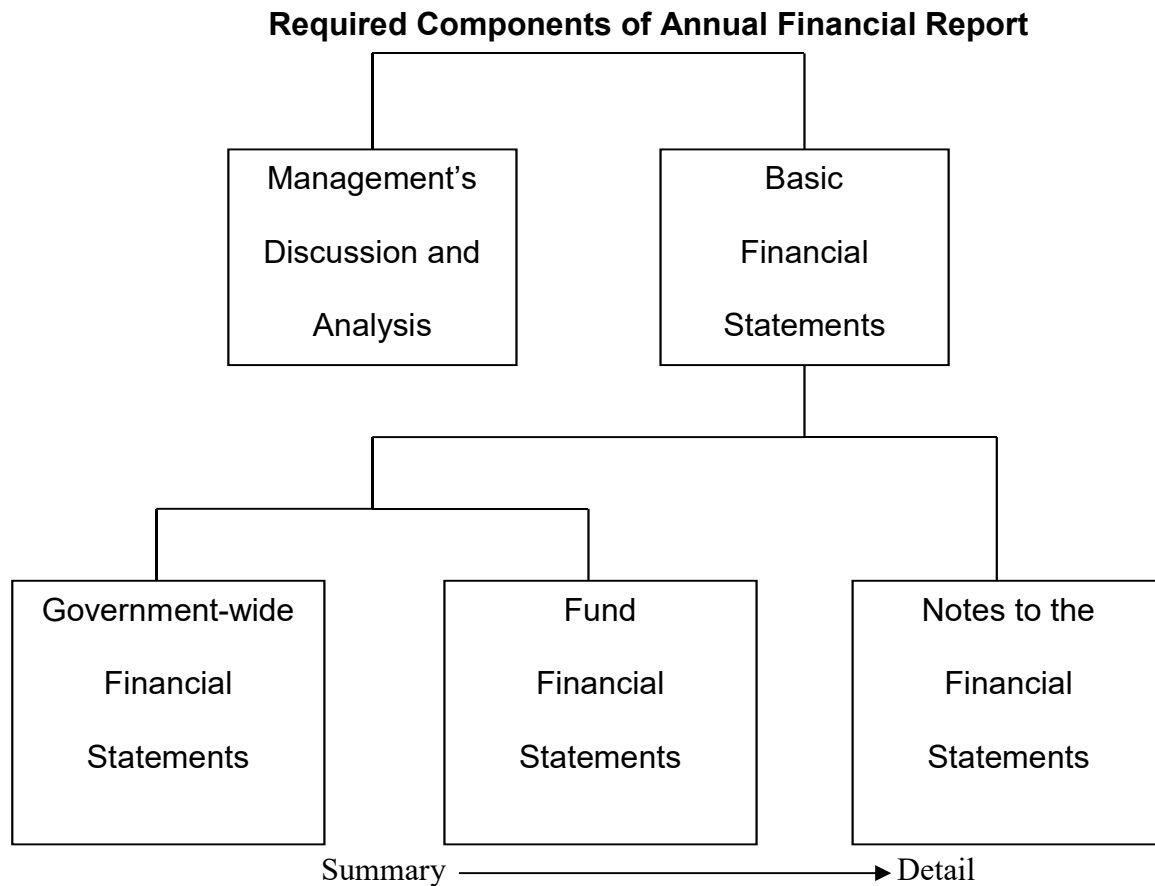


- Charter Day School, Inc. spent \$117,766 in legal fees defending the lawsuit regarding the school's uniform policy, these expenses were offset by insurance proceeds of \$175,182.

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, 2019



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 School's net position and how they have changed. Net position equals the difference between the School's total assets and total liabilities. Measuring net position 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, 2019



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 School's programs. The relationship between government activities (reported in the Statement of Net Position 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 32 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a school's financial condition. The assets of Charter Day School, Inc. exceeded liabilities by \$5,671,081 as of June 30, 2019. As of June 30, 2018, the net position of Charter Day School, Inc. stood at \$4,896,322. The School's net position increased by \$824,759 for the fiscal year ended June 30, 2019. The amount of \$2,631,629 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 \$3,039,452 is unrestricted.

Management's Discussion and Analysis
Charter Day School, Inc.
June 30, 2019



Figure 2
Charter Day School Inc.'s Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 3,444,168	\$ 2,751,230	\$ 37,894	\$ 14,663	\$ 3,482,062	\$ 2,765,893
Due from other governments	14,704	9,182	0	2,989	14,704	12,171
Capital assets, net of depreciation	7,053,151	7,001,376	0	0	7,053,151	7,001,376
Total assets	<u>10,512,023</u>	<u>9,761,788</u>	<u>37,894</u>	<u>17,652</u>	<u>10,549,917</u>	<u>9,779,440</u>
Other liabilities	455,315	321,875	1,999	0	457,314	321,875
Longterm Debt	4,421,522	4,611,243	0	0	4,421,522	4,611,243
Total liabilities	<u>4,876,837</u>	<u>4,933,118</u>	<u>1,999</u>	<u>0</u>	<u>4,878,836</u>	<u>4,933,118</u>
Invested in capital assets, net of related debt	2,631,629	2,390,133	0	0	2,631,629	2,390,133
Unrestricted	3,003,557	2,438,537	0	0	3,003,557	2,438,537
Total net position	<u>\$ 5,635,186</u>	<u>\$ 4,828,670</u>	<u>\$ 35,895</u>	<u>\$17,652</u>	<u>\$ 5,671,081</u>	<u>\$ 4,846,322</u>

Several aspects of the School's financial operations positively influenced the total unrestricted governmental net position:

- The School 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 School applied for and was awarded several federal grants to assist with meeting the educational needs of the student population.
- The School 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, 2019



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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
						\$
Other Revenues	\$960,217	\$1,280,878	\$0	\$ 0	\$ 960,217	1,280,878
Charges for services	0	0	49,834	67,094	49,834	67,094
Operating Grants and Contributions	716,385	738,783	272,690	224,087	989,075	962,870
County, State, and Federal Funds	18,321,537	18,171,487	0	0	18,321,537	18,171,487
Total revenues	19,998,139	20,191,148	322,524	291,181	20,320,663	20,482,329
Instructional Programs	13,743,743	12,916,015	304,462	279,605	14,048,205	13,195,620
Support services	5,283,299	6,431,632	0	0	5,283,299	6,431,632
Fund raising	0	0	0	0	0	0
Interest on short-term debt	164,400	186,591	0	0	164,400	186,591
Total expenses	19,191,442	19,534,238	304,462	279,605	19,495,904	19,813,843
Increase (Decrease) in net position before transfers	806,697	656,910	18,062	11,576	824,759	668,486
Transfers	(181)	(2,899)	181	2,899	0	0
Increase (Decrease) in net position	806,516	654,011	18,243	14,475	824,759	668,486
Net position, July 1	4,828,670	4,174,659	17,652	3,177	4,846,322	4,177,836
Net position, June 30	\$5,635,186	\$ 4,828,670	\$ 35,895	\$17,652	\$ 5,671,081	\$ 4,846,322

Governmental activities. Governmental activities increased the company's net position 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, unassigned fund balance can be a useful measure of the School'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, unassigned fund balance of the General Fund was \$3,003,557

Management's Discussion and Analysis
Charter Day School, Inc.
June 30, 2019



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, 2019, totals \$7,053,151 (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	
	2019	2018	2019	2018	2019	2018
Buildings/building improvements	\$ 3,941,626	\$ 4,063,411	\$ 0	\$ 0	\$ 3,941,626	\$ 4,063,411
Computers	0	0	0	0	0	0
Equipment	19,574	31,112	0	0	19,574	31,112
Land/land improvements	2,453,620	2,453,620	0	0	2,453,620	2,453,620
Leasehold improvements	340,794	359,496	0	0	340,794	359,496
Playground equipment	0	0	0	0	0	0
Textbooks	10,863	38,254	0	0	10,863	38,254
Vehicles	286,674	55,483	0	0	286,674	55,483
Total	\$ 7,053,151	\$ 7,001,376	\$ 0	\$ 0	\$ 7,053,151	\$ 7,001,376

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, 2019, Charter Day School, Inc. had outstanding debt of \$4,421,522, of which \$199,191 was due within a year.

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.
- Due to statutory enrollment limits, some of the schools were obligated to hold a random lottery in February 2019, and not all of the applicants were admitted for the upcoming year.
- The four schools received donations of \$735,768 during the 2018-2019 school year.

Management's Discussion and Analysis
Charter Day School, Inc.
June 30, 2019



- 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.
- Three buses were purchased during the 2018-2019 school year. Funds for these buses were approved by the board to come out of prior year surplus funds.
- Competitive salary increases effective for the 2018-2019 school year increased all school's expenditures but were partially offset by state revenue increases.
- Expenditures budgeted for Administrative Services increased in 2018-2019 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, 2019

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,440,880	\$ 32,470	\$ 3,473,350
Due from other governments	14,704	5,424	20,128
Accounts Receivable - other (net)	3,288	-	3,288
Capital assets:			
Land, improvements, and construction in progress	2,453,620	-	2,453,620
Other capital assets, net of depreciation	4,599,531	-	4,599,531
Total capital assets	7,053,151	-	7,053,151
Total assets	10,512,023	37,894	10,549,917
LIABILITIES			
Accounts payable - trade	455,315	1,999	457,314
Long - term liabilities:			
Due within one year	199,191	-	199,191
Due in more than one year	4,222,331	-	4,222,331
Total liabilities	4,876,837	1,999	4,878,836
NET POSITION			
Net investment in capital assets	2,631,629	-	2,631,629
Restricted for:			
Clubs and activities	-	-	-
Unrestricted	3,003,557	35,895	3,039,452
Total net position	\$ 5,635,186	\$ 35,895	\$ 5,671,081

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, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Instructional programs	\$ 13,472,453	\$ -	\$ 716,385	\$ -	\$ (12,756,068)	\$ -	\$ (12,756,068)
Support services	5,554,589	-	-	-	(5,554,589)	-	(5,554,589)
Interest on short-term debt	164,400	-	-	-	(164,400)	-	(164,400)
Total governmental activities	19,191,442	-	716,385	-	(18,475,057)	-	(18,475,057)
Business-type activities:							
School food service	303,732	36,722	272,690	-	-	5,680	5,680
Before and after school revenue	730	13,112	-	-	-	12,382	12,382
Total business-type activities	304,462	49,834	272,690	-	-	18,062	18,062
Total primary government	\$ 19,495,904	\$ 49,834	\$ 989,075	\$ -	(18,475,057)	18,062	(18,456,995)
General revenues:							
Unrestricted County appropriations					4,578,709	-	4,578,709
Unrestricted State appropriations					13,667,266	-	13,667,266
Unrestricted Federal appropriations					75,562	-	75,562
Donations - general					735,768	-	735,768
Miscellaneous, unrestricted					224,449	-	224,449
Transfers					(181)	181	-
Total general revenues and transfers					19,281,573	181	19,281,754
Change in net position					806,516	18,243	824,759
Net position-beginning					4,828,670	17,652	4,846,322
Net position-ending					\$ 5,635,186	\$ 35,895	\$ 5,671,081

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

Charter Day School, Inc.
Balance Sheet
Governmental Funds
June 30, 2019

	Major Special Revenue Funds						Total Governmental Funds
	General Fund	Charter Day School	Columbus Charter School	South Brunswick Charter School	Douglass Academy	Eliminations	
ASSETS							
Cash and cash equivalents	\$ -	\$ 2,074,250	\$ 736,391	\$ 488,551	\$ 141,688	\$ -	\$ 3,440,880
Due from other governments	-	2,408	11,700	584	12	-	14,704
Accounts Receivable - other (net)	-	2,742	213	333	-	-	3,288
Due from South Brunswick Charter School	2,430,000	-	-	-	-	(2,430,000)	-
Due from Douglass Academy	535,000	-	-	-	-	(535,000)	-
Total assets	<u>\$ 2,965,000</u>	<u>\$ 2,079,400</u>	<u>\$ 748,304</u>	<u>\$ 489,468</u>	<u>\$ 141,700</u>	<u>\$ (2,965,000)</u>	<u>\$ 3,458,872</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable - trade	\$ -	\$ 239,103	\$ 72,989	\$ 129,527	\$ 13,696	\$ -	\$ 455,315
Total liabilities	-	239,103	72,989	129,527	13,696	-	455,315
Fund balances:							
Unassigned:	2,965,000	1,840,297	675,315	359,941	128,004	(2,965,000)	3,003,557
Total fund balances	<u>2,965,000</u>	<u>1,840,297</u>	<u>675,315</u>	<u>359,941</u>	<u>128,004</u>	<u>(2,965,000)</u>	<u>3,003,557</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,965,000</u>	<u>\$ 2,079,400</u>	<u>\$ 748,304</u>	<u>\$ 489,468</u>	<u>\$ 141,700</u>	<u>\$ (2,965,000)</u>	

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.

7,053,151

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).

(4,421,522)

Net position of governmental activities

\$ 5,635,186

Charter Day School, Inc.
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	Major Special Revenue Funds						Total Governmental Funds
	General Fund	Charter Day School	Columbus Charter School	South Brunswick Charter School	Douglass Academy	Eliminations	
REVENUES							
State of North Carolina	\$ -	\$ 5,777,573	\$ 4,838,811	\$ 2,368,090	\$ 682,792	\$ -	\$ 13,667,266
Local education agencies	-	2,498,735	630,142	1,108,018	341,814	-	4,578,709
U.S. Government	-	278,700	266,271	115,753	131,223	-	791,947
Donations - general	-	61,476	378,381	97,911	198,000	-	735,768
Miscellaneous, unrestricted	-	177,985	42,446	144	3,874	-	224,449
Total revenues	-	8,794,469	6,156,051	3,689,916	1,357,703	-	19,998,139
EXPENDITURES							
Current:							
Instructional programs	-	5,513,028	4,493,490	2,233,258	969,368	-	13,209,144
Support services	-	2,506,733	1,671,100	1,024,091	392,190	-	5,594,114
Capital outlay	-	91,853	183,706	-	-	-	275,559
Debt service:							
Principal	-	-	-	170,382	19,338	-	189,720
Interest and other charges	-	-	-	163,040	1,361	-	164,401
Total expenditures	-	8,111,614	6,348,296	3,590,771	1,382,257	-	19,432,938
Excess (deficiency) of revenues over (under) expenditures	-	682,855	(192,245)	99,145	(24,554)	-	565,201
OTHER FINANCING SOURCES (USES)							
Transfers from other funds	-	-	(181)	-	-	-	(181)
Total other financing sources (uses)	-	-	(181)	-	-	-	(181)
Net change in fund balance	-	682,855	(192,426)	99,145	(24,554)	-	565,020
Fund balances-beginning	2,965,000	1,157,442	867,741	260,796	152,558	(2,965,000)	2,438,537
Fund balances-ending	\$ 2,965,000	\$ 1,840,297	\$ 675,315	\$ 359,941	\$ 128,004	\$ (2,965,000)	\$ 3,003,557

Exhibit 5

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, 2019

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

Net changes in fund balances - total governmental funds	\$565,020
---	-----------

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	51,776
--	--------

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>189,720</u>
--	----------------

Total changes in net position of governmental activities	<u><u>\$806,516</u></u>
--	-------------------------

Charter Day School, Inc.
Statement of Net Position
Proprietary Funds
June 30, 2019

	Major Enterprise Funds		
	Columbus Charter	Douglas	
	School	Academy	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 11,392	\$ 21,078	\$ 32,470
Due from other governments	3,420	2,004	5,424
Accounts Receivable - other (net)	-	-	-
Inventories	-	-	-
Total current assets	14,812	23,082	37,894
Non-current assets:			
Capital assets:			
Furniture and office equipment, net	-	-	-
Food service equipment	-	-	-
Computer equipment, net	-	-	-
Total Non-current assets	-	-	-
Total assets	14,812	23,082	37,894
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	1,184	815	1,999
Due to other funds	-	-	-
Total current liabilities	1,184	815	1,999
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total long-term liabilities	-	-	-
Total liabilities	1,184	815	1,999
NET POSITION			
Net invested in capital assets	-	-	-
Unrestricted	13,628	22,267	35,895
Total net position	\$ 13,628	\$ 22,267	\$ 35,895

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, 2019

	Major Enterprise Funds		
	Columbus Charter	Douglas Academy	Total
	School		
OPERATING REVENUES			
Lunch sales	\$ 36,722	\$ -	\$ 36,722
Before and after school revenue	-	13,112	13,112
Total operating revenues	36,722	13,112	49,834
OPERATING EXPENSES			
Purchase of food	-	730	730
Salaries and benefits	-	-	-
Contracted Services	226,838	75,063	301,901
Supplies and Materials	-	-	-
Other expenses	7	1,824	1,831
Total operating expenses	226,845	77,617	304,462
Operating income (loss)	(190,123)	(64,505)	(254,628)
NON-OPERATING REVENUES (EXPENSES)			
Federal Reimbursements	192,638	80,052	272,690
Transfers from other funds	181	-	181
Total non-operating revenue (expenses)	192,819	80,052	272,871
Income (loss) before contributions and transfers	2,696	15,547	18,243
Change in net position	2,696	15,547	18,243
Total net position- beginning	10,932	6,720	17,652
Total net position - ending	\$ 13,628	\$ 22,267	\$ 35,895

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, 2019

	Major Enterprise Funds		
	Columbus	Douglas	
	Charter School	Academy	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 37,906	\$ 13,927	\$ 51,833
Cash paid for goods and services	(226,845)	(77,617)	(304,462)
Cash paid to employees for services	-	-	-
Net cash provided (used) by operating activities	(188,939)	(63,690)	(252,629)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal Reimbursements	189,676	80,579	270,255
Transfers	181	-	181
Net cash provided (used) by noncapital financing activities	189,857	80,579	270,436
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	-	-	-
Acquisition of capital assets	-	-	-
Net cash (used) by capital and related financing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	918	16,889	17,807
Balances-beginning	10,474	4,189	14,663
Balances-ending	\$ 11,392	\$ 21,078	\$ 32,470
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ (190,123)	\$ (64,505)	\$ (254,628)
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	-	-	-
Increase in inventory	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	1,184	815	1,999
Increase (decrease) in salaries and wages payable	-	-	-
Total adjustments	1,184	815	1,999
Net cash provided by operating activities	\$ (188,939)	\$ (63,690)	\$ (252,629)

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, 2019

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 953 students, Columbus Charter School serving 658 students, South Brunswick Charter School serving 394 students, and Douglass Academy serving 119 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, 2019 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.

Charter Day School, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

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 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.

Charter Day School, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

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 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, 2019. 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.

Charter Day School, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

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.

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.

Charter Day School, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

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 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

Charter Day School, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

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 \$2,631,629 consists of several elements as follows:

<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).	\$ 7,743,792
Less accumulated depreciation	(690,641)
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>(4,421,522)</u>
Total adjustment	<u>\$ 2,631,629</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 \$241,496 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.	\$ 275,559
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(223,783)
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.	189,720
Total	<u>\$ 241,496</u>

Charter Day School, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

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 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, 2019, the Schools received funding from the Boards of Education for Bladen, Brunswick, Columbus, New Hanover, Pender, Cumberland, 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, 2019, the Schools had deposits with banks and savings and loans with a carrying amount of \$3,473,350. The bank balance with the financial institutions was \$3,638,721 of which \$250,000 was covered by the Federal Deposit Insurance Corporation. The remaining \$3,388,721 was a credit risk at June 30, 2019. 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, 2019

2. Capital Assets

Capital assets for governmental activities for the year ended June 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<u>Charter Day School</u>				
Capital assets being depreciated:				
Equipment	\$ 105,768	\$ -	\$ -	\$ 105,768
Playground Equipment	27,781	-	22,057	5,724
Vehicles	-	91,853		91,853
Total capital assets being depreciated	133,549	91,853	22,057	203,345
Less accumulated depreciation for:				
Equipment	74,656	11,538	-	86,194
Playground Equipment	27,781	-	22,057	5,724
Vehicles	-	8,748	-	8,748
Total accumulated depreciation	102,437	\$ 20,286	\$ 22,057	100,666
Total capital assets being depreciated, net	31,112			102,679
Governmental activity capital assets, net	<u>\$ 31,112</u>			<u>\$ 102,679</u>

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<u>Columbus Charter School</u>				
Capital assets being depreciated:				
Building Improvements	\$ 57,200	\$ -	\$ -	\$ 57,200
Vehicles	-	183,706	-	183,706
Total capital assets being depreciated	57,200	183,706	-	240,906
Less accumulated depreciation for:				
Building Improvements	11,816	12,404	-	24,220
Vehicles	-	21,870	-	21,870
Total accumulated depreciation	11,816	\$ 34,274	\$ -	46,090
Total capital assets being depreciated, net	45,384			194,816
Governmental activity capital assets, net	<u>\$ 45,384</u>			<u>\$ 194,816</u>

Charter Day School, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

	Beginning Balances	Increases	Decreases	Ending 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	177,080	109,381	-	286,461
Textbooks	78,725	16,520	-	95,245
Total accumulated depreciation	255,805	\$ 125,901	\$ -	381,706
Total capital assets being depreciated, net	4,021,898			3,895,997
Governmental activity capital assets, net	<u>\$ 6,475,518</u>			<u>\$ 6,349,617</u>

	Beginning Balances	Increases	Decreases	Ending 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	47,054	18,702	-	65,756
Textbooks	31,034	10,870	-	41,904
Vehicle	40,769	13,750	-	54,519
Total accumulated depreciation	118,857	\$ 43,322	\$ -	162,179
Total capital assets being depreciated, net	449,361			406,039
Governmental activity capital assets, net	<u>\$ 449,361</u>			<u>\$ 406,039</u>

Total Governmental activity capital assets, net		<u><u>\$ 7,053,151</u></u>
---	--	----------------------------

Charter Day School, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

Depreciation expense charged to governmental functions totaled \$223,783 as follows:

Charter Day School

Instructional Programs	\$ 15,215
Supporting Services	5,071
	<u>\$ 20,286</u>

Columbus Charter School

Instructional Programs	\$ 25,706
Supporting Services	8,568
	<u>\$ 34,274</u>

South Brunswick Charter School

Instructional Programs	\$ 94,427
Supporting Services	31,474
	<u>\$ 125,901</u>

Douglass Academy

Instructional Programs	\$ 32,492
Supporting Services	10,830
	<u>\$ 43,322</u>

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 2019. 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, 2019, the retirement cost for the 401(k) plan to the School was \$230,006 with employees contributing \$151,895.

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.

Charter Day School, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

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 \$751,246 on this lease agreement for the year ended June 30, 2019. Future lease payments are included in the schedule below.

Year Ended June 30,	Amount
2020	\$ 688,884
2021	688,884
Total	<u>\$ 1,377,768</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 \$938,465 on this lease agreement for the year ended June 30, 2019. Future lease payments are included in the schedule below.

Year Ended June 30,	Amount
2020	\$ 938,465
2021	938,465
2022	938,465
2023	938,465
2024	938,465
2025-2029	4,692,325
Total	<u>\$ 9,384,650</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 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.

Charter Day School, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

On September 13, 2013, Douglass Academy obtained a 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 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 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 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, 2019. 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 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 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.

On June 25, 2015, South Brunswick obtained a 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 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 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, 2019. 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 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, 2019. A balance of \$500,000 remained due to Columbus Charter School as of year-end.

Charter Day School, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

On February 12, 2015 Charter Day School, Inc. obtained a direct placement 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:

Year Ending June 30	Total	Principal	Interest
2020	\$ 218,880	\$ 115,155	\$ 103,725
2021	218,880	119,847	99,033
2022	218,880	124,730	94,150
2023	218,880	129,811	89,069
2024	218,880	135,100	83,780
2025-2026	2,148,842	2,021,550	127,292
	<u>\$ 3,243,242</u>	<u>\$ 2,646,193</u>	<u>\$ 597,049</u>

On April 27, 2017 Charter Day School, Inc. obtained a direct placement 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.

Year Ending June 30	Total	Principal	Interest
2020	\$ 132,780	\$ 63,912	\$ 68,868
2021	132,780	66,516	66,264
2022	132,780	69,226	63,554
2023	132,780	72,046	60,734
2024	132,780	74,981	57,799
2025-2028	1,604,480	1,405,104	199,376
	<u>\$ 2,268,380</u>	<u>\$ 1,751,785</u>	<u>\$ 516,595</u>

c. Daimler Bus Loan

The School obtained a loan 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, 2019, the balance on this loan is \$23,544. Future maturities are:

Year Ending June 30	Total	Principal	Interest
2020	\$ 20,699	\$ 20,124	\$ 575
2021	3,428	3,420	8
	<u>\$ 24,127</u>	<u>\$ 23,544</u>	<u>\$ 583</u>

Charter Day School, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

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, 2019:

	Balance			Balance		Current
	July 1, 2018	Increases	Decreases	June 30, 2019		Portion
Governmental Activities:						
Notes from direct borrowings and direct placements						
CDS, Inc. First Bank (5734)	\$ 2,756,166	\$ -	\$ 109,973	\$ 2,646,193	\$ 115,155	
CDS, Inc. First Bank (6780)	1,812,194	-	60,409	1,751,785	63,912	
South Brunswick Charter School Loan	2,430,000	-	-	2,430,000	-	
Douglass Academy Loan	535,000	-	-	535,000	-	
Damier Bus Loan	42,882	-	19,338	23,544	20,124	
Total	\$ 7,576,242	\$ -	\$ 189,720	\$ 7,386,522	\$ 199,191	

e. General Long-Term Obligations

The following is a summary of Charter Day School, Inc.'s long-term obligations at June 30, 2019 by school:

	South Brunswick Charter School		Douglass Academy	
	Ending Balance	Current Portion	Ending Balance	Current Portion
Governmental Activities:				
CDS, Inc. First Bank (5734)	\$ 2,646,193	\$ 115,155	\$ -	\$ -
CDS, Inc. First Bank (6780)	1,751,785	63,912	-	-
South Brunswick Charter School Loan	2,430,000	-	-	-
Douglass Academy Loan	-	-	535,000	-
Damier Bus Loan	-	-	23,544	20,124
Total	\$ 6,827,978	\$ 179,067	\$ 558,544	\$ 20,124

C. Transfers

The general fund transferred \$181 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.

Charter Day School, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

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

Total fund balance	\$ 3,003,557
Less:	
Inventories	-
Prepaid Items	-
Remaining Fund Balance	\$ 3,003,557

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, 2019, 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, 2019, management and administration fees were paid to Roger Bacon Academy, Inc. in the amount of \$1,866,908. Rent paid to Roger Bacon Academy, Inc. for the use of facility and equipment was \$749,406 for the year ended June 30, 2019. 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.

Charter Day School, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

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, 2019, management and administration fees were paid to Roger Bacon Academy in the amount of \$1,218,146. Rent paid to Roger Bacon Academy for the use of facility and equipment was \$938,465 for the year ended June 30, 2019. 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, 2019, South Brunswick Charter School owed Columbus Charter School \$500,000.

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, 2019, management and administration fees were paid to Roger Bacon Academy in the amount of \$816,186. 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, 2019, management and administration fees were paid to Roger Bacon Academy in the amount of \$215,814. 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.

Charter Day School, Inc.

Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2019

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. There were no subsequent events requiring disclosure.

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, 2019:

<u>Roger Bacon Academy, Inc.</u>	<u>Amount</u>
Management & Administrative Fees	\$1,866,908
Rent	<u>749,406</u>
Total	<u>\$2,616,314</u>

Columbus Charter School paid Roger Bacon Academy, Inc., their managing agent, for the following services during the fiscal year ended June 30, 2019:

<u>Roger Bacon Academy, Inc.</u>	<u>Amount</u>
Management & Administrative Fees	\$1,218,146
Rent	<u>938,465</u>
Total	<u>\$2,156,611</u>

South Brunswick Charter School paid Roger Bacon Academy, Inc., their managing agent, for the following services during the fiscal year ended June 30, 2019:

<u>Roger Bacon Academy, Inc.</u>	<u>Amount</u>
Management & Administrative Fees	<u>\$816,186</u>
Total	<u>\$816,186</u>

Douglass Academy paid Roger Bacon Academy, Inc., their managing agent, for the following services during the fiscal year ended June 30, 2019:

<u>Roger Bacon Academy, Inc.</u>	<u>Amount</u>
Management & Administrative Fees	<u>\$215,814</u>
Total	<u>\$215,814</u>

VIII. Commitment

Charter Day School entered into a contract for resource officer services with the Brunswick County Sheriff's Department. The School is obligated to pay \$60,129 in fiscal year ending June 30, 2020.

IX. Pending or Threatened Litigation, Claims and Assessments

During the year ended June 30, 2017, 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
as of June 30, 2019

Statement 1

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

Charter Day School, Inc.
Non-major Governmental Subfund
Statement of Revenues, Expenditures, and
Changes in Fund Balance
For the Fiscal Year Ended June 30, 2019

Statement 2

	<u>Special Revenue Funds</u>
	<u>Federal Grants Subfund</u>
Revenues:	
U.S. Government:	
Title I, Basic	\$ 339,173
IDEA VI-B Targeted Assistance	3,618
IDEA - VI B Handicapped	363,677
REAP	4,567
Student Support & Academic	3,016
IDEA Preschool Handicapped	2,334
Total revenues	<u>716,385</u>
Expenditures:	
Current:	
Instructional programs:	
Regular Programs	4,567
Special programs	708,802
Total	<u>713,369</u>
Support services:	
Pupil services	3,016
Instructional staff services	-
General administrative	-
School administrative	-
Club and activity expenditures	-
Total	<u>3,016</u>
Total expenditures	<u>716,385</u>
Revenues over expenditures	<u>-</u>
Fund balances:	
Beginning of year, July 1	-
End of year, June 30	<u>\$ -</u>

COMBINING STATEMENTS

Statement 3

Charter Day School, Inc.
Combining Balance Sheet by Governmental Subfund
June 30, 2019

	Charter Day School			
	County and Other	State Public School	Federal Grants	Fund Total
ASSETS				
Cash and cash equivalents	\$ 2,074,250	\$ -	\$ -	\$ 2,074,250
Due from other governments	2,408	-	-	2,408
Accounts Receivable - other (net)	2,742	-	-	2,742
Due from South Brunswick Charter School	-	-	-	-
Due from Douglass Academy	-	-	-	-
Total assets	<u>\$ 2,079,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,079,400</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	\$ 239,103	\$ -	\$ -	\$ 239,103
Total liabilities	<u>239,103</u>	<u>-</u>	<u>-</u>	<u>239,103</u>
Fund balances:				
Unassigned:	1,840,297	-	-	1,840,297
Total fund balances	<u>1,840,297</u>	<u>-</u>	<u>-</u>	<u>1,840,297</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,079,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,079,400</u>

Charter Day School, Inc.

**Combining Statement of Revenues, Expenditures, and Changes in Governmental Subfund Balances
For the Year Ended June 30, 2019**

	Charter Day School			
	County and Other	State Public School	Federal Grants	Fund Total
REVENUES				
State of North Carolina	\$ -	\$ 5,777,573	\$ -	\$ 5,777,573
Local education agencies	2,498,735	-	-	2,498,735
U.S. Government	47,043	-	231,657	278,700
Donations - general	61,476	-	-	61,476
Miscellaneous, unrestricted	177,985	-	-	177,985
Total revenues	2,785,239	5,777,573	231,657	8,794,469
EXPENDITURES				
Current:				
Instructional programs	1,633,225	3,648,146	231,657	5,513,028
Support services	377,306	2,129,427	-	2,506,733
Capital outlay	91,853	-	-	91,853
Debt service:				-
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	2,102,384	5,777,573	231,657	8,111,614
Excess (deficiency) of revenues over (under) expenditures	682,855	-	-	682,855
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	682,855	-	-	682,855
Fund balances-beginning	1,157,442	-	-	1,157,442
Fund balances-ending	\$ 1,840,297	\$ -	\$ -	\$ 1,840,297

Charter Day School, Inc.
Combining Balance Sheet by Governmental Subfund
June 30, 2019

	Columbus Charter School			
	County and Other	State Public School	Federal Grants	Fund Total
ASSETS				
Cash and cash equivalents	\$ 736,391	\$ -	\$ -	\$ 736,391
Due from other governments	11,700	-	-	11,700
Accounts Receivable - other (net)	213	-	-	213
Due from South Brunswick Charter School	-	-	-	-
Due from Douglass Academy	-	-	-	-
Total assets	<u>\$ 748,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 748,304</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	\$ 72,989	\$ -	\$ -	\$ 72,989
Total liabilities	<u>72,989</u>	<u>-</u>	<u>-</u>	<u>72,989</u>
Fund balances:				
Unassigned:	675,315	-	-	675,315
Total fund balances	<u>675,315</u>	<u>-</u>	<u>-</u>	<u>675,315</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 748,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 748,304</u>

Statement 6

Charter Day School, Inc.
Combining Statement of Revenues, Expenditures, and Changes in Governmental Subfund
For the Year Ended June 30, 2019

	Columbus Charter School			
	County and Other	State Public School	Federal Grants	Fund Total
REVENUES				
State of North Carolina	\$ -	\$ 4,838,811	\$ -	\$ 4,838,811
Local education agencies	630,142	-	-	630,142
U.S. Government	-	-	266,271	266,271
Donations - general	378,381	-	-	378,381
Miscellaneous, unrestricted	42,446	-	-	42,446
Total revenues	1,050,969	4,838,811	266,271	6,156,051
EXPENDITURES				
Current:				
Instructional programs	1,059,508	3,170,171	263,811	4,493,490
Support services	-	1,668,640	2,460	1,671,100
Capital outlay	183,706	-	-	183,706
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	1,243,214	4,838,811	266,271	6,348,296
Excess (deficiency) of revenues over (under) expenditures	(192,245)	-	-	(192,245)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	(181)	-	-	(181)
Total other financing sources (uses)	(181)	-	-	(181)
Net change in fund balance	(192,426)	-	-	(192,426)
Fund balances-beginning	867,741	-	-	867,741
Fund balances-ending	\$ 675,315	\$ -	\$ -	\$ 675,315

Charter Day School, Inc.
Combining Statement of Net Position by Proprietary Subfund
June 30, 2019

	<u>Columbus Charter School</u>
	<u>Enterprise Activities</u>
	<u>School Food Service</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 11,392
Due from other governments	3,420
Accounts Receivable - other (net)	-
Inventories	-
Total current assets	<u>14,812</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>14,812</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	1,184
Due to other funds	-
Total current liabilities	<u>1,184</u>
Long-term liabilities:	
Due within one year	-
Due in more than one year	-
Total long-term liabilities	<u>-</u>
Total liabilities	<u>1,184</u>
NET POSITION	
Net invested in capital assets	-
Unrestricted	13,628
Total net position	<u>\$ 13,628</u>

Statement 8

Charter Day School, Inc.
Combining Statement of Revenues, Expenditures and Changes in Subfund Net Position
For the Year Ended June 30, 2019

Columbus Charter School
Enterprise Activities
School Food Service

OPERATING REVENUES

Lunch sales	\$	36,722
Before and after school revenue		-
Total operating revenues		36,722

OPERATING EXPENSES

Purchase of food		-
Salaries and benefits		-
Contracted Services		226,838
Supplies and Materials		-
Other expenses		7
Total operating expenses		226,845
Operating income (loss)		(190,123)

NON-OPERATING REVENUES (EXPENSES)

Federal Reimbursements		192,638
Transfers from other funds		181
Total non-operating revenue (expenses)		192,819
Income (loss) before contributions and transfers		2,696
Change in net position		2,696
Total net position- beginning		10,932
Total net position - ending	\$	13,628

Charter Day School, Inc.
Combining Statement of Cash Flows by Proprietary Subfund
For the Year Ended June 30, 2019

	<u>Columbus Charter School Enterprise Activities</u>	<u>School Food Service</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 37,906	
Cash paid for goods and services	(226,845)	
Cash paid to employees for services	-	
Net cash provided (used) by operating activities	<u>(188,939)</u>	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal Reimbursements	189,676	
Transfers	181	
Net cash provided (used) by noncapital financing activities	<u>189,857</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
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	918	
Balances-beginning	10,474	
Balances-ending	<u>\$ 11,392</u>	
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	\$ (190,123)	
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	-	
Increase in inventory	-	
Increase (decrease) in accounts payable and accrued liabilities	1,184	
Increase (decrease) in salaries and wages payable	-	
Total adjustments	<u>1,184</u>	
Net cash provided by operating activities	<u>\$ (188,939)</u>	

Charter Day School, Inc.
Combining Balance Sheet by Governmental Subfund
June 30, 2019

	South Brunswick Charter School			
	County and Other	State Public School	Federal Grants	Fund Total
ASSETS				
Cash and cash equivalents	\$ 488,551	\$ -	\$ -	\$ 488,551
Due from other governments	584	-	-	584
Accounts Receivable - other (net)	333	-	-	333
Due from South Brunswick Charter School	-	-	-	-
Due from Douglass Academy	-	-	-	-
Total assets	<u>\$ 489,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 489,468</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	\$ 129,527	\$ -	\$ -	\$ 129,527
Total liabilities	<u>129,527</u>	<u>-</u>	<u>-</u>	<u>129,527</u>
Fund balances:				
Unassigned:	359,941	-	-	359,941
Total fund balances	<u>359,941</u>	<u>-</u>	<u>-</u>	<u>359,941</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 489,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 489,468</u>

Charter Day School, Inc.
Combining Statement of Revenues, Expenditures, and Changes in Governmental Subfund
For the Year Ended June 30, 2019

	South Brunswick Charter School			
	County and Other	State Public School	Federal Grants	Fund Total
REVENUES				
State of North Carolina	\$ -	\$ 2,368,090	\$ -	\$ 2,368,090
Local education agencies	1,108,018	-	-	1,108,018
U.S. Government	28,519	-	87,234	115,753
Donations - general	97,911	-	-	97,911
Miscellaneous, unrestricted	144	-	-	144
Total revenues	<u>1,234,592</u>	<u>2,368,090</u>	<u>87,234</u>	<u>3,689,916</u>
EXPENDITURES				
Current:				
Instructional programs	597,101	1,548,923	87,234	2,233,258
Support services	468,670	555,421	-	1,024,091
Capital outlay	-	-	-	-
Debt service:				
Principal	42,914	127,468	-	170,382
Interest and other charges	26,762	136,278	-	163,040
Total expenditures	<u>1,135,447</u>	<u>2,368,090</u>	<u>87,234</u>	<u>3,590,771</u>
Excess (deficiency) of revenues over (under) expenditures	<u>99,145</u>	<u>-</u>	<u>-</u>	<u>99,145</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	99,145	-	-	99,145
Fund balances-beginning	260,796	-	-	260,796
Fund balances-ending	<u>\$ 359,941</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,941</u>

Charter Day School, Inc.
Combining Balance Sheet by Governmental Subfund
June 30, 2019

	Douglass Academy			
	County and Other	State Public School	Federal Grants	Fund Total
ASSETS				
Cash and cash equivalents	\$ 141,688	\$ -	\$ -	\$ 141,688
Due from other governments	12	-	-	12
Accounts Receivable - other (net)	-	-	-	-
Due from South Brunswick Charter School	-	-	-	-
Due from Douglass Academy	-	-	-	-
Total assets	<u>\$ 141,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,700</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	\$ 13,696	\$ -	\$ -	\$ 13,696
Total liabilities	<u>13,696</u>	<u>-</u>	<u>-</u>	<u>13,696</u>
Fund balances:				
Unassigned:	128,004	-	-	128,004
Total fund balances	<u>128,004</u>	<u>-</u>	<u>-</u>	<u>128,004</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 141,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,700</u>

Charter Day School, Inc.
Combining Statement of Revenues, Expenditures, and Changes in Governmental Subfund
For the Year Ended June 30, 2019

	Douglass Academy			
	County and Other	State Public School	Federal Grants	Fund Total
REVENUES				
State of North Carolina	\$ -	\$ 682,792	\$ -	\$ 682,792
Local education agencies	341,814	-	-	341,814
U.S. Government	-	-	131,223	131,223
Donations - general	198,000	-	-	198,000
Miscellaneous, unrestricted	3,874	-	-	3,874
Total revenues	<u>543,688</u>	<u>682,792</u>	<u>131,223</u>	<u>1,357,703</u>
EXPENDITURES				
Current:				
Instructional programs	361,146	477,554	130,668	969,368
Support services	193,297	198,338	555	392,190
Capital outlay	-	-	-	-
Debt service:				
Principal	12,924	6,414	-	19,338
Interest and other charges	875	486	-	1,361
Total expenditures	<u>568,242</u>	<u>682,792</u>	<u>131,223</u>	<u>1,382,257</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(24,554)</u>	<u>-</u>	<u>-</u>	<u>(24,554)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(24,554)</u>	<u>-</u>	<u>-</u>	<u>(24,554)</u>
Fund balances-beginning	152,558	-	-	152,558
Fund balances-ending	<u>\$ 128,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,004</u>

Charter Day School, Inc.
Combining Statement of Net Position by Proprietary Subfund
June 30, 2019

	Douglass Academy		
	Enterprise Activities		
	School Food	Before and	Fund Total
	Service	After School	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 8,696	\$ 12,382	\$ 21,078
Due from other governments	2,004	-	2,004
Accounts Receivable - other (net)	-	-	-
Inventories	-	-	-
Total current assets	10,700	12,382	23,082
Non-current assets:			
Capital assets:			
Furniture and office equipment, net	-	-	-
Food service equipment	-	-	-
Computer equipment, net	-	-	-
Total Non-current assets	-	-	-
Total assets	10,700	12,382	23,082
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	815	-	815
Due to other funds	-	-	-
Total current liabilities	815	-	815
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	-	-
Total long-term liabilities	-	-	-
Total liabilities	815	-	815
NET POSITION			
Net invested in capital assets	-	-	-
Unrestricted	9,885	12,382	22,267
Total net position	\$ 9,885	\$ 12,382	\$ 22,267

Charter Day School, Inc.
Combining Statement of Revenues, Expenditures and Changes in Subfund Net Position
For the Year Ended June 30, 2019

	Douglass Academy		
	Enterprise Activities		
	School Food Service	Before and After School	Fund Total
OPERATING REVENUES			
Lunch sales	\$ -	\$ -	\$ -
Before and after school revenue	-	13,112	13,112
Total operating revenues	-	13,112	13,112
OPERATING EXPENSES			
Purchase of food	-	730	730
Salaries and benefits	-	-	-
Contracted Services	75,063	-	75,063
Supplies and Materials	-	-	-
Other expenses	1,824	-	1,824
Total operating expenses	76,887	730	77,617
Operating income (loss)	(76,887)	12,382	(64,505)
NON-OPERATING REVENUES (EXPENSES)			
Federal Reimbursements	80,052	-	80,052
Transfers from other funds	-	-	-
Total non-operating revenue (expenses)	80,052	-	80,052
Income (loss) before contributions and transfers	3,165	12,382	15,547
Change in net position	3,165	12,382	15,547
Total net position- beginning	6,720	-	6,720
Total net position - ending	\$ 9,885	\$ 12,382	\$ 22,267

Charter Day School, Inc.
Combining Statement of Cash Flows by Proprietary Subfund
For the Year Ended June 30, 2019

	Douglass Academy		
	Enterprise Activities		
	Before		
	School Food	and After	
	Service	School	Fund Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 815	\$ 13,112	\$ 13,927
Cash paid for goods and services	(76,887)	(730)	(77,617)
Cash paid to employees for services	-	-	-
Net cash provided (used) by operating activities	(76,072)	12,382	(63,690)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal Reimbursements	80,579	-	80,579
Transfers	-	-	-
Net cash provided (used) by noncapital financing activities	80,579	-	80,579
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributions	-	-	-
Acquisition of capital assets	-	-	-
Net cash (used) by capital and related financing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	4,507	12,382	16,889
Balances-beginning	4,189	-	4,189
Balances-ending	\$ 8,696	\$ 12,382	\$ 21,078
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ (76,887)	\$ 12,382	\$ (64,505)
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	-	-	-
Increase in inventory	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	815	-	815
Increase (decrease) in salaries and wages payable	-	-	-
Total adjustments	815	-	815
Net cash provided by operating activities	\$ (76,072)	\$ 12,382	\$ (63,690)

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, 2019

	Charter Day School			Columbus Charter School			South Brunswick Charter School			Douglass Academy		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:												
State of North Carolina	\$5,777,473	\$5,777,573	\$ 100	\$4,838,711	\$4,838,811	\$ 100	\$2,367,990	\$ 2,368,090	\$ 100	\$ 682,692	\$ 682,792	\$ 100
Local education agencies	2,498,735	2,498,735	-	630,141	630,142	1	1,107,836	1,108,018	182	341,816	341,814	(2)
U.S. Government	47,043	47,043	-	-	-	-	28,519	28,519	-	-	-	-
Donations - general	61,476	61,476	-	378,381	378,381	-	97,911	97,911	-	198,000	198,000	-
Miscellaneous, unrestricted	178,304	177,985	(319)	227,085	42,446	(184,639)	328	144	(184)	13,872	3,874	(9,998)
Total revenues	8,563,031	8,562,812	(219)	6,074,318	5,889,780	(184,538)	3,602,584	3,602,682	98	1,236,380	1,226,480	(9,900)
Expenditures:												
Salaries & Benefits												
Salaries & Bonuses	2,844,891	2,844,790	101	1,995,554	1,995,454	100	1,232,789	1,232,691	98	468,552	468,450	102
Benefits	674,859	674,622	237	449,634	449,284	350	279,129	278,824	305	99,525	99,425	100
Total Salaries & Benefits	3,519,750	3,519,412	338	2,445,188	2,444,738	450	1,511,918	1,511,515	403	568,077	567,875	202
Books & Supplies	222,521	218,440	4,081	154,374	157,170	(2,796)	136,760	136,818	(58)	44,930	44,660	270
Technology	29,888	29,878	10	28,196	28,186	10	16,038	16,028	10	9,335	9,325	10
Non-Cap Equipment & Leases	71,283	71,274	9	52,496	53,385	(889)	73,743	73,734	9	27,715	27,706	9
Contracted Student Services	759,809	759,800	9	585,150	585,139	11	345,203	345,193	10	173,825	173,814	11
Staff Development	2,329	2,329	-	2,843	2,843	-	1	-	1	1,013	1,013	-
Administrative Services	2,136,369	2,101,369	35,000	1,322,920	1,322,752	168	918,751	917,592	1,159	272,277	271,765	512
Insurance	52,536	52,526	10	45,721	45,711	10	30,060	30,050	10	26,919	26,909	10
Rents & Debt Service	751,255	751,246	9	938,475	938,465	10	352,032	333,782	18,250	20,708	20,698	10
Capital Purchases	91,863	91,853	10	185,000	183,706	1,294	-	-	-	-	-	-
Facilities Repairs & Maintenance	173,993	163,992	10,001	176,441	176,106	335	66,218	66,207	11	44,222	44,230	(8)
Utilities	101,301	101,200	101	118,328	122,610	(4,282)	68,533	68,522	11	52,223	52,213	10
Nutrition & Food	5,390	5,380	10	2,660	1,664	996	2,485	2,778	(293)	3,093	3,093	-
Transportation & Travel	11,268	11,258	10	19,357	19,550	(193)	1,318	1,318	-	7,501	7,733	(232)
Total expenditures	7,929,555	7,879,957	49,598	6,077,149	6,082,025	(4,876)	3,523,060	3,503,537	19,523	1,251,838	1,251,034	804
Excess (deficiency) of revenues over (under) expenditures	633,476	682,855	49,379	(2,831)	(192,245)	(189,414)	79,524	99,145	19,621	(15,458)	(24,554)	(9,096)
Other financing sources (uses):												
Transfers from other funds	-	-	-	-	(181)	181	-	-	-	-	-	-
Note payable issued	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated fund balance	(633,476)	-	(633,476)	2,831	-	2,831	(79,524)	-	(79,524)	15,458	-	15,458
Total other financing sources and (uses)	(633,476)	-	(633,476)	2,831	(181)	3,012	(79,524)	-	(79,524)	15,458	-	15,458
Net change in fund balances	\$ -	682,855	\$ 682,855	\$ -	(192,426)	\$ (192,426)	\$ -	99,145	\$ 99,145	\$ -	(24,554)	\$ (24,554)
Fund balances, beginning		1,157,442			867,741			260,796			152,558	
Fund balances, ending		<u>\$1,840,297</u>			<u>\$ 675,315</u>			<u>\$ 359,941</u>			<u>\$ 128,004</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, 2019

	Charter Day School			Columbus Charter School			South Brunswick Charter School			Douglass Academy		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:												
U.S. Government	\$ 231,657	\$ 231,657	\$ -	\$ 266,271	\$ 266,271	\$ -	\$ 87,234	\$ 87,234	\$ -	\$ 131,223	\$ 131,223	\$ -
Total revenues	<u>231,657</u>	<u>231,657</u>	<u>-</u>	<u>266,271</u>	<u>266,271</u>	<u>-</u>	<u>87,234</u>	<u>87,234</u>	<u>-</u>	<u>131,223</u>	<u>131,223</u>	<u>-</u>
Expenditures:												
Salaries & Benefits												
Salaries & Bonuses	210,889	210,889	-	244,873	244,873	-	78,434	78,434	-	120,005	120,005	-
Benefits	14,629	14,629	-	17,888	17,888	-	6,000	6,000	-	9,181	9,181	-
Total Salaries & Benefits	<u>225,518</u>	<u>225,518</u>	<u>-</u>	<u>262,761</u>	<u>262,761</u>	<u>-</u>	<u>84,434</u>	<u>84,434</u>	<u>-</u>	<u>129,186</u>	<u>129,186</u>	<u>-</u>
Books & Supplies	1,753	1,753	-	2,610	2,610	-	874	874	-	1,052	1,052	-
Contracted Student Services	-	-	-	-	-	-	-	-	-	-	-	-
Staff Development	4,386	4,386	-	900	900	-	1,926	1,926	-	600	600	-
Transportation & Travel	-	-	-	-	-	-	-	-	-	385	385	-
Total expenditures	<u>231,657</u>	<u>231,657</u>	<u>-</u>	<u>266,271</u>	<u>266,271</u>	<u>-</u>	<u>87,234</u>	<u>87,234</u>	<u>-</u>	<u>131,223</u>	<u>131,223</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):												
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-	-
Note payable issued	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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>	

Schedule 3

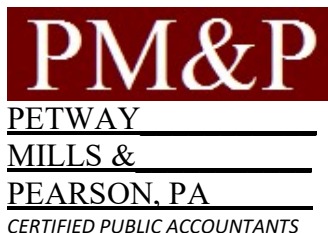
Charter Day School, Inc.
School Food Service
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For Year Ended June 30, 2019

	Columbus Charter School			Douglass Academy		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:						
Lunch sales	\$ 36,722	\$ 36,722	\$ -	\$ -	\$ -	\$ -
Total operating revenues	<u>36,722</u>	<u>36,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Expenditures:						
Contracted Food Services	226,838	226,838	-	75,063	75,063	-
Other Expenses	-	-	-	1,824	1,824	-
Administrative Services	-	7	(7)	-	-	-
Total operating expenditures	<u>226,838</u>	<u>226,845</u>	<u>(7)</u>	<u>76,887</u>	<u>76,887</u>	<u>-</u>
Operating Income (Loss)	<u>(190,116)</u>	<u>(190,123)</u>	<u>7</u>	<u>(76,887)</u>	<u>(76,887)</u>	<u>-</u>
Nonoperating revenues (expenses)						
Federal reimbursements	192,638	192,638	-	80,052	80,052	-
Unappropriated fund balance	(2,522)	-	(2,522)	(3,165)	-	(3,165)
Transfers from other funds	-	181	(181)	-	-	-
Total other financing sources	<u>190,116</u>	<u>192,819</u>	<u>(2,703)</u>	<u>76,887</u>	<u>80,052</u>	<u>(3,165)</u>
Excess of revenues and other sources over expenditures	<u>\$ -</u>	2,696	<u>\$ 2,696</u>	<u>\$ -</u>	3,165	<u>\$ 3,165</u>
Reconciliation from budgetary basis (modified accrual) to full accrual:						
Reconciling Items:						
Depreciation		-			-	
Capital Outlay		-			-	
Change in net position (full accrual)		2,696			3,165	
Total net position, beginning		10,932			6,720	
Total net position, ending		<u>\$ 13,628</u>			<u>\$ 9,885</u>	

Charter Day School, Inc.
Before and After School
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For Year Ended June 30, 2019

	Douglass Academy		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
	\$ 13,112	\$ 13,112	\$ -
Total operating revenues	<u>13,112</u>	<u>13,112</u>	<u>-</u>
Operating Expenditures:			
Other Food Purchases	730	730	-
Total operating expenditures	<u>730</u>	<u>730</u>	<u>-</u>
Operating Income (Loss)	<u>12,382</u>	<u>12,382</u>	<u>-</u>
Nonoperating revenues (expenses)			
Federal reimbursements	-	-	-
Unappropriated fund balance	(12,382)	-	(12,382)
Transfers from other funds	-	-	-
Total other financing sources	<u>(12,382)</u>	<u>-</u>	<u>(12,382)</u>
Excess of revenues and other sources over expenditures	<u>\$ -</u>	12,382	<u>\$ 12,382</u>
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		<u>-</u>	
Change in net position (full accrual)		12,382	
Total net position, beginning		<u>-</u>	
Total net position, ending		<u>\$ 12,382</u>	

COMPLIANCE SECTION
CHARTER DAY SCHOOL, INC.
LELAND, NORTH CAROLINA
JUNE 30, 2019



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

Independent Auditors' Report

C. Briggs Petway, Jr.
Phyllis M. Pearson

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

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
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

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, 2019 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 October 21, 2019.

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.

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
Of Certified Public
Accountants

Medical Group
Management
Association

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*.

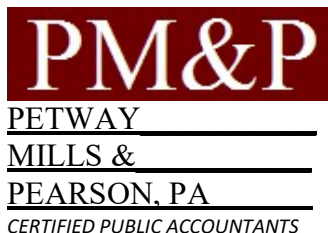
Purpose of this Report

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

October 21, 2019



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
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
Of Certified Public
Accountants

Medical Group
Management
Association

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, 2019. 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, 2019.

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.

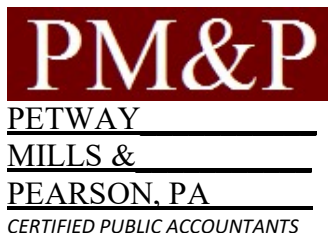
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any 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

October 21, 2019



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
Raleigh, NC 27615
919-781-1047

www.pmpcpa.com

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
Of Certified Public
Accountants

Medical Group
Management
Association

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

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, 2019. 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, 2019.

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

October 21, 2019

CHARTER DAY SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I. -- SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified.

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	_____X_____ no
Significant deficiency (ies) identified that are not considered to be material weaknesses?	_____ yes	_____X_____ none reported

Noncompliance material to financial statements noted	_____ yes	_____X_____ no
---	-----------	----------------

State Awards

Internal control over major State programs:

Material weakness(es) identified?	_____ yes	_____X_____ no
Significant deficiency (ies) identified that are not considered to be material weaknesses?	_____ yes	_____X_____ 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	_____X_____ no
---	-----------	----------------

Identification of major State programs:

Program Name

State Public School Funds (PRC 036 - Charter School Funds)

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	_____ yes	_____X_____ no
Significant deficiency (ies) identified that are not considered to be material weaknesses?	_____ yes	_____X_____ 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	_____X_____ 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	<u>\$ 750,000</u>
--	-------------------

CHARTER DAY SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None required.

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV. - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CHARTER DAY SCHOOL, INC.
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None required.

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None required.

SECTION IV. - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None required.

CHARTER DAY SCHOOL, INC.
SUMMARY SCHEDULE OF PRIOR YEARS' AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

There were no findings for the fiscal year ended June 30, 2018.

CHARTER DAY SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL GRANTS:			
CASH ASSISTANCE			
<u>US Department of Education</u>			
Special Education Cluster			
IDEA VI B Special Needs Targeted Assistance	84.027	PRC 118	\$ 3,618
IDEA Part B Handicapped	84.027	PRC 060	363,677
IDEA Part B Preschool	84.173	PRC 049	2,334
Total Special Education Cluster			<u>369,629</u>
Rural Education Cluster			
Passed Through the NC Department of Public Instruction: Small Rural Schools Achievement Program	84.358	PRC 091	75,562
Direct Program Small Rural Schools Achievement Program	84.358	PRC 109	4,567
Total Rural Education Cluster			<u>80,129</u>
Title I, Part A Cluster			
Title I - LEA Basic Funding	84.010	PRC 050	339,173
Total Title 1, Part A Cluster			<u>339,173</u>
Student Support and Academic Enrichment			
Student Support and Academic Enrichment	84.424	PRC 108	3,016
Total Student Support and Academic Enrichment			<u>3,016</u>
<u>US Department of Agriculture</u>			
Passed Through the NC Department of Public Instruction			
National School Lunch Program	10.555	PRC 035	272,690
TOTAL FEDERAL CASH ASSISTANCE			<u>1,064,637</u>
STATE OF NORTH CAROLINA GRANTS:			
CASH ASSISTANCE			
<u>NC Department of Public Instruction</u>			
State Public School Funds (Charter School Funds)		PRC 036	13,564,241
Test Result Bonus		PRC 046	10,500
Test Result Bonus		PRC 048	26,377
Reading Device Funds		PRC 085	5,741
Summer Camp School Funds (Summer Camp Funds)		PRC 016	60,407
TOTAL STATE CASH ASSISTANCE			<u>13,667,266</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 14,731,903</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, 2019 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.