

FINANCIAL STATEMENTS

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL

dba RISE SE RALEIGH CHARTER SCHOOL

RALEIGH, NORTH CAROLINA

JUNE 30, 2021

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JUNE 30, 2021

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FINANCIAL SECTION
PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
RALEIGH, NORTH CAROLINA
JUNE 30, 2021

**PETWAY
MILLS &
PEARSON, PA**

To the Board of Directors
PAVE Southeast Raleigh Charter School
Raleigh, North Carolina

CERTIFIED PUBLIC ACCOUNTANTS

Report on the Financial Statements

C. Briggs Petway, Jr.
Phyllis M. Pearson

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the PAVE Southeast Raleigh Charter School, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the PAVE Southeast Raleigh Charter School's basic financial statements as listed in the table of contents.

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

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.

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

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.

www.pmpcpa.com

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 and each major fund of the PAVE Southeast Raleigh Charter School as of June 30, 2021, and the respective changes in financial position for the year ended June 30, 2021 and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 14 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.

Memberships:

North Carolina
Association of
Certified Public
Accountants

American Institute
of Certified Public
Accountants

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the PAVE Southeast Raleigh Charter School's basic financial statements. The budgetary 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 State Single Audit Implementation Act*, and is also not a required part of the basic financial statements.

The budgetary 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, budgetary 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 March 9, 2022 on our consideration of PAVE Southeast Raleigh Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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 PAVE Southeast Raleigh Charter School's internal control over financial reporting and compliance.

Petway Mills & Pearson, PA

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

March 9, 2022

**PAVE Southeast Raleigh Charter School
dba RISE SE Raleigh Charter School
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

As management of RISE SE Raleigh Charter School (the "School"), we provide these financial statements and this narrative overview and analysis of the School's financial position at June 30, 2021, and its operations for the year then ended. We encourage readers to review the discussion presented herein in conjunction with additional information included in the financial statements and notes, which follow this section.

Financial Highlights

- During the fiscal year, RISE SE Raleigh Charter School was allotted \$113,913 in state funds and \$167,189 in federal funds to assist the School with ongoing expenses due to the COVID-19 pandemic. The School expended \$275,764 of those funds in the current fiscal year and will carry-over \$5,338 for fiscal year 2022 expenses.
- The assets of the School exceeded its liabilities and deferred inflows at the close of the fiscal year by \$5,985,990 (*net position*).
- The School's total net position increased by \$4,795,318, primarily due to an increase in the net position of the governmental-type activities.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$404,535, a decrease of \$1,020,071 in comparison with the prior year, primarily due to the capital outlay expenditures.
- Enrollment at the School continues to increase, rising by 12 students this year, a 2.9% increase. The State funded Average Daily Membership (ADM) was 226 in 2016-17, 312 in 2017-18, 383 in 2018-19, 408 in 2019-20, and 420 for the current fiscal year.
- During the current fiscal year, Southeast Raleigh Charter Foundation, Inc. (the "Foundation") was formed as a vehicle to finance and purchase the facilities utilized by the School. This resulted in the elimination of the capital lease for facilities totaling \$6,500,000, and an increase in notes payable totaling \$5,378,704, at June 30, 2021. During the prior fiscal year, the School obtained a note payable under the Paycheck Protection Program ("PPP"), established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), in the amount of \$517,226. The loan was forgiven in its entirety during the fiscal year ended June 30, 2021.

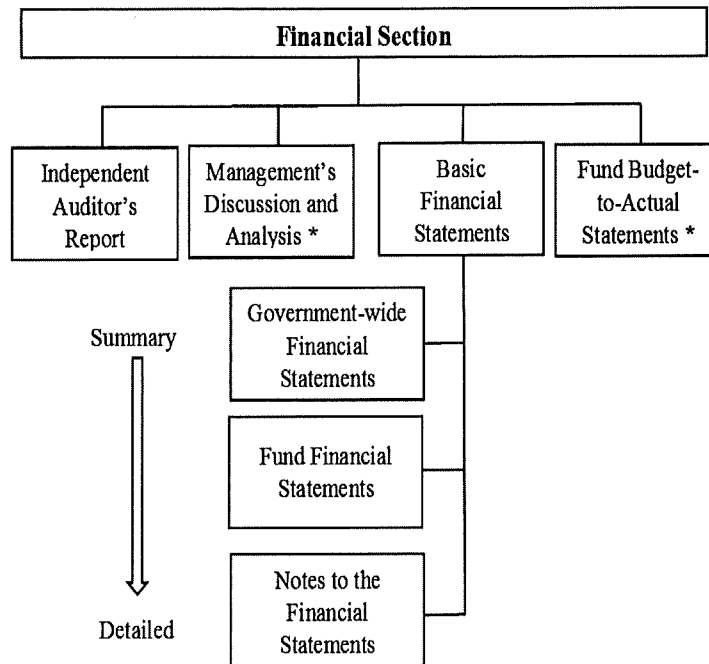
Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components: the government-wide financial statements, the fund financial statements, and the notes to the financial statements. The basic financial statements present two different views of the School through the use of the government-wide statements and the fund financial statements. In addition to the basic financial statements, the annual financial report contains the independent auditor's report, certain required supplementary information and other required schedules that provide additional information to enhance the reader's understanding of the financial position and activities of the School.

The chart in Figure 1 outlines the relationships of the components of the annual financial report.

Components of Annual Financial Report

Figure 1



* Required Supplementary Information

Basic Financial Statements

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

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the School. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the proprietary funds statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the School's individual 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 it has changed. Net position is the difference between the School's total assets plus deferred outflows of resources minus the total of liabilities plus deferred inflows of resources. 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 School's basic functions such

as instructional services and business services. State, county, and federal funds provide virtually all of the funding for these functions. The business-type activities are those services for which the School charges its students and other customers to provide. These include the School Food services carried out by the School. The condensed government-wide financial statements are provided in Figures 2 and 3 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 that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the School's budget ordinance. All of the funds of the School can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those 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 what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The School adopts an annual budget for each of its funds, although it is not required to do so by the General Statutes. Because the budget is not legally required by the statutes, the budgetary comparison statements are not included in the basic financial statements but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the School in determining what activities will be pursued and what services will be provided by the School during the year. It also authorizes the School to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for each of the funds demonstrates how well the School has complied with the budget ordinance and whether the School has succeeded in providing the services as planned when the budget was adopted.

Proprietary Funds – The School has one proprietary fund, which is an enterprise fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The School uses an enterprise fund to account for its School Food service functions.

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 23 of this report.

Government-Wide Financial Analysis

The financial analysis reveals that at June 30, 2021, cash and cash equivalents, and other current assets, primarily amounts due from other governments, accounted for 7.6% and 0.2% of total government-wide assets, respectively. During the 2021 fiscal year, the Foundation purchased land and facilities, accounting for \$4,636,803 of the increase in capital assets. Capital assets, net of accumulated depreciation, accounted for 92.2% of total assets. Long-term liabilities represent 96.6% of total liabilities.

As previously noted, net position may, over time, serve as one useful indicator of a school's financial condition. The assets of the School exceeded its liabilities and deferred inflows of resources by \$5,985,990 at June 30, 2021. At June 30, 2020, the School's net position stood at \$670,045. The School's net position increased by \$4,795,318 during the year ended June 30, 2021, compared to an increase of \$421,120 in 2020. The amount of \$4,583,682 reflects the School's investment in capital

assets, less any related debt still outstanding that was issued to acquire those items. Although the School's investment in its capital assets (land, buildings, computer network equipment, computers, furniture and fixtures, instructional equipment, and kitchen equipment) is reported net of any outstanding related debt, the resources needed to repay debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of \$1,402,308 is unrestricted. At June 30, 2020, the amount of net investment in capital assets was (\$267,609), with an unrestricted net position of \$937,654. A condensed statement of net position which summarizes the assets, liabilities, deferred inflows of resources and net position at June 30, 2021 and 2020 is as follows:

**RISE SE Raleigh Charter School
Condensed Statement of Net Position
Figure 2**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Assets						
Cash and cash equivalents	\$ 898,218	\$ 929,836	\$30,422	\$30,431	\$ 928,640	\$960,267
Other current assets	18,276	696,100	-	-	18,276	696,100
Capital assets, net of depreciation	10,921,776	6,384,935	8,110	9,301	10,929,886	6,394,236
Total assets	<u>11,838,270</u>	<u>8,010,871</u>	<u>38,532</u>	<u>39,732</u>	<u>11,876,802</u>	<u>8,050,603</u>
Liabilities						
Current and other liabilities	191,200	180,571	149	157	191,349	180,728
Long-term liabilities	5,378,704	7,179,071	-	-	5,378,704	7,110,415
Total liabilities	<u>5,569,904</u>	<u>7,359,642</u>	<u>149</u>	<u>157</u>	<u>5,570,053</u>	<u>7,291,143</u>
Deferred inflows of resources	<u>320,759</u>	<u>20,759</u>	<u>-</u>	<u>-</u>	<u>320,759</u>	<u>20,759</u>
Net position:						
Net investment in capital assets	4,575,572	(276,910)	8,110	9,301	4,583,682	(198,953)
Unrestricted	1,372,035	907,380	30,273	30,274	1,402,308	937,654
Total net position	<u>\$5,947,607</u>	<u>\$ 630,470</u>	<u>\$ 38,383</u>	<u>\$39,575</u>	<u>\$5,985,990</u>	<u>\$ 738,701</u>

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

- The School adopted an annual budget for all funds. The School's performance 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 federal grants to assist with the expenses of meeting the educational needs of the student population.
- Generally speaking, funding changes proportionately with any changes in the student enrollment.

Revenues, expenses, transfers and the change in net position is summarized in the following condensed statement of activities for the years ended June 30, 2021 and 2020:

**RISE SE Raleigh Charter School
Condensed Statement of Activities
Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues						
Operating grants and contributions	\$ 560,926	\$ 177,764	\$ -	\$ 189,941	\$ 560,926	\$ 367,705
General revenues						
County and State funds	4,052,387	3,659,821	-	-	4,052,387	3,659,821
Donations - general	189,654	897,384	-	-	189,654	944,676
Donations - building	4,250,000	-	-	-	4,250,000	-
Gain on disposal of asset	666,012	-	-	-	666,012	-
Rental income	276,208	153,422	-	-	276,208	-
Investment earnings	125	32	-	-	125	32
Miscellaneous, unrestricted	106,605	89,725	-	-	106,605	195,855
Total revenues	10,101,917	4,978,148	-	189,941	10,101,917	5,168,089
Expenses:						
Instructional services	3,823,138	2,940,600	-	-	3,823,138	2,940,600
Support services	1,025,461	1,131,023	-	-	1,025,461	1,131,023
Ancillary services	335	3,250	-	-	335	3,250
Interest on long-term debt	380,487	393,815	-	-	380,487	325,159
School food service	-	-	77,178	278,281	77,178	278,281
Total expenses	5,229,421	4,468,688	77,178	278,281	5,306,599	4,678,313
Increase (Decrease) in net position before transfers	4,872,496	509,460	(77,178)	(88,340)	4,795,318	489,776
Transfers	(75,986)	(87,150)	75,986	87,150	-	-
Change in net position	4,796,510	422,310	(1,192)	(1,190)	4,795,318	489,776
Loan forgiveness - PPP	520,627	-	-	-	520,627	-
Net position, July 1	630,470	208,160	39,575	40,765	670,045	248,925
Net position, June 30	\$5,947,607	\$ 630,470	\$ 38,383	\$ 39,575	\$5,985,990	\$ 738,701

Governmental activities. Governmental activities increased the School's net position by \$4,872,496, before transfers to support business-type activities. County, State and Federal funds of \$4,052,387 increased by 10.7%, and make up 40.1% of total revenues. Instructional services and related expenses of \$3,823,138 account for 73.1% of total expenses, and increased by 30.0%. This reflects the increased program and general revenues offset against the increased costs of providing instructional services. Net position before transfers to support business-type activities increased 742.8% in comparison with the prior year.

Business-type activities. Business-type activities decreased the School's net position by \$77,178, before a transfer of \$75,986 was received from the governmental activities. Key elements of this decrease are as follows:

- By adopting a budget for the enterprise fund that comprises the business-type activities, the Board can monitor the School's revenues and expenditures and adjust their estimates as needed during the year.
- The School did not receive federal reimbursement funds in the School Food Service Fund this past year, compared to receiving \$189,941 the previous year.

Financial Analysis of the School's Funds

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

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

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, the assets in the General Fund consisted primarily of cash and cash equivalents, which equaled 98.0% of total fund assets. Salaries and wages payable accounted for 74.8% of General Fund liabilities. The unassigned fund balance of the General Fund was \$398,105, while total fund balance reached \$404,535, a decrease of \$1,020,071. The unassigned fund balance of the General Fund was 98.4% of total fund balance. The primary source, 79.7%, of General Fund revenue was \$1,275,680 in reimbursements by various counties for their students attending the School. An additional \$3,337,633 was provided by the State of North Carolina and the federal government, which equated to 64.4% of total Governmental Fund revenue. Expenditures for capital outlay totaled \$27,670, or 1.7% of General Fund expenditures. Additional instructions-related expenditures of \$1,176,774, system-wide support and ancillary services of \$239,281, and debt service of \$179,829 accounted for 72.5%, 14.7%, and 11.1%, respectively, of General Fund expenditures. At June 30, 2021, the governmental funds of the School reported a combined fund balance of \$404,535, a 71.6% decrease compared to last year.

Proprietary Funds. The School's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the School Food Service Fund amounted to \$30,273. The total change in net position for the School Food Service Fund was (\$1,192), which is comprised of a loss before transfers of \$77,178 and a transfer from the General Fund of \$75,986.

Capital Asset and Debt Administration

Capital assets. The School's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$347,107 (net of accumulated depreciation). Capital assets include computer network equipment, computers, furniture and fixtures, equipment, instructional equipment, kitchen equipment, and a vehicle. The major capital asset transactions during the year includes the following:

- The expending of \$106,573 on equipment; and
- The purchase of computer network equipment totaling \$27,670.

The following schedule summarizes the School's capital assets as June 30, 2021 and 2020:

**RISE SE Raleigh Charter School
Capital Assets (net of depreciation)
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Computer network equipment	\$26,088	\$28,559	\$ -	\$ -	\$26,088	\$28,559
Computers	1,676	3,780	-	-	1,676	3,780
Furniture and fixtures	20,916	29,679	-	-	20,916	29,679
Equipment	263,668	176,978	8,109	9,301	271,777	186,279
Instructional equipment	15,956	19,977	-	-	15,956	19,977
Transportation	10,694	12,766	-	-	10,694	12,766
Buildings	-	6,113,197	-	-	-	6,113,197
Capital assets, net	<u>\$338,998</u>	<u>\$6,384,936</u>	<u>\$ 8,109</u>	<u>\$ 9,301</u>	<u>\$347,107</u>	<u>\$6,394,237</u>

In addition, the Foundation holds the following assets:

- Land totaling \$967,500; and
- A building totaling \$9,615,278, net of accumulated depreciation.

Long-Term Debt. During the current fiscal year, Southeast Raleigh Charter Foundation, Inc. (the "Foundation") was formed as a vehicle to finance and purchase the facilities utilized by the School. This resulted in the elimination of the capital lease for facilities totaling \$6,500,000, and an increase in notes payable totaling \$5,378,704, at June 30, 2021. During the prior fiscal year, the School obtained a note payable under the Paycheck Protection Program ("PPP"), established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), in the amount of \$517,226. The loan was forgiven in its entirety during the fiscal year ended June 30, 2021. The School's outstanding debt at June 30, 2021 and 2020 is summarized in the following schedule:

**RISE SE Raleigh Charter School
Long-term Obligations
Figure 5**

	Governmental Activities	
	2021	2020
Note payable - bank	\$1,818,704	\$ -
Note payable - bank	3,560,000	-
Capital leases	-	6,500,000
Note payable - PPP	-	517,226
Total long-term obligations	\$5,378,704	\$7,017,226

The School leases its building and land from the Foundation, with an annual rent of \$448,000. The School paid \$276,208 in rent for the year ended June 30, 2021.

Economic Factors

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

- The School's ADM continues to increase, which results in an overall increase in revenues.
- The State of North Carolina increased its per pupil funding by \$139.01 per ADM compared to the previous year. This equated to an increase of 2.53%.
- The School continues to attract families from the Southeast Raleigh area and surrounding communities due to its commitment to academic growth and improvement.

Impact of Coronavirus on the School. During the fiscal year, the state and the nation continued to be affected by the spread of a coronavirus (COVID-19). RISE SE Raleigh Charter School expended \$113,913 in Coronavirus Relief Funds (CRF), \$10,504 in the Governors Emergency Education Relief Funds (GEER), and \$151,347 in Elementary and Secondary School Emergency Relief Funds (ESSER), which were used primarily for paying salaries, and purchasing technology equipment and health supplies for its students. The School continues to monitor its expenses related to the coronavirus to ensure that state and federal funds are being allocated in the manner that best meets the needs of its students and staff. The School has \$5,338 in federal funds remaining from its fiscal year 2021 allotment to be used for fiscal year 2022 expenses.

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 Executive Director, RISE SE Raleigh Charter School, 3420 Idlewood Village Drive, Raleigh, NC 27610, telephone (919) 446-4777. Additional information is available at the School's website, <https://risese.org>.

Pave Southeast Raleigh Charter School
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 898,218	\$ 30,422	\$ 928,640
Due from other governments	11,846	-	11,846
Prepaid items	6,430	-	6,430
Capital assets:			
Land, improvements, and construction in progress	967,500	-	967,500
Other capital assets, net of depreciation	9,954,276	8,110	9,962,386
Total capital assets	10,921,776	8,110	10,929,886
Total assets	11,838,270	38,532	11,876,802
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
LIABILITIES			
Accounts payable and accrued expenses	48,208	149	48,357
Accrued salaries and wages payable	142,992	-	142,992
Long-term liabilities:			
Due within one year	147,684	-	147,684
Due in more than one year	5,231,020	-	5,231,020
Total liabilities	5,569,904	149	5,570,053
DEFERRED INFLOWS OF RESOURCES			
	320,759	-	320,759
NET POSITION			
Net investment in capital assets	4,575,572	8,110	4,583,682
Restricted for:			
Clubs and activities	-	-	-
Unrestricted	1,372,035	30,273	1,402,308
Total net position	\$ 5,947,607	\$ 38,383	\$ 5,985,990

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

Pave Southeast Raleigh Charter School
Statement of Activities
For the year ended June 30, 2021

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
Instructional services	\$ 3,823,138	\$ -	\$ 560,926	\$ (3,262,212)	\$ -	\$ (3,262,212)
System-wide support services	1,025,461	-	-	(1,025,461)	-	(1,025,461)
Ancillary services	335	-	-	(335)	-	(335)
Interest on long-term debt	380,487	-	-	(380,487)	-	(380,487)
Total governmental activities	5,229,421	-	560,926	(4,668,495)	-	(4,668,495)
Business-type activities:						
School food service	77,178	-	-	-	(77,178)	(77,178)
Total business-type activities	77,178	-	-	-	(77,178)	(77,178)
Total primary government	\$ 5,306,599	\$ -	\$ 560,926	(4,668,495)	(77,178)	(4,745,673)
General revenues:						
Unrestricted county appropriations				1,275,680	-	1,275,680
Unrestricted State appropriations				2,776,707	-	2,776,707
Donations - general				189,654	-	189,654
Donations - building				4,250,000	-	4,250,000
Gain on disposal of asset				666,012	-	666,012
Rental income				276,208	-	276,208
Investment earnings, unrestricted				125	-	125
Miscellaneous, unrestricted				106,605	-	106,605
Transfers				(75,986)	75,986	-
Total general revenues, special items, and transfers				9,465,005	75,986	9,540,991
Change in net position				4,796,510	(1,192)	4,795,318
Loan forgiveness				520,627	-	520,627
Net position-beginning				630,470	39,575	670,045
Net position-ending				\$ 5,947,607	\$ 38,383	\$ 5,985,990

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

**Pave Southeast Raleigh Charter School
Balance Sheet
Governmental Funds
June 30, 2021**

	Major Funds				Total Governmental Funds
	General	State Public School	Capital Outlay	Federal Grants Fund	
ASSETS					
Cash and cash equivalents	\$ 898,218	\$ -	\$ -	\$ -	\$ 898,218
Due from other governments	11,846	-	-	-	11,846
Prepaid items	6,430	-	-	-	6,430
Total assets	<u>\$ 916,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 916,494</u>
DEFERRED OUTFLOWS OF RESOURCES					
	-	-	-	-	-
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued expenses	\$ 48,208	\$ -	\$ -	\$ -	\$ 48,208
Accrued salaries and wages payable	142,992	-	-	-	142,992
Total liabilities	<u>191,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>191,200</u>
DEFERRED INFLOWS OF RESOURCES					
	320,759	-	-	-	320,759
Fund balances:					
Nonspendable:					
Prepaid items	6,430	-	-	-	6,430
Assigned:					
Clubs and Activities	-	-	-	-	-
Unassigned:					
Total fund balances	<u>404,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>404,535</u>
Total liabilities and fund balances	<u>\$ 916,494</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</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.	10,921,776
Net pension asset (liability)	-
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.	-
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 5).	(5,378,704)
Pension related deferrals	-
Net position of governmental activities	<u>\$ 5,947,607</u>

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

Pave Southeast Raleigh Charter School
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2021

	Major Funds				Total Governmental Funds
	General	State Public School	Capital Outlay	Federal Grants Fund	
REVENUES					
State of North Carolina	\$ -	\$ 2,776,707	\$ -	\$ -	\$ 2,776,707
Local education agencies	1,275,680	-	-	-	1,275,680
U.S. Government	-	-	-	560,926	560,926
Contributions and donations	175,019	-	14,635	-	189,654
Rental revenue	42,848	-	233,360	-	276,208
Other	106,730	-	-	-	106,730
Total revenues	1,600,277	2,776,707	247,995	560,926	5,185,905
EXPENDITURES					
Current:					
Instructional services	1,176,774	1,641,437	-	560,926	3,379,137
System-wide support services	238,946	638,731	199,099	-	1,076,776
Ancillary services	335	-	-	-	335
Capital outlay:	27,670	106,573	6,076,460	-	6,210,703
Debt service:					
Principal	127,260	337,397	4,681,296	-	5,145,953
Interest and other charges	52,569	52,569	271,948	-	377,086
Total expenditures	1,623,554	2,776,707	11,228,803	560,926	16,189,990
Excess (deficiency) of revenues over expenditures	(23,277)	-	(10,980,808)	-	(11,004,085)
OTHER FINANCING SOURCES (USES)					
Transfers to other funds	(996,794)	-	920,808	-	(75,986)
Proceeds from long-term notes	-	-	10,060,000	-	10,060,000
Total other financing sources (uses)	(996,794)	-	10,980,808	-	9,984,014
Net change in fund balance	(1,020,071)	-	-	-	(1,020,071)
Fund balances-beginning	1,424,606	-	-	-	1,424,606
Fund balances-ending	\$ 404,535	\$ -	\$ -	\$ -	\$ 404,535

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

Pave Southeast Raleigh Charter School
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the
Statement of Activities
Governmental Funds
For the year ended June 30, 2021

Amounts reported for governmental activities in the Statement of Activities are different

Net changes in fund balances - total governmental funds	\$ (1,020,071)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	5,976,498
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(4,914,047)
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Difference in accrued interest payable and interest expensed on fund statements	3,401
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Gain on disposal sale of assets	666,012
Expenses related to debt refinancing	(165,283)
Donated building revenue	4,250,000

Total changes in net position of governmental activities	\$ 4,796,510
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The notes to the financial statements are an integral part of this statement.

Pave Southeast Raleigh Charter School
Statement of Net Position
Proprietary Fund
June 30, 2021

	Enterprise Fund
	Major Fund
	School Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 30,422
Total current assets	30,422
Noncurrent assets:	
Capital assets:	
Other capital assets, net of depreciation	8,110
Total noncurrent assets	8,110
Total assets	\$ 38,532
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 149
Total current liabilities	149
Long-term liabilities:	
Due within one year	-
Due in more than one year	-
Total long-term liabilities	-
Total liabilities	149
NET POSITION	
Net investment in capital assets	8,110
Unrestricted	30,273
Total net position	\$ 38,383

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

Pave Southeast Raleigh Charter School
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the year ended June 30, 2021

	Enterprise Fund
	Major Fund
	School Food Service
OPERATING REVENUES	
Food sales	\$ -
Total operating revenues	-
OPERATING EXPENSES	
Food cost:	
Purchase of food	614
Salaries and benefits	72,819
Supplies and materials	1,034
Depreciation	1,191
Contracted services	429
Other	1,091
Total operating expenses	77,178
Operating income (loss)	(77,178)
NONOPERATING REVENUES (EXPENSES)	
Federal reimbursements	-
Total nonoperating revenue (expenses)	-
Income (loss) before contributions and transfers	(77,178)
Capital contributions	-
Transfers from other funds	75,986
Change in net position	(1,192)
Total net position - beginning	39,575
Total net position - ending	\$ 38,383

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

Pave Southeast Raleigh Charter School
Statement of Cash Flows
Proprietary Fund
For the year ended June 30, 2021

Enterprise Fund

Major Fund

School Food Service

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$	-
Cash paid for goods and services		(3,167)
Cash paid to employees for services		(72,819)
Net cash provided (used) by operating activities		<u>(75,986)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Federal reimbursements		(9)
Transfers from other funds		75,986
Net cash provided (used) by noncapital financing activities		<u>75,977</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets		-
Net cash provided (used) by capital and related financing activities		<u>-</u>

Net increase (decrease) in cash and cash equivalents		(9)
Balances-beginning of the year		30,431
Balances-end of the year	\$	<u><u>30,422</u></u>

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	\$	<u>(77,178)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation		1,191
Changes in assets and liabilities		
Decrease (Increase) in due from other governments		-
Decrease (Increase) in prepaid items		-
Increase (Decrease) in accounts payable and accrued expenses		(8)
Total adjustments		<u>1,183</u>
Net cash (used) by operating activities	\$	<u><u>(75,995)</u></u>

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

**PAVE Southeast Raleigh Charter School
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021**

I. Summary of Significant Accounting Policies

The accounting policies of the PAVE Southeast Raleigh Charter School, North Carolina (School) conform to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities, such as PAVE. Because of the authority of the State Board of Education (the "SBE") to terminate, not renew or seek applicants to assume a charter on grounds sent out in the North Carolina General Statutes at G.S. 115C-218.95 with all net assets purchased with public funds reverting to a local education agency (G.S. 115C-218.100), the charter schools in North Carolina follow the governmental reporting model as used by local education agencies. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The PAVE Southeast Raleigh Charter School is a North Carolina non-profit corporation incorporated in November 2013. Pursuant to the provisions of the Charter School Act of 1996 as amended (the "Act"), PAVE Southeast Raleigh Charter School has been approved to operate the School, a public school serving approximately 370 students. The School operates under an approved charter received from the SBE and applied for under the provisions of G.S. 115C-218.1. G.S. 115C-218.6(b)(1) states that a charter school shall be subject to the audit requirements adopted by the SBE, which includes the audit requirements established by G.S. 115C-447 of the School Budget and Fiscal Control Act (SBFCA), and requires the financial statements to be prepared in accordance with GAAP. The current charter is effective until June 30, 2020 and 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.

The PAVE Southeast Raleigh Charter School has been recognized by the Internal Revenue Service as exempt from Federal income taxation under section 509(a) of the Internal Revenue Code as an organization described in section 509(c)(3).

Southeast Raleigh Charter Foundation, Inc.

Southeast Raleigh Charter Foundation, Inc. was formed as a vehicle to finance and purchase the facilities currently utilized by the School. The members of Southeast Raleigh Charter Foundation, Inc.'s governing board are composed of board members from the School and members from the community. The Foundation which has a June 30 year-end, is presented in the capital outlay fund (blended presentation). Management of the School is responsible for operations of the Foundation.

B. Basis of Presentation

In accordance with GASB Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments ("GASB 34"), the School 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 School. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the School. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

**PAVE Southeast Raleigh Charter School
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021**

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

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

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

The School reports the following major governmental funds:

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

State Public School Fund. The State Public School Fund includes appropriations from the Department of Public Instruction for specific operating needs of the public school system and is reported as a special revenue fund.

Federal Fund. The Federal Fund includes federal funds passed-through the North Carolina Department of Public Instruction.

Capital Outlay Fund. The Capital Outlay Fund is used to account for the financial activity of Southeast Raleigh Charter Foundation, Inc.

The School reports the following major enterprise fund:

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

C. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial 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 School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

PAVE Southeast Raleigh Charter School
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

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

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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 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, 2021. 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 School are made in local banks; whose accounts are FDIC or NCUA insured.

2. Cash and Cash Equivalents

The School pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash and investments with original maturities of three months or less are considered cash and cash equivalents.

3. Inventories and Prepaid Items

The inventories of the School are valued at cost, and the School uses the first-in, first-out (FIFO) flow assumption in determining cost. Governmental fund inventories consist of supplies and are recorded as expenses when consumed. Proprietary fund inventories consist of food and supplies and are also recorded as expenses when consumed.

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

4. Capital Assets

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

**PAVE Southeast Raleigh Charter School
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021**

It is the policy of the School to capitalize all capital assets costing more than \$1,000 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
Buildings	30
Computer Network Equipment	5
Computers	3
Furniture & Fixtures	7
Instructional Equipment	5
Software	3

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 School has 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 School had unavailable grant revenue during the year that meet the criterion for this category during the year. See Note III.B.4 for additional information.

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

The School allows eleven month full-time employees to use up to four personal days and four sick leave days each academic year. Eleven month part-time employees receive both personal and sick leave days on a prorated basis. Twelve month full-time employees are allowed to use up to four personal days, four sick leave days, and eleven vacation days for each academic year. Twelve month part-time employees receive personal, sick leave, and vacation days on a prorated basis. All personal, sick leave, and vacation days expire at the end of the year for all employees. Therefore, the School has no obligation for compensated absences and no accrual has been made.

**PAVE Southeast Raleigh Charter School
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021**

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, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

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

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

Assigned fund balance – portion of fund balance that PAVE Southeast Raleigh Charter School intends to use for specific purposes.

Subsequent year's expenditures – portion of 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 Director 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.

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

**PAVE Southeast Raleigh Charter School
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021**

9. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliation between governmental funds' total fund balance and governmental activities' net position as reported in the government-wide statement of net position. The net adjustment of \$5,542,172 consists of several elements as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$ 11,364,501
Less accumulated depreciation	(443,625)
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:	
Bonds, leases, and installment financing	(5,378,704)
Compensated absences	-
Accrued interest payable	-
Total adjustment	<u><u>\$ 5,542,172</u></u>

F. Revenues, Expenditures, and Expenses

1. Funding

The PAVE Southeast Raleigh Charter School is 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 (Wake County Board 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 School receives, 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 which is transferred by the appropriate local school administrative unit(s). [G.S. 115C-238.29H(b)]. For the fiscal year ended June 30, 2021, the PAVE Southeast Raleigh Charter School received funding from the Boards of Education for Johnston County, Hoke County, Harnett County, Guilford County and Wake County.

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

2. Reconciliation between government-wide and fund statements

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by 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 \$5,816,581 between the two amounts consists of the following elements:

**PAVE Southeast Raleigh Charter School
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021**

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 6,210,703
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(234,205)
New debt issued during the year is recorded as a source of funds on the fund statements but has no affect on the statement of activities, only the statement of net position.	(10,060,000)
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.	5,145,953
Difference in accrued interest payable and interest expensed on fund statements	3,401
Gain on disposal of assets	666,012
Expenses related to debt financing	(165,283)
Donated building revenue	4,250,000
 Total	 <u><u>\$ 5,816,581</u></u>

II. Stewardship, Compliance, and Accountability

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

Noncompliance with North Carolina General Statutes

None

Contractual Violations

See Finding 2021-001. The School and its Foundation failed to maintain complete and accurate accounting records.

B. Deficit Fund Balance or Net Position of Individual Funds

None

III. Detail Notes on All Funds

PAVE Southeast Raleigh Charter School
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

A. Assets

1. Deposits

At June 30, 2021, the School had deposits with banks and savings and loans with a carrying amount of \$928,640. The bank balance with the financial institutions was \$1,017,410. Federal Deposit Insurance Corporation (FDIC) covers \$250,000 per bank. The School had a balance of \$767,410 that was not insured by the FDIC. The School does not have a deposit policy for custodial credit risk. The School does not hold petty cash.

2. Capital Assets

Capital asset activity for the year ended June 30, 2021:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Land	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated				
Buildings	7,076,370	-	7,076,370	-
Computer network equipment	120,059	27,670	-	147,729
Computers	49,989	-	-	49,989
Furniture and fixtures	66,192	-	-	66,192
Equipment	191,185	106,573	-	297,758
Instructional equipment	39,244	-	-	39,244
Transportation	14,489	-	-	14,489
Total capital assets being depreciated	<u>7,557,528</u>	<u>134,243</u>	<u>7,076,370</u>	<u>615,401</u>
Less accumulated depreciation				
Buildings	963,173	-	963,173	-
Computer network equipment	91,500	30,141	-	121,641
Computers	46,209	2,104	-	48,313
Furniture and fixtures	36,513	8,763	-	45,276
Equipment	14,206	19,884	-	34,090
Instructional equipment	19,266	4,022	-	23,288
Transportation	1,725	2,070	-	3,795
Total accumulated depreciation	<u>1,172,592</u>	<u>\$ 66,984</u>	<u>\$ 963,173</u>	<u>276,403</u>
Total capital assets being depreciated, net	<u>6,384,936</u>			<u>338,998</u>
Governmental activities capital assets, net	<u>\$ 6,384,936</u>			<u>\$ 338,998</u>

Depreciation expense is charged to governmental functions as follows:

Instructional services	\$ 50,238
System-wide support services	16,746
	<u>\$ 66,984</u>

PAVE Southeast Raleigh Charter School
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets being depreciated				
Kitchen Equipment	\$ 13,901	\$ -	\$ -	\$ 13,901
Total capital assets being depreciated	13,901	-	-	13,901
Less accumulated depreciation				
Kitchen Equipment	4,601	1,191	-	5,792
Total accumulated depreciation	4,601	\$ 1,191	\$ -	5,792
Total capital assets being depreciated, net	9,300			8,109
Business-type activities capital assets, net	\$ 9,300			\$ 8,109

Capital asset activity for the LLC for the year ended June 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Government Activities				
Capital assets not being depreciated				
Land	\$ -	\$ 967,500	\$ -	\$ 967,500
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	-	967,500	-	967,500
Capital assets being depreciated				
Buildings	-	9,782,500	-	9,782,500
Total capital assets being depreciated	-	9,782,500	-	9,782,500
Less accumulated depreciation				
Buildings	-	167,222	-	167,222
Total accumulated depreciation	-	\$ 167,222	\$ -	167,222
Total capital assets being depreciated, net	-			9,615,278
Government activities capital assets, net	\$ -			\$ 10,582,778

B. Liabilities

1. Pension Plan Obligations

a. Retirement Plan

Plan Description – PAVE Southeast Raleigh Charter School offers a 401(k) retirement plan with ADP. Plan members could contribute up to \$18,000 of their annual salary and the School would match up to 2% of their annual salary. The School contributed \$16,681 to the plan during the year, with the employees contributing \$28,516.

PAVE Southeast Raleigh Charter School
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets being depreciated				
Kitchen Equipment	\$ 13,901	\$ -	\$ -	\$ 13,901
Total capital assets being depreciated	13,901	-	-	13,901
Less accumulated depreciation				
Kitchen Equipment	4,601	1,191	-	5,792
Total accumulated depreciation	4,601	\$ 1,191	\$ -	5,792
Total capital assets being depreciated, net	9,300			8,109
Business-type activities capital assets, net	\$ 9,300			\$ 8,109

Capital asset activity for the LLC for the year ended June 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Government Activities				
Capital assets not being depreciated				
Land	\$ -	\$ 967,500	\$ -	\$ 967,500
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	-	967,500	-	967,500
Capital assets being depreciated				
Buildings	-	9,782,500	-	9,782,500
Total capital assets being depreciated	-	9,782,500	-	9,782,500
Less accumulated depreciation				
Buildings	-	167,222	-	167,222
Total accumulated depreciation	-	\$ 167,222	\$ -	167,222
Total capital assets being depreciated, net	-			9,615,278
Government activities capital assets, net	\$ -			\$ 10,582,778

B. Liabilities

1. Pension Plan Obligations

a. Retirement Plan

Plan Description – PAVE Southeast Raleigh Charter School offers a 401(k) retirement plan with ADP. Plan members could contribute up to \$18,000 of their annual salary and the School would match up to 2% of their annual salary. The School contributed \$16,681 to the plan during the year, with the employees contributing \$28,516.

**PAVE Southeast Raleigh Charter School
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021**

4. Deferred Inflows of Resources

The balance in deferred inflows of resources at year end is composed of the following:

<u>Year Ending June 30</u>	<u>Unavailable Grant Revenue</u>
2021	\$ 320,759
Total	<u>\$ 320,759</u>

5. Unavailable Revenue

Unavailable Grant Revenue consists of \$50,000 grant revenue from A.J Fletcher Foundation, \$20,759 grant revenue from Triangle Charter/Maureen Joy, and \$250,000 grant revenue from Russell Foundation. that was not received during the fiscal year ended June 30, 2021.

6. Interfund Balances and Activity

The General Fund transferred \$75,986 to the School Food Service Fund to help cover the cost of food services.

7. Fund Balance

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

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

Total fund balance	\$ 404,535
Less:	-
Prepaid Items	6,430
Remaining Fund Balance	<u>\$ 398,105</u>

IV. Commitment

The School has entered into a contract for the provision of financial services. Obligations under this agreement are based on enrollment. The School paid \$91,205 under the terms of this agreement during the year ended June 30, 2021.

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

**PAVE Southeast Raleigh Charter School
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021**

believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

COVID-19 Contingencies

During the year ended June 30, 2021, the COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments and cannot be reasonably predicted and estimated at this time. The COVID-19 outbreak is ongoing as of June 30, 2021, and additional impact on operational and financial performance may occur.

VI. Significant Effects of Subsequent Events

The School has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The School has not evaluated subsequent events after that date. There were no subsequent events during this period that requires disclosure.

VII. Special Item – Gain on disposal of assets

After forming the PAVE 3420 Idlewood Village, LLC in November 2020, the School disposed of its 2020 capital lease with CCA Project Development, LLC and the related capitalized land and buildings. The gain on this transaction was \$666,012.

SUPPLEMENTARY INFORMATION

Pave Southeast Raleigh Charter School
All Fund Types Except Federal Grants Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual, Government-wide Budget
For the year ended June 30, 2021

	2021		Favorable (Unfavorable) Variance
	Final Budget	Actual	
Revenues:			
State of North Carolina	\$ 2,814,909	\$ 2,776,707	\$ (38,202)
Board(s) of Education:			
Guilford County	2,692	2,692	-
Hoke County	359	359	-
Johnston County	22,260	22,260	-
Wake County	1,250,369	1,250,369	-
U.S. Government	627,153	560,926	(66,227)
Contributions and donations	124,250	189,654	65,404
Other	200,552	382,938	182,386
Total revenues	<u>5,042,544</u>	<u>5,185,905</u>	<u>143,361</u>
Expenditures:			
Salaries and bonuses	2,477,716	2,179,557	298,159
Benefits	622,551	613,068	9,483
Books and supplies	108,589	106,292	2,297
Technology	197,843	197,506	337
Non-Cap Equipment and Leases	51,000	36,206	14,794
Contracted Student Services	179,907	179,653	254
Staff Development	61,668	33,334	28,334
Administrative Services	228,210	227,305	905
Insurance	50,280	50,084	196
Rents and Debt Service	464,657	5,769,975	(5,305,318)
Facilities	298,150	297,156	994
Utilities	91,400	91,158	242
Nutrition and Food	11,625	5,203	6,422
Transportation and Travel	63,950	62,187	1,763
Miscellaneous	-	3,874	(3,874)
PPP	138,055	138,055	-
Closing costs	-	226,542	(226,542)
Capital Purchases	135,000	6,210,703	(6,075,703)
Total expenditures	<u>5,180,601</u>	<u>16,427,858</u>	<u>(11,247,257)</u>
Other financing sources (uses):			
Loan Proceeds	-	10,060,000	10,060,000
Appropriated Fund Balance	138,057	-	(138,057)
Total other financing sources and (uses)	<u>138,057</u>	<u>10,060,000</u>	<u>9,921,943</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>(1,181,953)</u>	<u>\$ (1,181,953)</u>

Reconciliation from budgetary basis (modified accrual) to full accrual:

Reconciling items:	
Capital outlay	6,210,703
Depreciation	(234,205)
Principal payments	5,145,953
Donated building	4,250,000
Loan proceeds	(10,060,000)
Gain on sale of assets	666,012
Change in net position - total primary government	<u>\$ 4,796,510</u>

**Pave Southeast Raleigh Charter School
Federal Grants Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the year ended June 30, 2021**

	2021		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
IDEA Pre-School Handicapped	\$ 1,483	\$ -	\$ (1,483)
Title I Basic	295,170	264,088	(31,082)
IDEA VI-B Handicapped	79,034	79,034	-
Supporting Effective Instruction	56,668	28,345	(28,323)
NC Access Grant	27,608	27,608	-
ESSER CARES Act	148,511	148,511	-
ESSERF Digital Curricula	2,909	2,836	(73)
GEER Specialized Inst Support	10,504	10,504	-
GEER Supplemental Inst Services	5,265	-	(5,265)
Total revenues	627,152	560,926	(66,226)
Expenditures:			
Salaries and benefits	527,245	491,633	35,612
Books and Supplies	1,483	-	1,483
Workshop expenses	52,668	24,345	28,323
Contracted Services	10,504	10,504	-
Technology	2,909	2,836	73
Other	32,343	31,608	735
Total expenditures	627,152	560,926	66,226
 Excess of revenues over expenditures	 \$ -	 \$ -	 \$ -

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COMPLIANCE SECTION
PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
RALEIGH, NORTH CAROLINA
JUNE 30, 2021

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

**PETWAY
MILLS &
PEARSON, PA**

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
PAVE Southeast Raleigh Charter School
Raleigh, North Carolina

C. Briggs Petway, Jr.
Phyllis M. Pearson

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

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

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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, the business-type activities and each major fund of PAVE Southeast Raleigh Charter School, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise PAVE Southeast Raleigh Charter School's basic financial statements, and have issued our report thereon dated March 9, 2022.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item Finding 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

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

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instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2021-001.

School's Response to Findings

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the School's response and, accordingly, we express no opinion on it.

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

March 9, 2022

**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**

**PETWAY
MILLS &
PEARSON, PA**

Independent Auditors' Report

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
PAVE Southeast Raleigh Charter School
Raleigh, North Carolina

C. Briggs Petway, Jr.
Phyllis M. Pearson

Report on Compliance for Each Major State Program

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

We have audited PAVE Southeast Raleigh Charter School'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 PAVE Southeast Raleigh Charter School's major State program as of and for the year ended June 30, 2021. PAVE Southeast Raleigh Charter School's major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

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 PAVE Southeast Raleigh Charter School'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 PAVE Southeast Raleigh Charter School's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

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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 PAVE Southeast Raleigh Charter School's compliance.

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Opinion on Each Major State Program

American Institute
of Certified Public
Accountants

In our opinion, PAVE Southeast Raleigh Charter School 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, 2021.

Report on Internal Control over Compliance

Management of PAVE Southeast Raleigh Charter School 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 PAVE Southeast Raleigh Charter School'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

March 9, 2022

**Pave Southeast Raleigh Charter School
 Schedule of Findings and Questioned Costs
 For the year ended June 30, 2021**

SECTION I. – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified.

Internal control over financial reporting:

Material weakness(es) identified? yes no

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

Noncompliance material to financial statements noted yes no

State Awards

Internal control over major State programs:

Material weakness(es) identified? yes no

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

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

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

Identification of major State programs:

Program Name

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

**Pave Southeast Raleigh Charter School
Schedule of Findings and Questioned Costs
For the year ended June 30, 2021**

SECTION II. – FINANCIAL STATEMENT FINDINGS

Finding 2021-001 Material Weakness

Criteria: The School is responsible for maintaining and providing reliable and accurate accounting records based on underlying, supporting documentation.

Condition: The School did not maintain accurate and complete accounting records for its Foundation. Further, the effect of transactions originating in the School on the Foundation were not considered.

Effect: The School's records omitted transactions from the Foundation and the Foundation's records omitted transactions from the School. Roughly \$10,000,000 in property transactions were not recorded on either set of books. Proceeds from the loans used to acquire the property were not recorded on either set of books.

Cause: Failure to maintain accounting records.

Questioned Costs: None.

Recommendation: We recommend the Management of the School maintain separate, complete and accurate set of accounting records for the Foundation and the School.

Views/Planned Corrective Action: The Management of the School agrees with this finding.

SECTION III. STATE SWARD FINDINGS AND QUESTIONED COSTS

None Reported.

**Pave Southeast Raleigh Charter School
Corrective Action Plan
For the year ended June 30, 2021**

SECTION II. – FINANCIAL STATEMENT FINDINGS

Finding 2021-001 Contact Person: Dawn Arthur, Executive Director

Corrective Action Plan: Management of the School will maintain complete and accurate accounting records for the School and the Foundation. Management has hired a bookkeeping service, Acadia Northstar, to maintain both sets of books.

Effective Date: April1, 2022.

SECTION III. – STATE AWARD FINDINGS AND QUESTIONED COSTS

None required.

**Pave Southeast Raleigh Charter School
Summary Schedule of Prior Years' Audit Findings
For the year ended June 30, 2021**

There were no prior year findings.

**Pave Southeast Raleigh Charter School
Schedule of Expenditures of Federal and State Awards
For the year ended June 30, 2021**

<u>Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass- Through Grantor's Number</u>	<u>Expenditures</u>
FEDERAL GRANTS:			
<u>US Department of Education</u>			
Passed Through the NC Department of Public Instruction:			
Special Education Cluster			
IDEA VI-B Handicapped	84.027	PRC 060	\$ 79,034
Total Special Education Cluster			<u>79,034</u>
Title I, Part A Cluster			
Title I, Grants to Local Education Agencies	84.010	PRC 050	264,088
Total Title I, Part A Cluster			<u>264,088</u>
Supporting Effective Instruction	84.366	PRC 103	<u>28,345</u>
Passed through the NC Office of Charter Schools NC Advancing Charter Collaboration	84.282	PRC 160	<u>27,608</u>
COVID-19 Education Stabilization Fund			
ESSER Cares Act	84.425D	PRC 163	148,511
ESSER Digital Curricula	84.425D	PRC 165	2,836
GEER Specialized Ins Support	84.425D	PRC 169	<u>10,504</u>
Total COVID-19 Education Stabilization Fund			161,851
Total US Department of Education			<u>560,926</u>
TOTAL FEDERAL ASSISTANCE			<u>560,926</u>
NC STATE GRANTS:			
<u>NC Department of Public Instruction</u>			
State Public School Funds			
Charter School Funds		PRC 036	2,653,785
Early Grade Reading Proficiency		PRC 085	9,009
Summer Learning Program		PRC 121	57,722
Nondigital Resources		PRC 123	788
Student Computers and Devices		PRC 124	50,370
Personnel Computers and Devices		PRC 126	1,314
Personal Protective Equipment		PRC 137	<u>3,719</u>
TOTAL STATE ASSISTANCE			<u>2,776,707</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 3,337,633</u>

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

Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the PAVE Southeast Raleigh Charter School under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the PAVE Southeast Raleigh Charter School, it is not intended Federal Awards (Uniform Guidance) and the State Single Audit to and does not present the financial position, changes in net position or cash flows of the PAVE Southeast Raleigh Charter School.

Indirect Costs

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

Summary of Accounting Policies

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