



SHARPE
PATELCPA

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE RALEIGH CHARTER SCHOOL
RALEIGH, NORTH CAROLINA**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2023

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
 DBA RISE SE Raleigh Charter School
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DBA RISE SE Raleigh Charter School

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MANAGEMENT'S DISCUSSION AND ANALYSIS



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the blended component unit and the aggregate remaining fund information of PAVE Southeast Raleigh Charter School DBA RISE SE Raleigh Charter School as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of PAVE Southeast Raleigh Charter School DBA RISE SE Raleigh Charter School, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PAVE Southeast Raleigh Charter School DBA RISE SE Raleigh Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's basic financial statements. The accompanying budgetary schedules as well as the accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act., are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of PAVE Southeast Raleigh Charter School's DBA RISE SE 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 that report is solely 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 the effectiveness of PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's 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 DBA RISE SE Raleigh Charter School's internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina

October 31, 2023

FINANCIAL SECTION

PAVE Southeast Raleigh Charter School
DBA RISE SE Raleigh Charter School
Management’s Discussion and Analysis
For the Year Ended June 30, 2023

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, 2023, 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

- The assets of the School exceeded its liabilities at the close of the fiscal year by \$6,250,342 (*net position*).
- The School recorded a prior period adjustment for an unrecorded note payable from the prior year that resulted in a restatement of (\$50,000) to the beginning net position for fiscal year 2023.
- The School’s total net position decreased by \$171,963, primarily due to a decrease in the business-type activities’ net position.
- As of the close of the current fiscal year, the School’s governmental funds reported combined ending fund balances of \$953,029, a decrease of \$80,217 in comparison with the prior year.
- Enrollment at the School continues to increase, rising by 13 students this year, a 2.8% increase. The State funded Average Daily Membership (ADM) was 383 in 2018-19, 408 in 2019-20, 420 in 2020-21, 463 in 2021-22, and 476 for the current fiscal year.
- Southeast Raleigh Charter Foundation, Inc. (the “Foundation”) is organized for the exclusive purpose of holding title to property, collecting income therefrom, and turning over the entire amount thereof, less expenses, to an organization, which itself is exempt under 26 U.S.C. 501. The Foundation is a blended component unit of the School, and is presented in the School’s financial statements as if it were in the general fund.
- During the current fiscal year, the School’s long-term debt decreased by \$134,761. At June 30, 2023, the debt consisted of three notes payable, totaling \$3,463,103, \$1,739,495, and \$50,000, respectively.

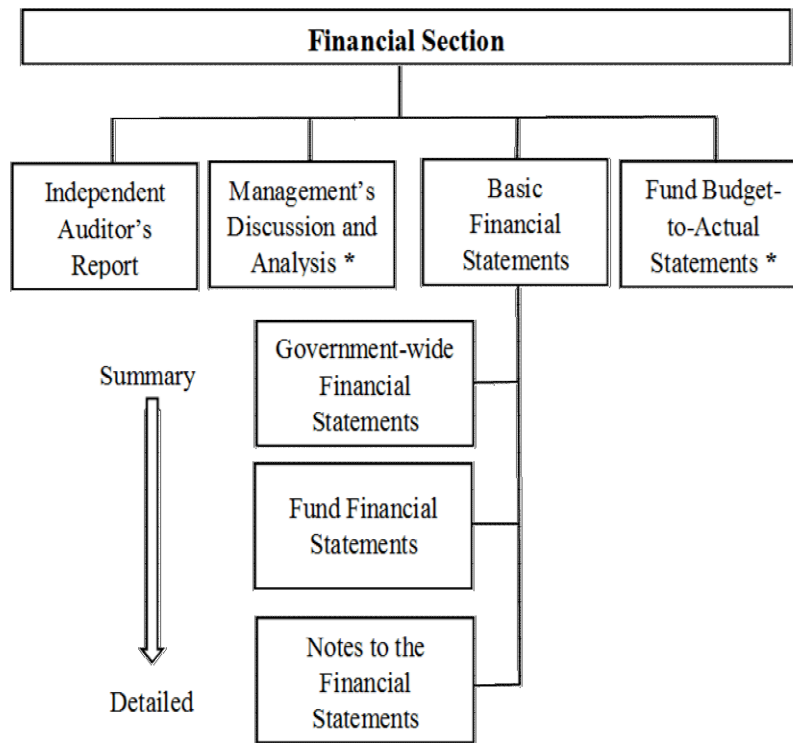
Overview of the Financial Statements

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 Service activities carried out by the School. The government-wide financial statements are Exhibits 1 and 2 of this report.

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 22 of this report.

Government-Wide Financial Analysis

The financial analysis reveals that at June 30, 2023, cash and cash equivalents, and other current assets, primarily amounts due from other governments, accounted for 8.6% and 2.1% of total government-wide assets, respectively. During the 2023 fiscal year, the School purchased instructional equipment, which accounted for \$73,640, or 81.9% of the current year's additions to depreciable capital assets. Capital assets, net of accumulated depreciation, accounted for 89.3% of total assets. Long-term liabilities represent 94.4% 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 by \$6,250,342 at June 30,

Management’s Discussion and Analysis
RISE SE Raleigh Charter School
June 30, 2023

2023. At June 30, 2022, the School’s net position stood at \$6,472,305. The School’s net position decreased by \$171,963 during the year ended June 30, 2023, compared to an increase of \$486,315 in 2022. The amount of \$5,267,040 reflects the School’s investment in capital assets (e.g. land, buildings, furniture and fixtures, vehicles, and equipment), less any related debt still outstanding that was issued to acquire those items. The School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School’s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining amount of \$983,302 is unrestricted. At June 30, 2022, the amount of net investment in capital assets was \$4,582,490, with unrestricted net position standing at \$1,889,815.

A condensed statement of net position which summarizes the assets, liabilities, and net position at June 30, 2023 and 2022 is as follows:

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

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Cash and cash equivalents	\$ 1,011,260	\$ 1,193,610	\$ 32,776	\$ 30,512	\$ 1,044,036	\$ 1,224,122
Other current assets	251,971	229,545	11,478	-	263,449	229,545
Capital assets, net of depreciation	10,513,911	10,739,227	5,727	6,918	10,519,638	10,746,145
Total assets	<u>11,777,142</u>	<u>12,162,382</u>	<u>49,981</u>	<u>37,430</u>	<u>11,827,123</u>	<u>12,199,812</u>
Liabilities						
Current and other liabilities	310,203	389,910	13,980	238	324,183	390,148
Long-term liabilities	5,252,598	5,337,359	-	-	5,252,598	5,337,359
Total liabilities	<u>5,562,801</u>	<u>5,727,269</u>	<u>13,980</u>	<u>238</u>	<u>5,576,781</u>	<u>5,727,507</u>
Net position:						
Net investment in capital assets	5,261,313	4,575,572	5,727	6,918	5,267,040	4,582,490
Unrestricted	953,028	1,859,541	30,274	30,274	983,302	1,889,815
Total net position	<u>\$ 6,214,341</u>	<u>\$ 6,435,113</u>	<u>\$ 36,001</u>	<u>\$ 37,192</u>	<u>\$ 6,250,342</u>	<u>\$ 6,472,305</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 increases with any increase in the student enrollment.

Management's Discussion and Analysis
RISE SE Raleigh Charter School
June 30, 2023

Revenues, expenses, transfers and the change in net position is summarized in the following condensed statement of activities for the years ended June 30, 2023 and 2022:

RISE SE Raleigh Charter School
Condensed Statement of Activities
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues						
Operating grants and contributions	\$ 1,407,622	\$ 1,233,283	\$ 351,351	\$ 361,189	\$ 1,758,973	\$ 1,594,472
Charges for services	-	-	168	-	168	-
General revenues						
County and State funds	4,905,832	4,587,355	-	-	4,905,832	4,587,355
Donations - general	43,739	509,136	-	-	43,739	509,136
Rental income	-	405,087	-	-	-	405,087
Miscellaneous, unrestricted	65,652	52,388	-	-	65,652	52,388
Total revenues	<u>6,422,845</u>	<u>6,787,249</u>	<u>351,519</u>	<u>361,189</u>	<u>6,774,364</u>	<u>7,148,438</u>
Expenses:						
Instructional services	4,843,137	4,166,754	-	-	4,843,137	4,166,754
System-wide support services	1,444,308	2,051,578	-	-	1,444,308	2,051,578
Community services	75	-	-	-	75	-
Ancillary services	-	600	-	-	-	600
Interest on long-term debt	170,898	-	-	-	170,898	-
School food service	-	-	487,909	443,191	487,909	443,191
Total expenses	<u>6,458,418</u>	<u>6,218,932</u>	<u>487,909</u>	<u>443,191</u>	<u>6,946,327</u>	<u>6,662,123</u>
Increase (Decrease) in net position before transfers	(35,573)	568,317	(136,390)	(82,002)	(171,963)	486,315
Transfers	<u>(135,199)</u>	<u>(80,811)</u>	<u>135,199</u>	<u>80,811</u>	<u>-</u>	<u>-</u>
Change in net position	(170,772)	487,506	(1,191)	(1,191)	(171,963)	486,315
Net position, July 1, as previously stated	6,435,113	5,947,607	-	38,383	6,435,113	5,985,990
Restatement	(50,000)	-	-	-	(50,000)	-
Net position, July 1, as restated	<u>6,385,113</u>	<u>-</u>	<u>37,192</u>	<u>-</u>	<u>6,422,305</u>	<u>-</u>
Net position, June 30	<u>\$ 6,214,341</u>	<u>\$ 6,435,113</u>	<u>\$ 36,001</u>	<u>\$ 37,192</u>	<u>\$ 6,250,342</u>	<u>\$ 6,472,305</u>

Governmental activities. Governmental activities decreased the School's net position by \$35,573, before transfers to support business-type activities. County and State funds of \$4,905,832 increased by 6.9%, and make up 76.4% of total revenues. Instructional services and related expenses of \$4,843,137 account for 75.0% of total expenses, and increased by 16.2%. 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 decreased 0.6% in comparison with the prior year.

Business-type activities. Business-type activities consist of the School Food Service program, which decreased the School's net position by \$136,390, before a transfer of \$135,199 was received from the governmental activities.

Key elements of the business-type activities 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 received \$351,351 in Federal reimbursement funds in the School Food Service Fund this past year, a 2.7% decrease compared with the prior 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 80.1% of total fund assets. Accounts payable, and accrued liabilities accounted for 100% of General Fund liabilities. The unassigned fund balance of the General Fund was \$945,837, while total fund balance of the General Fund was \$953,029, a decrease of \$80,217 compared with the prior year. The unassigned fund balance was 99.2% of total fund balance of the General Fund. The primary source, 86.9%, of General Fund revenue was \$1,604,646 in reimbursements by various counties for their students attending the School. An additional \$4,576,808 was provided by the State of North Carolina and the Federal government, which accounted for 71.3% of total Governmental Fund revenue. Expenditures for capital outlay totaled \$54,010, or 3.1% of General Fund expenditures. Additional instructions-related expenditures of \$1,261,061, system-wide support services and community services of \$432,199, and debt service of \$43,659 accounted for 70.4%, 24.1%, and 2.4%, respectively, of General Fund expenditures.

At June 30, 2023, the Governmental Funds of the School reported a combined fund balance of \$953,029, a 7.8% decrease compared with the prior 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 \$35,999. The total change in net position for the School Food Service Fund was (\$1,193), after a transfer of \$135,199 was received from the General Fund. Other factors concerning the finances of these funds have already been addressed in the discussion of the School's business-type activities.

Capital Asset and Debt Administration

Capital assets. The School’s investment in capital assets for its governmental and business–type activities totals \$10,519,638 (net of accumulated depreciation), as of June 30, 2023. Capital assets include land, a building, furniture and fixtures, vehicles, school equipment, electronic equipment, and school food service equipment.

The major capital asset transactions during the year include the following:

- Expending \$73,640 on school equipment; and
- Purchasing a bus totaling \$16,289.

The following schedule summarizes the School’s capital assets at June 30, 2023 and 2022:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 967,500	\$ 967,500	\$ -	\$ -	\$ 967,500	\$ 967,500
Buildings	9,113,611	9,364,445	-	-	9,113,611	9,364,445
Furniture and fixtures	7,269	12,153	-	-	7,269	12,153
Vehicles	52,089	45,613	-	-	52,089	45,613
School equipment	367,087	329,812	-	-	367,087	329,812
Electronic equipment	6,355	19,705	-	-	6,355	19,705
School food service equipment	-	-	5,727	6,918	5,727	6,918
Capital assets, net	<u>\$ 10,513,911</u>	<u>\$10,739,228</u>	<u>\$ 5,727</u>	<u>\$ 6,918</u>	<u>\$ 10,519,638</u>	<u>\$10,746,146</u>

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

Long-Term Debt. At June 30, 2023, the School’s long-term obligations consisted of three notes payable, totaling \$3,463,103, \$50,000, and \$1,739,495 respectively.

The School’s outstanding debt at June 30, 2023 and 2022 is summarized in the following schedule:

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

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
First Horizon Bank	\$ 3,463,103	\$ 3,557,993
Tom Russell Charitable Foundation	50,000	50,000
Self Help Credit Union	1,739,495	1,779,366
Total long-term obligations	<u>\$ 5,252,598</u>	<u>\$ 5,387,359</u>

During fiscal year 2023, the New Horizon Bank note payable balance decreased by \$94,890, and the Self Help Credit Union note payable balance decreased by \$39,871. The balance on the Tom Russell Charitable Foundation loan remained unchanged since repayment is scheduled to begin in December 2023.

The School leases its building and land from the Foundation, with annual rent expense totaling \$450,000 for fiscal year 2023.

Additional information about the School's long-term obligations can be found in Note II.B.3. of the Basic Financial Statements.

Economic Factors

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

- The School continues to attract families from the Southeast Raleigh area and surrounding communities due to its commitment to academic growth and improvement.
- Wake County, the School's main source for local revenue, increased its per pupil allocation by \$288 this fiscal year, a 9.2% increase.
- The State of North Carolina increased its per pupil funding by \$261.84 per ADM compared to the previous year. This equated to an increase of 4.48%.
- The School's ADM increased by 2.8% this fiscal year, resulting in an overall increase in revenue.

Impact of Coronavirus on the School. During the fiscal year, the School expended \$912,800 in Elementary and Secondary School Emergency Relief (ESSER) funds in its continued efforts to mitigate the ongoing effects of the COVID-19 pandemic. The ESSER funds were used primarily for purchasing technology equipment, computer software, and instructional supplies for its students, providing health services to students, paying salaries to staff providing additional instructional support to students experiencing learning loss due to the pandemic, and sanitizing the School's facilities to assist in preventing the spread of the coronavirus. The School also purchased an additional bus to ensure the health and safety of its students while in transit. 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.

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
DBA RISE SE RALEIGH CHARTER SCHOOL**

Exhibit 1

Statement of Net Position

June 30, 2023

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,011,260	\$ 32,776	\$ 1,044,036
Due from other governments	159,254	-	159,254
Accounts receivable (net)	85,525	11,478	97,003
Prepaid items	7,192	-	7,192
Total current assets	1,263,231	44,254	1,307,485
Capital assets (Note II.A) 2.:			
Land	967,500	-	967,500
Other capital assets, net of depreciation	9,546,411	5,727	9,552,138
Total capital assets	10,513,911	5,727	10,519,638
Total assets	11,777,142	49,981	11,827,123
LIABILITIES			
Accounts payable and accrued expenses	310,203	13,980	324,183
Long-term liabilities:			
Due within one year	205,720	-	205,720
Due in more than one year	5,046,878	-	5,046,878
Total liabilities	5,562,801	13,980	5,576,781
NET POSITION			
Net investment in capital assets	5,261,313	5,727	5,267,040
Unrestricted	953,028	30,274	983,302
Total net position	\$ 6,214,341	\$ 36,001	\$ 6,250,342

The accompanying notes to the financial statements are an integral part of these statements.

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE RALEIGH CHARTER SCHOOL**

Exhibit 2

**Statement of Activities
For the Year Ended June 30, 2023**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Functions/Programs</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
					<u>Program Revenues</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Primary government:				Primary government:			
Governmental activities:				Governmental activities:			
Instructional services	\$ 4,843,137	\$ -	\$ 1,244,092	Instructional services	\$ (3,599,045)	\$ -	\$ (3,599,045)
System-wide support services	1,444,308	-	163,530	System-wide support services	(1,280,778)	-	(1,280,778)
Community services	75	-	-	Community services	(75)	-	(75)
Interest on long-term debt	170,898	-	-	Interest on long-term debt	(170,898)	-	(170,898)
Total governmental activities	<u>6,458,418</u>	<u>-</u>	<u>1,407,622</u>	Total governmental activities	<u>(5,050,796)</u>	<u>-</u>	<u>(5,050,796)</u>
Business-type activities:				Business-type activities:			
School food service	487,909	351,519	-	School food service	-	(136,390)	(136,390)
Total business-type activities	<u>487,909</u>	<u>351,519</u>	<u>-</u>	Total business-type activities	<u>-</u>	<u>(136,390)</u>	<u>(136,390)</u>
Total primary government	<u>\$ 6,946,327</u>	<u>\$ 351,519</u>	<u>\$ 1,407,622</u>	Total primary government	<u>(5,050,796)</u>	<u>(136,390)</u>	<u>(5,187,186)</u>
				General revenues:			
				Unrestricted county appropriations	1,604,646	-	1,604,646
				Unrestricted State appropriations	3,301,186	-	3,301,186
				Donations- general	43,739	-	43,739
				Miscellaneous, unrestricted	65,652	-	65,652
				Transfers	(135,199)	135,199	-
				Total general revenues and transfers	<u>4,880,024</u>	<u>135,199</u>	<u>5,015,223</u>
				Change in net position	(170,772)	(1,191)	(171,963)
				Net position, beginning, previously stated	<u>6,435,113</u>	<u>37,192</u>	<u>6,472,305</u>
				Restatement	(50,000)	-	(50,000)
				Beginning net position, as restated	<u>6,385,113</u>	<u>37,192</u>	<u>6,422,305</u>
				Net position, ending	<u>\$ 6,214,341</u>	<u>\$ 36,001</u>	<u>\$ 6,250,342</u>

The accompanying notes to the financial statements are an integral part of these statements.

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE RALEIGH CHARTER SCHOOL**

Exhibit 3

**Balance Sheet
Governmental Funds
June 30, 2023**

	Major Funds			Total Governmental Funds
	General	State Public School	Federal Grants	
ASSETS				
Cash and cash equivalents	\$ 1,011,260	\$ -	\$ -	\$ 1,011,260
Due from other governments	159,254	-	-	159,254
Receivables (net)	85,525	-	-	85,525
Prepaid items	7,192	-	-	7,192
Total assets	\$ 1,263,231	\$ -	\$ -	\$ 1,263,231
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 310,202	\$ -	\$ -	\$ 310,202
Total liabilities	310,202	-	-	310,202
Fund balances:				
Nonspendable:				
Prepaid items	7,192	-	-	7,192
Restricted	-	-	-	-
Unassigned	945,837	-	-	945,837
Total fund balances	953,029	-	-	953,029
Total liabilities, deferred inflows of resources and fund balances	\$ 1,263,231	\$ -	\$ -	

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:	10,513,911
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	(5,252,599)
Net position of governmental activities	\$ 6,214,341

The accompanying notes to the financial statements are an integral part of these statements.

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE RALEIGH CHARTER SCHOOL
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

Exhibit 4

	Major Funds			Total Governmental Funds
	General	State Public School	Federal Grants	
REVENUES				
State of North Carolina	\$ -	\$ 3,301,186	\$ -	\$ 3,301,186
Boards of Education	1,604,646	-	-	1,604,646
U.S. Government	-	-	1,275,622	1,275,622
Contributions and donations	43,739	-	-	43,739
Grants	132,000	-	-	132,000
Other	65,526	-	-	65,526
Total revenues	<u>1,845,911</u>	<u>3,301,186</u>	<u>1,275,622</u>	<u>6,422,719</u>
EXPENDITURES				
Current:				
Instructional services	1,261,061	2,187,005	1,095,803	4,543,869
System-wide support services	432,124	832,551	163,530	1,428,205
Community services	75	-	-	75
Capital outlay	54,010	19,630	16,289	89,929
Debt service:				
Principal	-	134,761	-	134,761
Interest and other charges	43,659	127,239	-	170,898
Total expenditures	<u>1,790,929</u>	<u>3,301,186</u>	<u>1,275,622</u>	<u>6,367,737</u>
Excess of revenues over (under) expenditures	<u>54,982</u>	<u>-</u>	<u>-</u>	<u>54,982</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	<u>(135,199)</u>	<u>-</u>	<u>-</u>	<u>(135,199)</u>
Total other financings sources (uses)	<u>(135,199)</u>	<u>-</u>	<u>-</u>	<u>(135,199)</u>
Net change in fund balance	(80,217)	-	-	(80,217)
Beginning fund balance	<u>1,033,246</u>	<u>-</u>	<u>-</u>	<u>1,033,246</u>
Ending fund balance	<u>\$ 953,029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 953,029</u>

The accompanying notes to the financial statements are an integral part of these statements.

DBA RISE SE RALEIGH

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2023**

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

Net changes in fund balances- total governmental funds	\$ (80,217)
--	-------------

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.	(226,508)
---	-----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and prepaid insurance when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

	<u>135,953</u>
Total changes in net position of governmental activities	<u><u>\$ (170,772)</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE RALEIGH CHARTER SCHOOL
Statement of Net Position
Proprietary Fund
June 30, 2023

Exhibit 6

	Enterprise Fund
	Major Fund
	School Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 32,776
Accounts receivable	11,478
Total current assets	44,254
Noncurrent assets:	
Equipment, net	5,727
Total assets	\$ 49,981
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 13,982
Total liabilities	13,982
NET POSITION	
Unrestricted	35,999
Total net position	\$ 35,999

The accompanying notes to the financial statements are an integral part of these statements.

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE RALEIGH CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
June 30, 2023

Exhibit 7

	Enterprise Fund
	Major Fund
	School Food
	Service
OPERATING REVENUES	
Food sales	\$ 168
Total operating revenues	168
OPERATING EXPENSES	
Food cost:	
Purchase of food	1,989
Salaries and benefits	133,764
Supplies and materials	393
Depreciation expense	1,191
Contracted services	350,574
Total operating expenses	487,911
Operating income (loss)	(487,743)
NONOPERATING REVENUES (EXPENSES)	
USDA reimbursements	351,351
Transfers from other funds	135,199
Total nonoperating expenses	486,550
Change in net position	(1,193)
Total net position - beginning	37,192
Total net position - ending	\$ 35,999

The accompanying notes to the financial statements are an integral part of these statements.

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE RALEIGH CHARTER SCHOOL**

Exhibit 8

**Statement of Cash Flows
Proprietary Fund
For the Year ended June 30, 2023**

	Enterprise Fund
	Major Fund
	School Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ (11,310)
Cash paid to employees for services	(133,764)
Cash paid for goods and services	(339,212)
Net cash provided (used) by operating activities	(484,286)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
USDA reimbursements	351,351
Transfers in (out)	135,199
Net cash provided by noncapital financing activities	486,550
Net increase (decrease) in cash and cash equivalents	2,264
Balances - beginning of year	30,512
Balances - end of year	\$ 32,776
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (487,743)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,191
Changes in assets and liabilities:	
Increase in accounts receivable	(11,478)
Increase in accounts payable and accrued expenses	13,744
Total adjustments	3,457
Net cash provided (used) by operating activities	\$ (484,286)

The accompanying notes to the financial statements are an integral part of these statements.

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE Raleigh Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of PAVE Southeast Raleigh Charter School DBA RISE SE Raleigh Charter School (the School) conform to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities, such as PAVE Southeast Raleigh Charter School DBA RISE SE Raleigh Charter School. 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

PAVE Southeast Raleigh Charter School DBA RISE SE 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 DBA RISE SE Raleigh Charter School has been approved to operate the School, a public school serving approximately 476 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, 2030 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. Management believes that the charter will be renewed in the ordinary course of business.

PAVE Southeast Raleigh Charter School DBA RISE SE Raleigh Charter School has been recognized by the Internal Revenue Service as exempt from Federal income taxation under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

Southeast Raleigh Charter Foundation, Inc. is a blended component unit of the School.

Southeast Raleigh Charter Foundation, Inc.

This corporation is organized for the exclusive purpose of holding title to property, collecting income therefrom, and turn over the entire amount thereof, less expenses, to an organization which itself is exempt under 26 U.S.C. 501. Southeast Raleigh Charter Foundation, Inc. which has a June 30 year-end, is presented as if it were in the general fund.

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE Raleigh Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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”), PAVE Southeast Raleigh Charter School DBA RISE SE Raleigh Charter 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 Financial 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.

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 reported as non-major funds.

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

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.

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE Raleigh Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Presentation (Continued)

State Public School Fund: The State Public School Fund includes appropriations from the Department of Public Instruction for current operating needs of the School 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.

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 and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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.

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE Raleigh Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) Budgetary Data

Annual budgets are adopted for all funds, on a school 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 budgets presented in the supplementary information represent the budgets of the School at June 30, 2023. 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 a local bank, 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. Prepaid Items

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

4. Capital Assets

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

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. 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.

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
 DBA RISE SE Raleigh Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Vehicles	5 – 7
Leasehold improvements	7 – 39
School furnishings and equipment	5 – 7
Electronic equipment	3 – 7
Buildings	30

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 has no items that meet the criterion for this category.

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
DBA RISE SE Raleigh Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

8. Net Position/Fund Balances

Net Position

Net position in the government-wide fund financial statements are classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent 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 two classifications (out of five possible classifications) designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balance 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.

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

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.

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

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE Raleigh Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E) Assets, Liabilities, Deferred Outflows and Inflows of Resources and Fund Equity (Continued)

9. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between for governmental funds' total fund balance and governmental activities' net position as reported in the government-wide statement of net position. The net adjustment of \$5,261,312 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).	\$ 11,586,269
Less accumulated depreciation	(1,072,358)
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	<u>(5,252,599)</u>
Total adjustment	<u>\$ 5,261,312</u>

F) Revenues, Expenditures, and Expenses

1. Funding

PAVE Southeast Raleigh Charter School DBA RISE SE 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 (i.e. Guilford 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)].

Subject to certain limitations, funds allocated by the SBE may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for charter schools and may be used for payments on loans made to charter schools for facilities, equipment, or operations. (G.S. 115C-218.105(b))

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE Raleigh Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) Revenues, Expenditures, and Expenses (Continued)

1. Funding (Continued)

Additionally, PAVE Southeast Raleigh Charter School DBA RISE SE Raleigh Charter School receives for each student an amount equal to the per pupil share of the local current expense fund of the local school administrative unit in which the child resides. (G.S. 115C-218.105(c)). Amounts transferred that consist of revenue from supplemental taxes shall be transferred only to a charter school located in the district where the taxes are levied, and the child resides. For the fiscal year ended June 30, 2023, PAVE Southeast Raleigh Charter School DBA RISE SE Raleigh Charter School received funding from the Boards of Education for Durham County (\$-), Johnston County (\$26,865), Wake County (\$1,566,253), and Wayne County (\$2,448).

Furthermore, PAVE Southeast Raleigh Charter School DBA RISE SE Raleigh Charter School has received donations of cash and/or equipment from private organizations. The cash is available to be used throughout the year for the School's various programs and activities.

2. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund statement of revenues, expenditures, and changes in fund balances is followed by a reconciliation between the change in governmental funds' fund balance and the change in governmental activities' net position as reported on the government-wide statement of activities. The net difference of \$(90,555) between the two amounts consists of the following elements:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 89,929
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(316,437)
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.	135,953
	<hr/>
Total	<u>\$ (90,555)</u>

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE Raleigh Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) Use of Estimates and Assumption

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

II. DETAIL NOTES ON ALL FUNDS

A) Assets

1. Deposits

At June 30, 2023, the School had deposits with banks and savings and loans with a carrying amount of \$1,044,036. The bank balance with the financial institutions was \$1,108,676, of which \$858,676 was not covered by federal depository insurance. The School does not have a deposit policy for custodial credit risk. The School does not hold petty cash.

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
 DBA RISE SE Raleigh Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

2. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 967,500	\$ -	\$ -	\$ 967,500
Total assets not being depreciated	<u>967,500</u>	<u>-</u>	<u>-</u>	<u>967,500</u>
Capital assets being depreciated:				
Buildings	\$ 9,782,500	\$ -	\$ -	\$ 9,782,500
Furniture and fixtures	66,192	-	-	66,192
Vehicle	56,476	16,289	-	72,765
School equipment	417,589	73,640	-	491,229
Electronic equipment	206,083	-	-	206,083
Total assets being depreciated	<u>10,528,840</u>	<u>89,929</u>	<u>-</u>	<u>10,618,769</u>
Less accumulated depreciation for:				
Buildings	418,055	250,834	-	668,889
Furniture and fixtures	54,039	4,884	-	58,923
Vehicle	10,863	9,813	-	20,676
School equipment	87,777	36,365	-	124,142
Electronic equipment	186,378	13,350	-	199,728
Total accumulated depreciation	<u>757,112</u>	<u>315,246</u>	<u>-</u>	<u>1,072,358</u>
Total capital assets being depreciated, net	<u>9,771,728</u>			<u>9,546,411</u>
Governmental activity capital assets, net	<u>\$ 10,739,228</u>			<u>\$ 10,513,911</u>

Depreciation expense was charged to governmental functions as follows:

Instructional programs	\$ 173,385
Supporting services	<u>141,861</u>
	<u>\$ 315,246</u>

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
 DBA RISE SE Raleigh Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

2. Capital Assets (Continued)

	<u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Business-type activities:				
Capital assets being depreciated:				
School food service equipment	\$ 17,674	\$ -	\$ 3,773	\$ 13,901
Total assets being depreciated	<u>17,674</u>	<u>-</u>	<u>3,773</u>	<u>13,901</u>
Less accumulated depreciation for:				
School food service equipment	10,756	1,191	3,773	8,174
Total accumulated depreciation	<u>10,756</u>	<u>1,191</u>	<u>3,773</u>	<u>8,174</u>
Total capital assets being depreciated, net	<u>6,918</u>			<u>5,727</u>
Business-type activity capital assets, net	<u>\$ 6,918</u>			<u>\$ 5,727</u>

B) Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Retirement Plan

PAVE Southeast Raleigh Charter School DBA RISE SE 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 \$26,769 to the plan during the year, with the employees contributing \$82,276.

2. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier. The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past two fiscal years.

The School has elected not to carry flood insurance because the School is not in an area of the State that has been mapped and designated an “A” area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency.

The School carries fidelity bond coverage in the amount of \$250,000 for all its employees. The Company that performs all the School’s outsourced accounting carries fidelity bond coverage in the amount of \$500,000.

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE Raleigh Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

3. Long-Term Obligations

a) Notes payable

The School entered into a lease agreement with the Foundation for a building and land. The School pays the Foundation \$450,000 annually in rent. The lease is a month-to-month lease. For the year ended June 30, 2023, the School paid \$450,000 in rent.

b) Direct Borrowing Agreements

The School entered into a direct borrowing agreement With Self-Help Credit Union to finance the purchase of its building and the related land. The School initially borrowed \$6,500,000 with an interest rate of 4.00%, monthly principal and interest payments of \$9,658 and a maturity date of December 8, 2030. The school building serves as collateral for the loan. The balance of the loan was reduced to \$\$1,739,495 through a series of refinancing and cash payments.

The School entered into a direct borrowing agreement with New Horizons Bank for \$3,560,000 to refinance the borrowings from Self-Help Credit Union. The loan bears interest at 2.90%, monthly principal and interest payments of \$17,251 and a maturity date of July 5, 2031. The school building serves as collateral for the loan. The balance of the loan was \$3,463,103at June 30, 2023.

Future payments of the notes payable for the years ending June 30 are as follows:

Year Ending	Principal	Interest	Total
June 30,			
2024	\$ 205,720	\$ 167,188	\$ 372,908
2025	160,835	162,073	322,908
2026	166,121	156,786	322,907
2027	171,586	151,321	322,907
2028	177,236	145,672	322,908
2029-2032	4,371,100	380,914	4,752,014
	<u>\$ 5,252,598</u>	<u>\$ 1,163,954</u>	<u>\$ 6,416,552</u>

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE Raleigh Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

C) Liabilities (Continued)

3. Long-Term Obligations

c) Changes in Long-Term Obligations

The following is a summary of changes in the School's long-term obligations for the fiscal year ended June 30, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
New Horizon Foundation	\$ 3,557,993	\$ -	\$ (94,890)	\$ 3,463,103	\$ 108,314
Tom Russell	50,000	-	-	50,000	50,000
Self- Help Foundation	1,779,366	-	(39,871)	1,739,495	47,406
	<u>\$ 5,387,359</u>	<u>\$ -</u>	<u>\$ (134,761)</u>	<u>\$ 5,252,598</u>	<u>\$ 205,720</u>

C) Fund Balance

The School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Board will use resources in the following hierarchy: federal funds, State funds, local non-School funds, PAVE Southeast Raleigh Charter School DBA RISE SE 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 Board 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	\$ 953,029
Less:	
Restricted	-
Prepaid items	7,192
Remaining fund balance	<u>\$ 945,837</u>

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE Raleigh Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2023

III. 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 monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

VI. BLENDED COMPONENT UNIT

Condensed combining information for the School's blended component unit for the year ended June 30, 2023, is presented as follows:

Condensed Statement of Net Position
Governmental Activities
June 30, 2023

	PAVE Southeast Raleigh Charter School	Southeast Raleigh Charter Foundation, Inc.	Eliminations	Total
Assets				
Current Assets	414,846	\$ 848,385	\$ -	\$ 1,263,231
Capital Assets, Net	432,799	10,081,112	-	10,513,911
Total Assets	847,645	10,929,497	-	11,777,142
Liabilities				
Current Liabilities	433,169	82,754	-	515,923
Long-Term Liabilities	-	5,046,878	-	5,046,878
Total Liabilities	433,169	5,129,632	-	5,562,801
Net Position				
Net Investment in Capital Assets	309,833	4,951,480	-	5,261,313
Unrestricted	104,643	848,385	-	953,028
Total Net Position	\$ 414,476	\$ 5,799,865	\$ -	\$ 6,214,341

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE Raleigh Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2023

VI. BLENDED COMPONENT UNIT (Continued)

Condensed Statement of Revenues, Expenses
Changes in Net Position
Governmental Activities
June 30, 2023

	PAVE Southeast Raleigh Charter School	Southeast Raleigh Charter Foundation, Inc.	Eliminations	Total
Operating Revenues				
Unrestricted county appropriations	\$ 1,604,646	\$ -	\$ -	\$ 1,604,646
Unrestricted State appropriations	3,301,186	-	-	3,301,186
Operating grants and contributions	1,407,622	-	-	1,407,622
Donations- general	43,739	-	-	43,739
Miscellaneous, unrestricted	65,526	450,126	(450,000)	65,652
Transfers	(135,199)	-	-	(135,199)
	<u>6,287,520</u>	<u>450,126</u>	<u>(450,000)</u>	<u>6,287,646</u>
Operating Expenses				
Instructional services	4,592,304	250,833	-	4,843,137
System-wide support services	1,893,731	577	(450,000)	1,444,308
Community services	75	-	-	75
Interest on long-term debt	-	170,898	-	170,898
	<u>6,486,110</u>	<u>422,308</u>	<u>(450,000)</u>	<u>6,458,418</u>
Change in Net Position	(198,590)	27,818	-	(170,772)
Net Position				
Net position, beginning	613,066	5,772,047	-	6,385,113
Net position, ending	<u>\$ 414,476</u>	<u>\$ 5,799,865</u>	<u>\$ -</u>	<u>\$ 6,214,341</u>

VII. SUBSEQUENT EVENTS

Management has evaluated subsequent events to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 31, 2023 which is the date the financial statements were available to be issued.

VIII. RESTATEMENTS

During the year ended June 30, 2023, it was noted that a note payable was not recorded during the prior year. Net Position has been restated by \$50,000 to record the loan.

SUPPLEMENTARY INFORMATION

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL

Schedule 1

DBA RISE SE RALEIGH

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

Government Fund Types

June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
State of North Carolina	\$ 3,323,613	\$ 3,301,186	\$ (22,427)
Boards of Education:			
Durham County	9,080	9,080	-
Johnston County	26,865	26,865	-
Wake County	1,566,253	1,566,253	-
Wayne County	2,448	2,448	-
U.S. Government	1,577,497	1,275,622	(301,875)
Grants	132,000	132,000	-
Donations	35,050	43,739	8,689
Others	74,726	65,526	(9,200)
Total revenues	<u>6,747,532</u>	<u>6,422,719</u>	<u>(324,813)</u>
EXPENDITURES			
Salaries and bonuses	2,727,676	3,594,984	(867,308)
Employee benefits	765,506	942,140	(176,634)
Books and supplies	130,776	181,814	(51,038)
Technology	25,150	72,285	(47,135)
Non-capitalized equipment and leases	82,725	83,563	(838)
Contracted student services	179,325	639,631	(460,306)
Staff development	24,300	30,130	(5,830)
Administrative services	258,075	212,608	45,467
Insurance	54,446	38,813	15,633
Rent	450,000	-	450,000
Facilities	275,100	-	275,100
Utilities	94,250	70,561	23,689
Athletics	-	137	-
Federal programs	1,577,497	-	1,577,497
Transportation and travel	120,961	105,483	15,478
Total	<u>6,765,787</u>	<u>5,972,149</u>	<u>793,775</u>
Capital outlay	<u>119,415</u>	<u>89,929</u>	<u>29,486</u>
Debt service:			
Principal	-	134,761	(134,761)
Interest	-	170,898	(170,898)
Total expenditures	<u>6,885,202</u>	<u>6,367,737</u>	<u>517,602</u>
Other financing sources (uses):			
Fund balance appropriated	243,500	-	(243,500)
Transfers to other funds	-	(135,199)	(135,199)
Total other financing sources (uses)	<u>243,500</u>	<u>(135,199)</u>	<u>(378,699)</u>
Revenue over (under) expenditures	<u>\$ 105,830</u>	<u>\$ (80,217)</u>	<u>\$ 192,789</u>

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL

Schedule 1

DBA RISE SE RALEIGH

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
 Proprietary Fund Types
 June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Food sales	\$ 168	\$ 168	\$ -
Total revenues	<u>168</u>	<u>168</u>	<u>-</u>
EXPENDITURES			
Food purchases	2,000	1,990	10
Contracted services	351,000	350,574	426
Supplies and materials	400	393	7
Depreciation	-	1,191	(1,191)
Salaries and benefits	<u>104,000</u>	<u>133,762</u>	<u>(29,762)</u>
Total expenditures	<u>457,400</u>	<u>487,910</u>	<u>(30,510)</u>
Revenues under expenditures	(457,232)	(487,742)	(30,510)
Other financing sources (uses):			
USDA Reimbursements	351,402	351,351	(51)
Transfers in	<u>-</u>	<u>135,198</u>	<u>135,198</u>
Total other financing sources and (uses)	<u>351,402</u>	<u>486,549</u>	<u>135,147</u>
Revenues and other sources over (under) expenditures	<u>\$ (105,830)</u>	(1,193)	<u>\$ 104,637</u>
Fund balance - beginning		<u>37,192</u>	
Fund balance - ending		<u>\$ 35,999</u>	

COMPLIANCE SECTION



SHARPE
PATEL CPA

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the blended component unit and the aggregate remaining fund information of PAVE Southeast Raleigh Charter School DBA RISE SE Raleigh Charter School, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's basic financial statements, and have issued our report thereon dated October 31, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered PAVE Southeast Raleigh Charter School's DBA RISE SE 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether PAVE Southeast Raleigh Charter School's DBA RISE SE 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sharpe Patel PLLC

Raleigh, North Carolina
October 31, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE
SINGLE AUDIT IMPLEMENTATION ACT**

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

Report on Compliance for Each Major State Program

Opinion on Each Major State Program.

We have audited PAVE Southeast Raleigh Charter School's DBA RISE SE 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 each of PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's major State programs for the year ended June 30, 2023. PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, PAVE Southeast Raleigh Charter School DBA RISE SE 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 each of its major State programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of PAVE Southeast Raleigh Charter School DBA RISE SE Raleigh Charter School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's compliance with the requirements of each major State program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major state program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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 a 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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Sharpe Patel PLLC

Raleigh, North Carolina

October 31, 2023



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

In our opinion, PAVE Southeast Raleigh Charter School DBA RISE SE 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 each of its major Federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of PAVE Southeast Raleigh Charter School DBA RISE SE Raleigh Charter School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal determination of PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's compliance with the requirements of each major Federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of PAVE Southeast Raleigh Charter School's DBA RISE SE Raleigh Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in

internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Sharpe Patel PLLC

Raleigh, North Carolina

October 31, 2023

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE RALEIGH CHARTER SCHOOL
Summary Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding 2023-001

SIGNIFICANT DEFICIENCY

Criteria	The school is required to maintain a signed concussion and head injury information sheet for all students, coaches, school nurses, athletic directors, first responders, volunteers, and any other participants in interscholastic athletic activities.
Condition	The school did not require all participants involved with athletic activities to sign a concussion and head injury sheet.
Cause	Missing form for student athletic participant.
Effect	By not maintaining a signed information sheet for every participant, the school is in violation of N.C.G.A Session 2011-147, the Gfeller-Waller Concussion Awareness Act.
Questioned costs	None.
Recommendation	The school should require every student and adult involved with interscholastic athletic activities to sign the concussion and head injury information sheet.



Nov 9, 2023

Sharpe Patel PLLC
5510 Six Forks Road, Suite 140
Raleigh, NC 27609

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE RALEIGH CHARTER SCHOOL

Corrective Action Plan

For the Year Ended June 30, 2023

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding 2023-001

Name of contact person: Dawn Arthur

Corrective action: In regards to the compliance finding of missing 1, signed concussion form in the audit sample for the 2022-23 School Year, RISE has already taken action to move all Athletic Forms processing to DragonFly Max (Dragonflymax.com). The logins for lead staff can be provided to verify that the process has begun; additionally, a demonstration of the tool can be provided.

Proposed completion date: This item has already been completed as of this date, November 9, 2023.

Signature: Dawn Arthur
Title: Executive Director

DocuSigned by:
Dawn Arthur
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**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE RALEIGH CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2023**

No findings disclosed in the prior year

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE RALEIGH CHARTER SCHOOL
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal ALN	State/Pass- Through Grantor's Number	Expenditures
FEDERAL GRANTS			
<u>U.S. Department of Education</u>			
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction			
Special Education Cluster:			
Special Education - Education of the Handicapped	84.027	PRC 060	\$ 115,626
Title I Basic	84.010	PRC 050	204,577
Title II - Improving Teacher Quality	84.367	PRC 103	27,996
Title IV - A : Student Support and Academic Enrichment	84.424A	PRC 108	14,623
K-12 Emergency Relief Fund	84.425-2	PRC 171	137,545
COVID- 19 Education Stabilization Fund	84.425-3		
ESSER - K12 Emergency Relief		PRC 181	751,678
ARP - ESSER III - IDEA VI-B		PRC 185	23,577
Total Coronavirus Relief Fund	84.425		775,255
 Total U.S. Department of Education			 1,275,622
<u>U.S. Department of Agriculture</u>			
Pass-through the N.C. Department of Public Instruction			
USDA Reimbursement		PRC 035	289,949
USDA Reimbursement		PRC 035	61,402
Total USDA Reimbursement			351,351
 Total federal assistance			 1,626,973
STATE GRANTS			
Cash Assistance:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund - Charter Schools		PRC 036	3,262,715
State Public School Fund - Summer Reading Camps		PRC 016	31,280
State Public School Fund - Test Results Bonus		PRC 048	3,230
State Public School Fund- Homeless Transportation		PRC 081	3,961
 Total State assistance			 3,301,186
 Total federal and State assistance			 \$ 4,928,159

PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE RALEIGH CHARTER SCHOOL
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

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

Note 1: Basis of Presentation

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

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.