

FINANCIAL STATEMENTS  
PAVE SOUTHEAST RALEIGH CHARTER SCHOOL  
RALEIGH, NORTH CAROLINA  
JUNE 30, 2020

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JUNE 30, 2020

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FINANCIAL SECTION  
PAVE SOUTHEAST RALEIGH CHARTER SCHOOL  
RALEIGH, NORTH CAROLINA  
JUNE 30, 2020



**PETWAY**  
**MILLS &**  
**PEARSON, PA**  
 CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditors' Report**

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

**Report on the Financial Statements**

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

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

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

**Auditors' Responsibility**

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

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

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

**Opinions**

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

**Other Matters**

*Required Supplementary Information*

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

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

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the PAVE Southeast Raleigh Charter School's basic financial statements. The individual non-major fund financial statements and budgetary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and State Single Audit Implementation Act*, and is also not a required part of the basic financial statements.

The individual non-major fund financial statements, budgetary schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, individual non-major fund financial statements, budgetary schedules, and the accompanying Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020 on our consideration of PAVE Southeast Raleigh Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering PAVE Southeast Raleigh Charter School's internal control over financial reporting and compliance.

*Petway Mills & Pearson, PA*

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

October 27, 2020

**Management's Discussion and Analysis**  
**PAVE Southeast Raleigh Charter School**  
**June 30, 2020**

As management of PAVE Southeast 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, 2020, 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 PAVE Southeast Raleigh Charter School exceeded its liabilities and deferred inflows at the close of the fiscal year by \$738,701 (*net position*).
- The government's total net position increased by \$489,776, primarily due to an increase in the net position of the governmental-type activities.
- As of the close of the current fiscal year, PAVE Southeast Raleigh Charter School's governmental funds reported combined ending fund balances of \$1,424,606, an increase of \$1,031,077 in comparison with the prior year.
- The State funded Average Daily Membership (ADM) increased 6.5% this fiscal year. The ADM was 115 in 2015-16, 226 in 2016-17, 312 in 2017-18, 383 in 2018-19, and 408 for the current fiscal year.
- During the current fiscal year, the School's total long-term debt had a net increase of \$394,241. The key factor in this increase was the note payable obtained by the School under the Paycheck Protection Program ("PPP"), established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The loan is forgivable as long as the proceeds are used for eligible purposes.

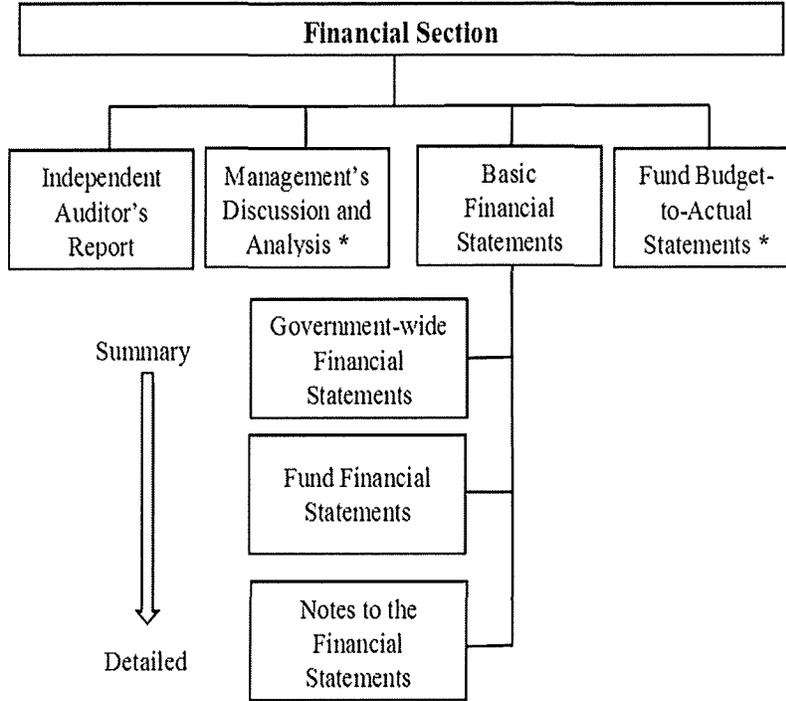
**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to PAVE Southeast Raleigh Charter 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.

**Management's Discussion and Analysis  
PAVE Southeast Raleigh Charter School  
June 30, 2020**

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

**Management's Discussion and Analysis**  
**PAVE Southeast Raleigh Charter School**  
**June 30, 2020**

liabilities plus deferred inflows of resources. Measuring net position is one way to gauge the School's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the School's basic functions such as instructional services and business services. State, county and federal funds provide virtually all of the funding for these functions. The business-type activities are those services for which the School charges its students and other customers to provide. These include the School Food services carried out by PAVE Southeast Raleigh Charter School.

The condensed government-wide financial statements are provided in Figures 2 and 3 of this report.

### **Fund Financial Statements**

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the School's budget ordinance. All of the funds of PAVE Southeast Raleigh Charter 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** – PAVE Southeast Raleigh Charter 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. PAVE Southeast Raleigh Charter School uses an enterprise fund to account for its School Food service functions.

**Notes to the Financial Statements** – The notes provide additional information essential to facilitating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

**Management's Discussion and Analysis**  
**PAVE Southeast Raleigh Charter School**  
**June 30, 2020**

**Government-Wide Financial Analysis**

The financial analysis reveals that at June 30, 2020, cash and cash equivalents, and other current assets, primarily amounts due from other governments, accounted for 11.6% and 8.7% of total government-wide assets, respectively. During the 2020 fiscal year, the School purchased additional classroom equipment, which accounted for \$121,565, or 82.7% of the increase in capital assets. Capital assets, net of accumulated depreciation, accounted for 79.7% of total assets. Long-term liabilities represent 97.5% 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 PAVE Southeast Raleigh Charter School exceeded its liabilities and deferred inflows of resources by \$738,701 at June 30, 2020. At June 30, 2019, the School's net position stood at \$248,925. The School's net position increased by \$489,776 during the year ended June 30, 2020, compared to a decrease of \$25,632 in 2019. The amount of (\$198,953) reflects the School's investment in capital assets, less any related debt still outstanding that was issued to acquire those items. Although the School's investment in its capital assets (buildings, computer network equipment, computers, furniture and fixtures, instructional equipment, and kitchen equipment) is reported net of any outstanding related debt, the resources needed to repay debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining balance of \$937,654 is unrestricted. At June 30, 2019, the amount of net investment in capital assets was (\$174,878), with an unrestricted net position of \$423,803.

A condensed statement of net position which summarizes the assets, liabilities, deferred inflows of resources and net position at June 30, 2020 and 2019 is as follows:

**PAVE Southeast Raleigh Charter School**  
**Condensed Statement of Net Position**  
**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Assets</b>						
Cash and cash equivalents	\$ 929,836	\$ 491,557	\$ 30,431	\$ 30,353	\$ 960,267	\$ 521,910
Other current assets	696,100	102,168	-	14,741	696,100	116,909
Capital assets, net of depreciation	6,384,935	6,530,805	9,301	10,491	6,394,236	6,541,296
<b>Total assets</b>	<b>8,010,871</b>	<b>7,124,530</b>	<b>39,732</b>	<b>55,585</b>	<b>8,050,603</b>	<b>7,180,115</b>
<b>Liabilities</b>						
Current and other liabilities	180,571	194,210	157	14,820	180,728	209,030
Long-term liabilities	7,110,415	6,716,174	-	-	7,110,415	6,716,174
<b>Total liabilities</b>	<b>7,290,986</b>	<b>6,910,384</b>	<b>157</b>	<b>14,820</b>	<b>7,291,143</b>	<b>6,925,204</b>
<b>Deferred inflows of resources</b>	<b>20,759</b>	<b>5,986</b>	<b>-</b>	<b>-</b>	<b>20,759</b>	<b>5,986</b>
<b>Net position:</b>						
Net investment in capital assets	(208,254)	(185,369)	9,301	10,491	(198,953)	(174,878)
Unrestricted	907,380	393,529	30,274	30,274	937,654	423,803
<b>Total net position</b>	<b>\$ 699,126</b>	<b>\$ 208,160</b>	<b>\$ 39,575</b>	<b>\$ 40,765</b>	<b>\$ 738,701</b>	<b>\$ 248,925</b>

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

- The School adopted an annual budget for all funds. The School's performance was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.
- The School applied for and was awarded federal grants to assist with the expenses of meeting the educational needs of the student population.
- Generally speaking, funding changes proportionately with any changes in the student enrollment.

**Management's Discussion and Analysis**  
**PAVE Southeast Raleigh Charter School**  
**June 30, 2020**

Revenues, expenses, transfers and the change in net position is summarized in the following condensed statement of activities for the years ended June 30, 2020 and 2019:

**PAVE Southeast Raleigh Charter School**  
**Condensed Statement of Activities**  
**Figure 3**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program revenues						
Operating grants and contributions	\$ 177,764	\$ 257,176	\$ 189,941	\$ 263,881	\$ 367,705	\$ 521,057
General revenues						
County, State, and Federal funds	3,659,821	3,276,796	-	-	3,659,821	3,276,796
Donations	944,676	395,397	-	-	944,676	395,397
Investment earnings	32	45	-	-	32	45
Miscellaneous, unrestricted	195,855	206,670	-	-	195,855	206,670
Total revenues	<u>4,978,148</u>	<u>4,136,084</u>	<u>189,941</u>	<u>263,881</u>	<u>5,168,089</u>	<u>4,399,965</u>
<b>Expenses:</b>						
Instructional services	2,940,600	2,856,190	-	-	2,940,600	2,856,190
Support services	1,131,023	867,769	-	-	1,131,023	867,769
Ancillary services	3,250	-	-	-	3,250	-
Interest on long-term debt	325,159	331,007	-	-	325,159	331,007
School food service	-	-	278,281	370,631	278,281	370,631
Total expenses	<u>4,400,032</u>	<u>4,054,966</u>	<u>278,281</u>	<u>370,631</u>	<u>4,678,313</u>	<u>4,425,597</u>
Increase (Decrease) in net position before transfers	578,116	81,118	(88,340)	(106,750)	489,776	(25,632)
Transfers	<u>(87,150)</u>	<u>(113,951)</u>	<u>87,150</u>	<u>113,951</u>	<u>-</u>	<u>-</u>
Change in net position	490,966	(32,833)	(1,190)	7,201	489,776	(25,632)
Net position, July 1	<u>208,160</u>	<u>240,993</u>	<u>40,765</u>	<u>33,564</u>	<u>248,925</u>	<u>274,557</u>
Net position, June 30	<u>\$ 699,126</u>	<u>\$ 208,160</u>	<u>\$ 39,575</u>	<u>\$ 40,765</u>	<u>\$ 738,701</u>	<u>\$ 248,925</u>

**Governmental activities.** Governmental activities increased the School's net position by \$578,116, before transfers to support business-type activities. County, State and federal funds of \$3,659,821 increased by 11.7%, and make up 73.5% of total revenues. Instructional services and related expenses of \$4,074,873 account for 92.6% of total expenses, and increased by 9.4%. This reflects the increased program and general revenues offset against increased costs of providing instructional services, the decrease in interest on long-term debt and the transfer to support the School Food service activities. Net position before transfers to support business-type activities increased 612.7% in comparison with the prior year.

**Business-type activities.** Business-type activities decreased PAVE Southeast Raleigh Charter School's net position by \$88,340, before a transfer of \$87,150 was received from the governmental activities.

Key elements of this decrease are as follows:

- By adopting a budget for each of the enterprise funds that comprise 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 \$189,941 of federal reimbursement funds in the School Food Service Fund this past year, a 28% decrease over the prior year.

**Management's Discussion and Analysis  
PAVE Southeast Raleigh Charter School  
June 30, 2020**

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

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

**Governmental Funds.** The focus of PAVE Southeast Raleigh Charter 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 PAVE Southeast Raleigh Charter 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 57.2% of total fund assets. Accounts payable accounted for 23.7% of General Fund liabilities. The unassigned fund balance of the General Fund was \$1,409,495, while total fund balance reached \$1,424,606, an increase of \$1,031,077. The unassigned fund balance of the General Fund was 98.9% of total fund balance. The primary source, 50.1%, of General Fund revenue was \$1,140,886 in reimbursements by various counties for their students attending the School. An additional \$2,696,699 was provided by the State of North Carolina and the federal government, which equated to 54.2% of total Governmental Fund revenue. Expenditures for capital outlays totaled \$114,761, or 6.8% of General Fund expenditures. Additional instructions-related expenditures of \$1,363,265 and debt service of \$202,422 accounted for 81.1% and 12.1%, respectively, of General Fund expenditures.

At June 30, 2020, the governmental funds of PAVE Southeast Raleigh Charter School reported a combined fund balance of \$1,424,606, a 262.1% increase over last year.

**Proprietary Funds.** The School's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the School Food Service Fund amounted to \$30,274. The total change in net position for the School Food Service Fund was (\$1,190), which is comprised of loss before transfers of \$88,340 and transfer from the General Fund of \$87,150.

**Capital Asset and Debt Administration**

**Capital assets.** PAVE Southeast Raleigh Charter School's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$6,384,935 (net of accumulated depreciation). Capital assets include buildings, computer network equipment, computers, furniture and fixtures, equipment, instructional equipment, kitchen equipment, and a vehicle.

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

- The expending of \$121,565 on classroom equipment; and
- The purchase of a bus totaling \$14,489.

The following schedule summarizes the School's capital assets as June 30, 2020 and 2019:

**PAVE Southeast Raleigh Charter School  
Capital Assets (net of depreciation)  
Figure 4**

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Buildings	\$6,113,197	\$6,349,076	\$ -	\$ -	\$6,113,197	\$6,349,076
Computer network equipment	28,558	52,140	-	-	28,558	52,140
Computers	3,780	1,810	-	-	3,780	1,810
Furniture and fixtures	29,679	38,442	-	-	29,679	38,442
Equipment	176,978	63,984	9,301	10,491	186,279	74,475
Instructional equipment	19,977	25,353	-	-	19,977	25,353
Transportation	12,766	-	-	-	12,766	-
<b>Capital assets, net</b>	<b>\$6,384,935</b>	<b>\$ 6,530,805</b>	<b>\$ 9,301</b>	<b>\$ 10,491</b>	<b>\$6,394,236</b>	<b>\$ 6,541,296</b>

**Management's Discussion and Analysis**  
**PAVE Southeast Raleigh Charter School**  
**June 30, 2020**

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

**Long-Term Debt.** As of June 30, 2020, PAVE Southeast Raleigh Charter School had total outstanding debt of \$7,110,415; an increase of \$394,241 during the year. The debt consists of the lease agreement for the building with PAVE 3420 Idlewood Village, LLC, and a note payable through the Paycheck Protection Program.

The School's outstanding debt at June 30, 2020 and 2019 is summarized in the following schedule:

**PAVE Southeast Raleigh Charter School**  
**Long-term Obligations**  
**Figure 5**

	Governmental Activities	
	2020	2019
Capital leases	\$ 6,593,189	\$ 6,716,174
Note payable - PPP	517,226	-
<b>Total long-term obligations</b>	<b>\$ 7,110,415</b>	<b>\$ 6,716,174</b>

PAVE Southeast Raleigh Charter School obtained the note payable through the Paycheck Protection Program to cover payroll and related expenses. The loan is forgivable as long as the School uses the proceeds for eligible expenses. Any unforgiven portion of the PPP loan will be payable over 2 years at an interest rate of 1%.

**Economic Factors**

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

- PAVE Southeast Raleigh Charter School continues its plan to add a grade level each year until it serves Kindergarten through 8th grade.
- The State of North Carolina increased its per pupil funding by \$271.14 per ADM compared to the previous year. This equated to an increase of 5.18%.
- The School continues to attract families from the Southeast Raleigh area and surrounding communities due to its commitment to academic growth and improvement.

**Impact of Coronavirus on the School.** During the fiscal year, the state and the nation were affected by the spread of a coronavirus. PAVE Southeast Raleigh Charter School's response to the coronavirus included expending \$35,059 in iPads, Chromebooks, technology equipment, and software, to facilitate a virtual learning platform for its students. The School also received \$9,610 COVID-19 supplemental funds from the state, which were used for purchasing computer equipment for its students.

**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, PAVE Southeast Raleigh Charter School, 3420 Idlewood Village Drive, Raleigh, NC 27610, telephone (919) 446-4777. Additional information is available at the School's website, <https://paveseraleigh.org>.

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL**  
**Statement of Net Position**  
**June 30, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 929,836	\$ 30,431	\$ 960,267
Accounts receivable	408,331	-	408,331
Due from other governments	272,658	-	272,658
Prepaid items	15,111	-	15,111
Capital assets:			
Other capital assets, net of depreciation	6,384,935	9,301	6,394,236
Total capital assets	6,384,935	9,301	6,394,236
Total assets	8,010,871	39,732	8,050,603
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	-	-	-
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	42,883	157	43,040
Accrued salaries and wages payable	137,688	-	137,688
Long-term liabilities:			
Due within one year	359,004	-	359,004
Due in more than one year	6,751,411	-	6,751,411
Total liabilities	7,290,986	157	7,291,143
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	20,759	-	20,759
<b>NET POSITION</b>			
Net investment in capital assets	(208,254)	9,301	(198,953)
Restricted for:			
Clubs and activities	-	-	-
Unrestricted	907,380	30,274	937,654
Total net position	\$ 699,126	\$ 39,575	\$ 738,701

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

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL**  
**Statement of Activities**  
**For the year ended June 30, 2020**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
Instructional services	\$ 2,940,600	\$ -	\$ 177,764	\$ -	\$ (2,762,836)	\$ -	\$ (2,762,836)
System-wide support services	1,131,023	-	-	-	(1,131,023)	-	(1,131,023)
Ancillary services	3,250	-	-	-	(3,250)	-	(3,250)
Interest on long-term debt	325,159	-	-	-	(325,159)	-	(325,159)
Total governmental activities	4,400,032	-	177,764	-	(4,222,268)	-	(4,222,268)
Business-type activities:							
School food service	278,281	-	189,941	-	-	(88,340)	(88,340)
Total business-type activities	278,281	-	189,941	-	-	(88,340)	(88,340)
Total primary government	\$ 4,678,313	\$ -	\$ 367,705	\$ -	(4,222,268)	(88,340)	(4,310,608)
General revenues:							
Unrestricted county appropriations					1,140,886	-	1,140,886
Unrestricted State appropriations					2,518,935	-	2,518,935
Unrestricted Federal appropriations					-	-	-
Donations - general					944,676	-	944,676
Investment earnings, unrestricted					32	-	32
Miscellaneous, unrestricted					195,855	-	195,855
Transfers					(87,150)	87,150	-
Total general revenues, special items, and transfers					4,713,234	87,150	4,800,384
Change in net position					490,966	(1,190)	489,776
Net position-beginning					208,160	40,765	248,925
Net position-ending					\$ 699,126	\$ 39,575	\$ 738,701

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

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	State Public School	Federal Grants Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 929,836	\$ -	\$ -	\$ 929,836
Accounts receivable	408,331	-	-	408,331
Due from other governments	272,658	-	-	272,658
Prepaid items	15,111	-	-	15,111
Total assets	<u>\$ 1,625,936</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,625,936</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	-	-	-	-
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 42,883	\$ -	\$ -	\$ 42,883
Accrued salaries and wages payable	137,688	-	-	137,688
Total liabilities	<u>180,571</u>	<u>-</u>	<u>-</u>	<u>180,571</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	20,759	-	-	20,759
Fund balances:				
Nonspendable:				
Prepaid items	15,111	-	-	15,111
Assigned:				
Clubs and Activities	-	-	-	-
Unassigned:	1,409,495	-	-	1,409,495
Total fund balances	<u>1,424,606</u>	<u>-</u>	<u>-</u>	<u>1,424,606</u>
Total liabilities and fund balances	<u>\$ 1,625,936</u>	<u>\$ -</u>	<u>\$ -</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

6,384,935

Net pension asset (liability)

-

Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position.

-

Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds (Note 5).

(7,110,415)

Pension related deferrals

-

Net position of governmental activities

\$ 699,126

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

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2020**

	Major Funds		Total Non-Major Funds	Total Governmental Funds
	General	State Public School	Federal Grants Fund	
<b>REVENUES</b>				
State of North Carolina	\$ -	\$ 2,518,935	\$ -	\$ 2,518,935
Local education agencies	1,140,886	-	-	1,140,886
U.S. Government	-	-	177,764	177,764
Contributions and donations	944,676	-	-	944,676
Other	195,887	-	-	195,887
Total revenues	2,281,449	2,518,935	177,764	4,978,148
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional services	1,012,386	1,530,828	177,764	2,720,978
System-wide support services	347,629	710,186	-	1,057,815
Ancillary services	3,250	-	-	3,250
<b>Capital outlay:</b>	114,761	32,198	-	146,959
<b>Debt service:</b>				
Principal	20,497	102,488	-	122,985
Interest and other charges	181,925	143,235	-	325,160
Total expenditures	1,680,448	2,518,935	177,764	4,377,147
Excess (deficiency) of revenues over expenditures	601,001	-	-	601,001
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers to other funds	(87,150)	-	-	(87,150)
Proceeds from long-term notes	517,226	-	-	517,226
Total other financing sources (uses)	430,076	-	-	430,076
Net change in fund balance	1,031,077	-	-	1,031,077
Fund balances-beginning	393,529	-	-	393,529
Fund balances-ending	\$ 1,424,606	\$ -	\$ -	\$ 1,424,606

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

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the**  
**Statement of Activities**  
**Governmental Funds**  
**For the year ended June 30, 2020**

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

Net changes in fund balances - total governmental funds	\$ 1,031,077
---	--------------

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.	(145,870)
---	-----------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(394,241)
--	-----------

Total changes in net position of governmental activities	<table style="margin-left: auto; margin-right: 0; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; padding: 2px 0;">\$ 490,966</td> </tr> </table>	\$ 490,966
\$ 490,966		

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

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2020**

	<b>Enterprise Fund</b>
	<b>Major Fund</b>
	<b>School Food Service</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 30,431
Total current assets	30,431
Noncurrent assets:	
Capital assets:	
Other capital assets, net of depreciation	9,301
Total noncurrent assets	9,301
Total assets	\$ 39,732
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 157
Total current liabilities	157
Long-term liabilities:	
Due within one year	-
Due in more than one year	-
Total long-term liabilities	-
Total liabilities	157
<b>NET POSITION</b>	
Net investment in capital assets	9,301
Unrestricted	30,274
Total net position	\$ 39,575

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

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the year ended June 30, 2020**

	<b>Enterprise Fund</b>
	<b>Major Fund</b>
	<b>School Food Service</b>
<b>OPERATING REVENUES</b>	
Food sales	\$ -
Total operating revenues	-
<b>OPERATING EXPENSES</b>	
Food cost:	
Purchase of food	46
Salaries and benefits	59,516
Supplies and materials	195
Depreciation	1,191
Contracted services	216,338
Other	995
Total operating expenses	278,281
Operating income (loss)	(278,281)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Federal reimbursements	189,941
Total nonoperating revenue (expenses)	189,941
Income (loss) before contributions and transfers	(88,340)
Capital contributions	-
Transfers from other funds	87,150
Change in net position	(1,190)
Total net position - beginning	40,765
Total net position - ending	\$ 39,575

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

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the year ended June 30, 2020**

	<b>Enterprise Fund</b>
	<b>Major Fund</b>
	<b>School Food Service</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ -
Cash paid for goods and services	(217,497)
Cash paid to employees for services	(59,516)
Net cash provided (used) by operating activities	<u>(277,013)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Federal reimbursements	189,941
Transfers from other funds	87,150
Net cash provided (used) by noncapital financing activities	<u>277,091</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	-
Net cash provided (used) by capital and related financing activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	78
Balances-beginning of the year	30,353
Balances-end of the year	<u>\$ 30,431</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	<u>\$ (278,281)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	1,191
Changes in assets and liabilities	
Decrease (Increase) in due from other governments	13,746
Decrease (Increase) in prepaid items	994
Increase (Decrease) in accounts payable and accrued expenses	(14,663)
Total adjustments	1,268
Net cash (used) by operating activities	<u>\$ (277,013)</u>

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

**PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2020**

I. Summary of Significant Accounting Policies

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

A. Reporting Entity

The PAVE Southeast Raleigh Charter School is a North Carolina non-profit corporation incorporated in November 2013. Pursuant to the provisions of the Charter School Act of 1996 as amended (the "Act"), PAVE Southeast Raleigh Charter School has been approved to operate the School, a public school serving approximately 370 students. The School operates under an approved charter received from the SBE and applied for under the provisions of G.S. 115C-218.1. G.S. 115C-218.6(b)(1) states that a charter school shall be subject to the audit requirements adopted by the SBE, which includes the audit requirements established by G.S. 115C-447 of the School Budget and Fiscal Control Act (SBFCA), and requires the financial statements to be prepared in accordance with GAAP. The current charter is effective until June 30, 2020 and may be renewed for subsequent periods of ten (10) years unless one of the conditions in G.S. 115C-218.6(b) applies in which case the SBE may renew the charter for a shorter period or not renew the charter.

B. Basis of Presentation

In accordance with GASB Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments ("GASB 34"), the School is a special purpose government that is engaged in governmental activities and is not a component unit of another government. Therefore, the financial statements are prepared in the same manner as general purpose governments.

*Government-wide Statements:* The statement of net position and the statement of activities display information about the School. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the School. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

**PAVE Southeast Raleigh Charter School**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

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

The School reports the following major governmental funds:

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

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

The School reports the following major enterprise fund:

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

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

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

**D. Budgetary Data**

Annual budgets are adopted for all funds. All budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the School's funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget presented in the supplemental data represents the budget of the School at June 30, 2020. All appropriations lapse at year end.

**PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2020**

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

1. Deposits and Investments

All deposits of the School are made in local banks; whose accounts are FDIC or NCUA insured.

2. Cash and Cash Equivalents

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

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

It is the policy of the School to capitalize all capital assets costing more than \$1,000 with an estimated useful life of two or more years. In addition, other items which are purchased and used in large quantities such as student desks and office furniture are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Buildings	30
Computer Network Equipment	5
Computers	3
Furniture & Fixtures	7
Instructional Equipment	5
Software	3

**PAVE Southeast Raleigh Charter School**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School had unavailable grant revenue during the year that meet the criterion for this category during the year. See Note III.B.4 for additional information.

6. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position.

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

7. Compensated Absences

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

8. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund Balance

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

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories - portion of fund balance that is not an available resource because it represents the year-end balance of inventories which are not spendable resources.

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

**PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2020**

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

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

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

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

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

Unassigned fund balance – the portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the General Fund.

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

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

The governmental fund balance sheet includes reconciliation between governmental funds' total fund balance and governmental activities' net position as reported in the government-wide statement of net position. The net adjustment of (\$725,480) consists of several elements as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital assets used in governmental activities are not financial resources are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$ 7,561,302
Less accumulated depreciation	(1,176,367)
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	(7,110,415)
Compensated absences	-
Accrued interest payable	-
Total adjustment	<u>\$ (725,480)</u>

**PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2020**

F. Revenues, Expenditures, and Expenses

1. Funding

The PAVE Southeast Raleigh Charter School is funded by the State Board of Education, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the school is located (Wake County Board of Education) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-238.29H(a)]. Additionally, the School receives, for each student who resides in the local administrative unit and attends the charter school, an amount equal to the per pupil local current expense appropriation to the respective local school administrative unit for the fiscal year which is transferred by the appropriate local school administrative unit(s). [G.S. 115C-238.29H(b)]. For the fiscal year ended June 30, 2020, the PAVE Southeast Raleigh Charter School received funding from the Boards of Education for Johnston County, Hoke County, and Wake County.

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

2. Reconciliation between government-wide and fund statements

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by reconciliation between the change in governmental funds' fund balance and the change in governmental activities' net position as reported on the government-wide statement of activities. The net difference of (\$540,111) 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.	\$ 146,959
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(292,829)
New debt issued during the year is recorded as a source of funds on the fund statements but has no effect on the statement of activities, only the statement of net position.	(517,226)
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.	122,985
Total	<u><u>\$ (540,111)</u></u>

**PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2020**

II. Stewardship, Compliance, and Accountability

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

Noncompliance with North Carolina General Statutes

None

Contractual Violations

None

B. Deficit Fund Balance or Net Position of Individual Funds

None

III. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2020, the School had deposits with banks and savings and loans with a carrying amount of \$960,267. The bank balance with the financial institutions was \$1,104,379. Federal Deposit Insurance Corporation (FDIC) covers \$250,000 per bank. The School has a balance of \$549,091 was not insured by the FDIC. National Credit Union Administration (NCUA) covers \$250,000 per credit union. The School has a balance of \$55,287 that was covered by NCUA. The School does not have a deposit policy for custodial credit risk. The School does not hold petty cash.

2. Capital Assets

Capital asset activity for the year ended June 30, 2020:

**PAVE Southeast Raleigh Charter School**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2020**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets being depreciated				
Buildings	\$ 7,076,370	\$ -	\$ -	\$ 7,076,370
Computer network equipment	113,465	6,594	-	120,059
Computers	45,678	4,311	-	49,989
Furniture and fixtures	66,192	-	-	66,192
Equipment	69,620	121,565	-	191,185
Instructional equipment	39,244	-	-	39,244
Software	3,773	-	-	3,773
Transportation	-	14,489	-	14,489
Total capital assets being depreciated	<u>7,414,342</u>	<u>146,959</u>	<u>-</u>	<u>7,561,301</u>
Less accumulated depreciation				
Buildings	727,294	235,879	-	963,173
Computer network equipment	61,325	30,175	-	91,500
Computers	43,868	2,341	-	46,209
Furniture and fixtures	27,750	8,763	-	36,513
Equipment	5,636	8,570	-	14,206
Instructional equipment	13,890	5,376	-	19,266
Software	3,774	-	-	3,774
Transportation	-	1,725	-	1,725
Total accumulated depreciation	<u>\$ 883,537</u>	<u>\$ 292,829</u>	<u>\$ -</u>	<u>1,176,366</u>
Total capital assets being depreciated, net	<u>6,530,805</u>			<u>6,384,935</u>
Governmental activities capital assets, net	<u>\$ 6,530,805</u>			<u>\$ 6,384,935</u>

Depreciation expense is charged to governmental functions as follows:

Instructional services	\$ 219,622
System-wide support services	73,207
	<u>\$ 292,829</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
Capital assets being depreciated				
Kitchen Equipment	\$ 11,906	\$ -	\$ -	\$ 11,906
Software	1,995	-	-	1,995
Total capital assets being depreciated	<u>13,901</u>	<u>-</u>	<u>-</u>	<u>\$ 13,901</u>
Less accumulated depreciation				
Kitchen Equipment	1,415	1,190	-	2,605
Software	1,995	-	-	1,995
Total accumulated depreciation	<u>3,410</u>	<u>\$ 1,190</u>	<u>\$ -</u>	<u>4,600</u>
Total capital assets being depreciated, net	<u>10,491</u>			<u>9,301</u>
Business-type activities capital assets, net	<u>\$ 10,491</u>			<u>\$ 9,301</u>

**PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2020**

**B. Liabilities**

**1. Pension Plan Obligations**

**a. Retirement Plan**

Plan Description – PAVE Southeast Raleigh Charter School offers a 401(k) retirement plan with ADP. Plan members could contribute up to \$18,000 of their annual salary and the School would match up to 2% of their annual salary. The School contributed \$9,410 to the plan during the year, with the employees contributing \$30,268.

**2. Risk Management**

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

The School has obtained a major medical insurance policy for its personnel through a commercial insurer. Through the plan, permanent, full-time employees of the School are eligible to receive health care benefits.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and claims have not exceeded coverage in any of the past two fiscal years.

**3. Long-Term Obligations**

**a. Note Payable**

On April 27, 2020, the School entered into a direct placement from a bank for \$517,226 in SBA funds plus interest at 1.0% evidenced by an unsecured note with a 24-month term. The note may be forgiven if qualifying expenditures are incurred to protect payroll. The loan was obtained through the Payroll Protection Program. The balance on the note as of June 30, 2020 was \$517,226.

<b>Governmental Activities:</b>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 229,878	\$ 5,363	\$ 235,241
2022	287,348	1,317	288,665
	<u>\$ 517,226</u>	<u>\$ 6,680</u>	<u>\$ 523,906</u>

**b. Capital Leases (Related Party)**

The School entered into a lease agreement with PAVE 3420 Idlewood Village, LLC (a related party) for a building. The present value of the base rent lease payments is greater than 90% of the asset's market value, and therefore this lease is classified as a capital lease. The obligations have been recorded at the fair market value at the date of inception of the lease.

At June 30, 2020, assets recorded under the capital leases were as follows:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Building	\$ 7,076,370	\$ 483,181	\$ 6,593,189
Total	<u>\$ 7,076,370</u>	<u>\$ 483,181</u>	<u>\$ 6,593,189</u>

**PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2020**

The following is a schedule of the future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2020:

	Year Ending June 30
2021	\$ 448,145
2022	448,145
2023	448,145
2024	448,145
2025	448,145
2026 - 2030	2,240,723
2031 - 2035	2,240,723
2036 - 2040	2,240,723
2041 - 2045	2,240,723
2046	448,145
Total minimum lease payments	11,651,762
Less: amount representing interest	5,058,572
Present value of the minimum lease payments	\$ 6,593,190

**c. Changes in General Long-Term Obligations**

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

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Capitalized leases	\$ 6,716,174	\$ -	\$ 122,985	\$ 6,593,189	\$ 129,126
Note payable - bank	-	517,226	-	517,226	229,878
Total	\$ 6,716,174	\$ 517,226	\$ 122,985	\$ 7,110,415	\$ 359,004

**4. Deferred Inflows of Resources**

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

Year Ending June 30	Unavailable Grant Revenue
2020	\$ 20,759
Total	\$ 20,759

**5. Unavailable Revenue**

Unavailable Grant Revenue consists of \$20,759 grant revenue from the Kenan Charitable Trust that was not received during the fiscal year ended June 30, 2020. The School received \$5,226 from the Kenan Charitable Trust during the fiscal year ended June 30, 2020.

**6. Interfund Balances and Activity**

The General Fund transferred \$87,150 to the School Food Service Fund to help cover the cost of food services.

**PAVE Southeast Raleigh Charter School  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2020**

**7. Fund Balance**

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

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

Total fund balance	\$ 1,424,606
Less:	-
Prepaid Items	15,111
Appropriated Fund Balance in 2020 budget	-
Remaining Fund Balance	\$ 1,409,495

**IV. Commitment**

The School has entered into a contract for the provision of financial services. Obligations under this agreement are based on enrollment. The School paid \$83,317 under the terms of this agreement during the year ended June 30, 2020.

**V. Summary Disclosure of Significant Contingencies**

**Federal and State Assisted Programs**

The School has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

**COVID-19 Contingencies**

During the year ended June 30, 2020, the COVID-19 outbreak in the United States caused business disruption through mandated and voluntary closings. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments and cannot be reasonably predicted and estimated at this time. The COVID-19 outbreak is ongoing as of June 30, 2020, and additional impact on operational and financial performance may occur.

**VI. Significant Effects of Subsequent Events**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

### **NON-MAJOR FUNDS**

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

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL**  
**Non-Major Governmental Fund**  
**Balance Sheet**  
**June 30, 2020**

	Special Revenue Fund	Federal Grants Fund
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$	-
Receivables (net)		-
Due from other governments		-
Internal balances		-
Inventories		-
Prepaid items		-
Total current assets		-
Noncurrent assets:		
Capital assets:		
Other capital assets, net of depreciation		-
Total noncurrent assets		-
Total assets	\$	-
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
		-
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$	-
Due to other governments		-
Due to other funds		-
Accrued salaries and wages payable		-
Other payables		-
Unavailable revenues		-
Total current liabilities		-
Long-term liabilities:		
Due within one year		-
Due in more than one year		-
Total long-term liabilities		-
Total liabilities		-
<b>DEFERRED INFLOWS OF RESOURCES</b>		
		-
<b>NET POSITION</b>		
Net investment in capital assets		-
Unrestricted		-
Total net position	\$	-

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL**  
**Non-major Governmental Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended June 30, 2020**

		Special Revenue Fund
		Federal Grants Fund
Revenues:		
U.S. Government:		
Title I Basic	\$	97,333
IDEA VI-B Handicapped		71,672
Title 1 - Targeted Support		6,367
NC Advancing Charter Collaboration		2,392
Total revenues		177,764
Expenditures:		
Current:		
Instructional services:		
Regular services		8,759
Special services		71,672
Alternative Programs and services		97,333
School leadership services		-
Co-curricular services		-
School-based support services		-
Total instructional services		177,764
Total expenditures		177,764
Revenues over expenditures		-
Fund balances:		
Beginning of year, July 1		-
End of year, June 30	\$	-

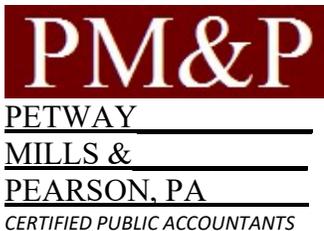
**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL**  
**All Fund Types Except Federal Grants Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual, Government-wide Budget**  
**For the year ended June 30, 2020**

	06/30/2020		
	Final Budget	Actual	Favorable (Unfavorable) Variance
<b>Revenues:</b>			
State of North Carolina Board(s) of Education:	\$ 2,523,255	\$ 2,518,935	\$ (4,320)
Harnett County	995	995	-
Hoke County	616	616	-
Johnston County	10,459	10,459	-
Wake County	1,128,816	1,128,816	-
U.S. Government	-	-	-
Fines and forfeitures	-	-	-
Lunch	190,000	189,941	(59)
Contributions and donations	890,015	944,676	54,661
Other	252,085	195,887	(56,198)
<b>Total revenues</b>	<b>4,996,241</b>	<b>4,990,325</b>	<b>(5,916)</b>
<b>Expenditures:</b>			
Salaries and bonuses	1,914,941	1,701,379	213,562
Benefits	494,707	430,614	64,093
Books and supplies	90,068	80,847	9,221
Technology	81,902	78,952	2,950
Non-Cap Equipment and Leases	60,668	67,604	(6,936)
Contracted Student Services	72,918	70,846	2,072
Staff Development	20,317	19,990	327
Administrative Services	231,935	224,639	7,296
Insurance	73,643	73,643	-
Rents and Debt Service	448,145	448,145	-
Facilities	247,242	241,898	5,344
Utilities	130,837	124,186	6,651
Nutrition and Food	221,670	219,537	2,133
Transportation and Travel	169,688	168,062	1,626
Miscellaneous	-	-	-
PPP	517,226	379,172	138,054
Capital Purchases	163,056	146,960	16,096
<b>Total expenditures</b>	<b>4,938,963</b>	<b>4,476,474</b>	<b>462,489</b>
<b>Other financing sources (uses):</b>			
Loan Proceeds	517,226	517,226	-
Appropriated Fund Balance	(574,504)	-	574,504
<b>Total other financing sources and (uses)</b>	<b>(57,278)</b>	<b>517,226</b>	<b>574,504</b>
<b>Excess of revenues over expenditures</b>	<b>\$ -</b>	<b>1,031,077</b>	<b>\$ 1,031,077</b>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
<b>Reconciling items:</b>			
Capital outlay		146,960	
Depreciation		(294,020)	
Principal payments		122,985	
Loan proceeds		(517,226)	
<b>Change in net position - total primary government</b>		<b>\$ 489,776</b>	

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL**  
**Federal Grants Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2020**

	<b>06/30/2020</b>		
	Final Budget	Actual	Favorable (Unfavorable) Variance
<b>Revenues:</b>			
IDEA Pre-School Handicapped	\$ 732	\$ -	\$ (732)
Title I Basic	224,634	97,333	(127,301)
IDEA VI-B Handicapped	71,672	71,672	-
Supporting Effective Instruction	-	-	-
Student Support	-	-	-
ESEA- Title I - 115	7,671	6,367	(1,304)
IDEA VI-B Special Needs Targeted Assistance	2,500	-	(2,500)
NC Advancing Charter Collaboration	30,000	2,392	(27,608)
ESSER CARES Act	148,171	-	(148,171)
Total revenues	<u>485,380</u>	<u>177,764</u>	<u>(307,616)</u>
<b>Expenditures:</b>			
Salaries and benefits	333,840	169,005	164,835
Books and Supplies	732	-	732
Workshop expenses	20,808	6,367	14,441
Facilities	20,000	-	20,000
Technology	110,000	2,392	107,608
Total expenditures	<u>485,380</u>	<u>177,764</u>	<u>307,616</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COMPLIANCE SECTION  
PAVE SOUTHEAST RALEIGH CHARTER SCHOOL  
RALEIGH, NORTH CAROLINA  
JUNE 30, 2020



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

**Independent Auditors' Report**

C. Briggs Petway, Jr.  
Phyllis M. Pearson

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

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P.O. Box 1036  
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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of PAVE Southeast Raleigh Charter School, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise PAVE Southeast Raleigh Charter School's basic financial statements, and have issued our report thereon dated October 27, 2020.

Internal Control over Financial Reporting

Memberships:

North Carolina  
Association of  
Certified Public  
Accountants

American Institute  
Of Certified Public  
Accountants

Medical Group  
Management  
Association

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether PAVE Southeast Raleigh Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

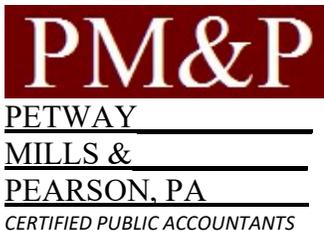
#### Purpose of this Report

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

*Petway Mills & Pearson, PA*

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

October 27, 2020



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

**Independent Auditors' Report**

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

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

We have audited PAVE Southeast Raleigh Charter School's compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on PAVE Southeast Raleigh Charter School's major State program as of and for the year ended June 30, 2020. PAVE Southeast Raleigh Charter School's major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

**Opinion on Each Major State Program**

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

C. Briggs Petway, Jr.  
Phyllis M. Pearson

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Management  
Association

## Report on Internal Control over Compliance

Management of PAVE Southeast Raleigh Charter School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered PAVE Southeast Raleigh Charter School's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

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

*Petway Mills & Pearson, PA*

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

October 27, 2020



**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL**  
**Schedule of Findings and Questioned Costs**  
**For the year ended June 30, 2020**

SECTION II. – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III. – STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL**  
**Corrective Action Plan**  
**For the year ended June 30, 2020**

**SECTION II. – FINANCIAL STATEMENT FINDINGS**

None required.

**SECTION III. – STATE AWARD FINDINGS AND QUESTIONED COSTS**

None required.

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL  
Summary Schedule of Prior Years' Audit Findings  
For the year ended June 30, 2020**

There were no prior year findings.

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL**  
**Schedule of Expenditures of Federal and State Awards**  
**For the year ended June 30, 2020**

<u>Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>State/Pass- Through Grantor's Number</u>	<u>Expenditures</u>
<b>FEDERAL GRANTS:</b>			
<u>US Department of Education</u>			
Passed Through the NC Department of Public Instruction:			
<b>Special Education Cluster</b>			
IDEA VI-B Handicapped	84.027	PRC 060	\$ 71,672
Total Special Education Cluster			<u>71,672</u>
<b>Title I, Part A Cluster</b>			
Title I, Grants to Local Education Agencies	84.010	PRC 050	97,333
Total Title I, Part A Cluster			<u>97,333</u>
Title I, School Improvement	84.377	PRC 115	6,367
Passed through the NC Office of Charter Schools			
NC Advancing Charter Collaboration	84.282	PRC 160	2,392
Total US Department of Education			<u>177,764</u>
<u>US Department of Agriculture</u>			
Passed Through the NC Department of Public Instruction:			
<b>Child Nutrition Cluster</b>			
National School Lunch Program	10.555	PRC 035	189,941
Total Child Nutrition Cluster			<u>189,941</u>
<b>TOTAL FEDERAL ASSISTANCE</b>			<u><u>367,705</u></u>
<b>NC STATE GRANTS:</b>			
<u>NC Department of Public Instruction</u>			
<b>State Public School Funds</b>			
Charter School Funds		PRC 036	2,509,325
COVID-19 Supplemental Funds		PRC 154	9,610
<b>TOTAL STATE ASSISTANCE</b>			<u>2,518,935</u>
<b>TOTAL FEDERAL AND STATE AWARDS</b>			<u><u>\$ 2,886,640</u></u>

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

Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the PAVE Southeast Raleigh Charter School under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the PAVE Southeast Raleigh Charter School, it is not intended Federal Awards (Uniform Guidance) and the State Single Audit to and does not present the financial position, changes in net position or cash flows of the PAVE Southeast Raleigh Charter School.

Indirect Costs

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

Summary of Accounting Policies

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