



SHARPE
PATELCPA

**RISE SOUTHEAST RALEIGH
CHARTER SCHOOL, INC.
DBA RISE CHARTER SCHOOL
RALEIGH, NORTH CAROLINA**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.

dba RISE Charter School

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June 30, 2024

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dba RISE Charter School

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
RISE Southeast Raleigh Charter School, Inc.
dba RISE 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 RISE Southeast Raleigh Charter School, Inc. dba RISE Charter School as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise RISE Southeast Raleigh Charter School, Inc.'s dba RISE Charter School 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 RISE Southeast Raleigh Charter School, Inc. dba RISE Charter School, as of June 30, 2024, 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 RISE Southeast Raleigh Charter School, Inc. dba RISE 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 RISE Southeast Raleigh Charter School, Inc.'s dba RISE Charter School 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 RISE Southeast Raleigh Charter School, Inc.'s dba RISE Charter School 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 RISE Southeast Raleigh Charter School, Inc.'s dba RISE Charter School 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 RISE Southeast Raleigh Charter School, Inc.'s dba RISE Charter School 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 9, 2024, on our consideration of RISE Southeast Raleigh Charter School, Inc.'s dba RISE Charter School 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 RISE Southeast Raleigh Charter School, Inc.'s dba RISE Charter School 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 RISE Southeast Raleigh Charter School, Inc.'s dba RISE Charter School internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina

October 9, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

RISE Southeast Raleigh Charter School, Inc.

DBA RISE Charter School

Management's Discussion and Analysis

For the Year Ended June 30, 2024

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, 2024, 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

- At the end of the fiscal year, the School's assets surpassed its liabilities by \$5,755,854, indicating a positive net position.
- The School's total net position experienced a decline of \$494,488, mainly due to a reduction in the net position of governmental activities.
- As of the end of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$863,878, reflecting a decrease of \$89,151 compared to the previous year.
- Enrollment at the School remains stable. The State funded Average Daily Membership (ADM) was 408 in 2019-20, 420 in 2020-21, 463 in 2021-22, 476 in 2022-23, and 474 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.
- In the current fiscal year, the School's long-term debt rose by \$279,174. As of June 30, 2024, the total debt comprised four notes payable, amounting to \$3,356,772, \$300,000, \$1,800,000, and \$75,000, respectively.

Overview of the Financial Statements

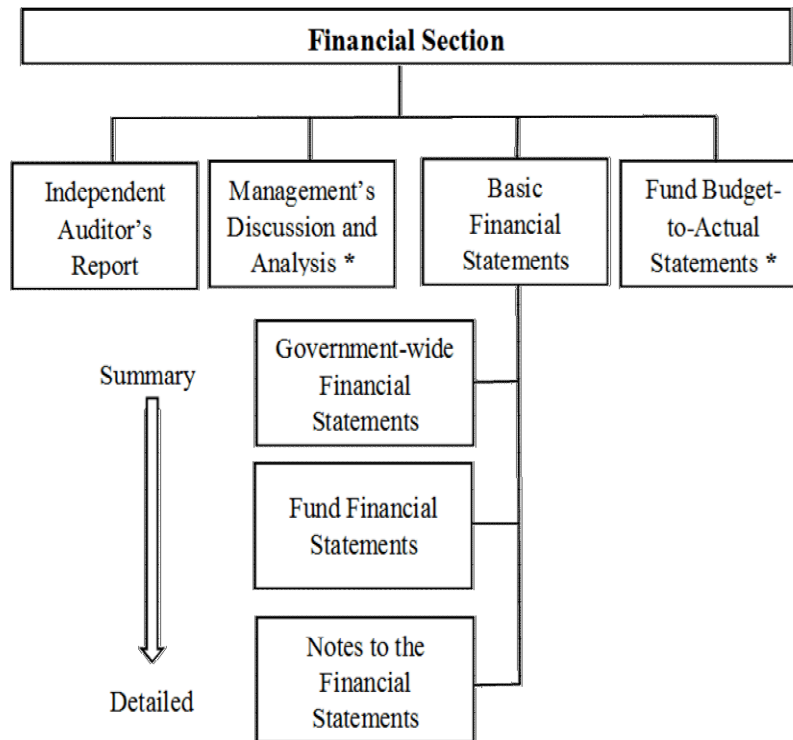
This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components: the government-wide financial statements, the fund financial statements, and the notes to the financial statements. The 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 indicates that as of June 30, 2024, cash and cash equivalents, along with other current assets—primarily amounts due from other governments—constituted 8.6% and 1.0% of total government-wide assets, respectively. During the 2024 fiscal year, the School undertook building improvement projects totaling \$149,433, which represented 73.2% of this year's additions to depreciable capital assets. Capital assets, net of accumulated depreciation, accounted for 90.4% of total assets, while long-term liabilities made up 95.9% of total liabilities.

As noted earlier, net position serves as a valuable indicator of the School's financial condition. At June 30, 2024, the School's assets exceeded its liabilities by \$5,755,854, down from a net position of \$6,250,342 on June 30, 2023. The School's net position decreased by \$494,488 in the year ending June 30, 2024, compared to a decrease of \$171,963 in 2023. The amount of \$4,861,704 reflects the School's investment in capital assets (such as land, buildings, furniture, fixtures, vehicles, and equipment), minus any related outstanding debt incurred to acquire these items. These capital assets are utilized to provide services to students and are not available for future spending. While the net investment in capital assets is reported net of outstanding debt, the

Management’s Discussion and Analysis
 RISE Charter School
 June 30, 2024

resources needed to repay this debt must come from other sources, as the capital assets themselves cannot be used to settle these liabilities. The remaining unrestricted amount stands at \$894,150. In comparison, on June 30, 2023, the net investment in capital assets was \$5,267,040, with unrestricted net position at \$983,302.

A condensed statement of net position which summarizes the assets, liabilities, and net position at June 30, 2024 and 2023 is as follows:

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

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Cash and cash equivalents	\$ 985,195	\$ 1,011,260	\$ 32,123	\$ 32,776	\$1,017,318	\$1,044,036
Other current assets	112,981	251,971	17,153	11,478	130,134	263,449
Capital assets, net of depreciation	10,388,940	10,513,911	4,536	5,727	10,393,476	10,519,638
Total assets	11,487,116	11,777,142	53,812	49,981	11,540,928	11,827,123
Liabilities						
Current and other liabilities	234,299	310,203	19,003	13,980	253,302	324,183
Long-term liabilities	5,531,772	5,252,598	-	-	5,531,772	5,252,598
Total liabilities	5,766,071	5,562,801	19,003	13,980	5,785,074	5,576,781
Net position:						
Net investment in capital assets	4,857,168	5,261,313	4,536	5,727	4,861,704	5,267,040
Unrestricted	863,877	953,028	30,273	30,274	894,150	983,302
Total net position	\$ 5,721,045	\$ 6,214,341	\$ 34,809	\$ 36,001	\$ 5,755,854	\$ 6,250,342

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, monitoring performance monthly to make necessary adjustments and ensure compliance with budgetary constraints.
- The School applied for and received federal grants to help cover expenses related to meeting the educational needs of its student population.
- Overall, state and local funding saw an increase during this fiscal year.

Revenues, expenses, transfers and the change in net position is summarized in the following condensed statement of activities for the years ended June 30, 2024 and 2023:

RISE SE Raleigh Charter School
Condensed Statement of Activities
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues						
Operating grants and contributions	\$ 972,370	\$ 1,407,622	\$ 356,545	\$ 351,351	\$ 1,328,915	\$ 1,758,973
Charges for services	26,558	-	-	168	26,558	168
General revenues						
County and State funds	5,303,680	4,905,832	-	-	5,303,680	4,905,832
Donations - general	12,162	43,739	-	-	12,162	43,739
Investment earnings	21,629	-	-	-	21,629	-
Miscellaneous, unrestricted	32,206	65,652	-	-	32,206	65,652
Total revenues	6,368,605	6,422,845	356,545	351,519	6,725,150	6,774,364
Expenses:						
Instructional services	5,110,238	4,843,137	-	-	5,110,238	4,843,137
System-wide support services	1,413,961	1,444,308	-	-	1,413,961	1,444,308
Community services	2,060	75	-	-	2,060	75
Interest on long-term debt	208,169	170,898	-	-	208,169	170,898
School food service	-	-	485,210	487,909	485,210	487,909
Total expenses	6,734,428	6,458,418	485,210	487,909	7,219,638	6,946,327
Increase (Decrease) in net position before transfers	(365,823)	(35,573)	(128,665)	(136,390)	(494,488)	(171,963)
Transfers	(127,473)	(135,199)	127,473	135,199	-	-
Change in net position	(493,296)	(170,772)	(1,192)	(1,191)	(494,488)	(171,963)
Net position, July 1, as previously stated	-	6,435,113	-	37,192	-	6,472,305
Restatement	-	(50,000)	-	-	-	(50,000)
Net position, July 1, as restated	6,214,341	6,385,113	36,001	-	6,250,342	6,422,305
Net position, June 30	\$ 5,721,045	\$ 6,214,341	\$ 34,809	\$ 36,001	\$ 5,755,854	\$ 6,250,342

Governmental activities. Governmental activities reduced the School's net position by \$365,823 before transfers to support business-type activities. County and state funding increased by 8.1%, totaling \$5,303,680, which accounts for 83.3% of total revenues. Instructional services and related expenses amounted to \$5,110,238, representing 75.9% of total expenses and reflecting a 5.5% increase. This rise corresponds to increased program and general revenues, which were offset by higher costs associated with providing instructional services. Overall, the net position before transfers to business-type activities decreased by 5.9% compared to the previous year.

Business-type activities. Business-type activities include the School Food Service program, which reduced the School's net position by \$128,665 before receiving a transfer of \$127,473 from governmental activities.

Key aspects of the business-type activities are as follows:

- By adopting a budget for the enterprise fund encompassing these activities, the Board can effectively monitor the School's revenues and expenditures and make adjustments as necessary throughout the year.
- The School received \$356,545 in federal reimbursement funds for the School Food Service Fund this past year, representing a 1.5% increase compared to the previous year.

Financial Analysis of the School's Funds

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

Governmental Funds. The School's governmental funds focus on providing information about near-term inflows, outflows, and the balances of usable financial resources, which are essential for assessing the School's financing needs. Notably, the unassigned fund balance serves as a useful indicator of the government's net resources available for spending at the end of the fiscal year.

The General Fund is the School's primary operating fund. At the close of the current fiscal year, assets in the General Fund were largely comprised of cash and cash equivalents, representing 89.7% of total fund assets. Accounts payable and accrued liabilities accounted for 100% of the General Fund's liabilities. The unassigned fund balance was \$848,137, while the total fund balance stood at \$863,878, reflecting a decrease of \$89,151 from the previous year. The unassigned fund balance made up 98.2% of the total fund balance.

The main source of revenue for the General Fund, comprising 80.4%, was \$1,709,146 in reimbursements from various counties for their students attending the School. An additional \$4,243,047 came from the State of North Carolina and the federal government, accounting for 66.6% of total governmental fund revenue. Expenditures for capital outlay totaled \$149,433, or 3.5% of General Fund expenditures. Instruction-related expenses amounted to \$1,658,269, while system-wide support services and community services accounted for \$500,539 and debt service totaled \$1,953,995, representing 38.9%, 11.8%, and 45.8% of General Fund expenditures, respectively.

As of June 30, 2024, the School's governmental funds reported a combined fund balance of \$863,878, marking a 9.3% decrease compared to the previous year.

Proprietary Funds. The School's proprietary fund offers detailed information similar to that found in the government-wide statements. The unrestricted net position of the School Food Service Fund totaled \$34,808. The overall change in net position for this fund was \$(1,191), after receiving a transfer of \$127,473 from the General Fund. Additional financial details related to these funds have already been discussed in the context 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 \$10,393,476 (net of accumulated depreciation), as of June 30, 2024. 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:

- Investing \$149,433 in building improvements; and
- Expending \$54,608 on school equipment.

The following schedule summarizes the School’s capital assets at June 30, 2024 and 2023:

**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>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Land	\$ 967,500	\$ 967,500	\$ -	\$ -	\$ 967,500	\$ 967,500
Buildings	9,002,248	9,113,611	-	-	9,002,248	9,113,611
Furniture and fixtures	5,045	7,269	-	-	5,045	7,269
Vehicles	41,694	52,089	-	-	41,694	52,089
School equipment	371,289	367,087	-	-	371,289	367,087
Electronic equipment	1,164	6,355	-	-	1,164	6,355
School food service equipment	-	-	4,536	5,727	4,536	5,727
Capital assets, net	<u>\$10,388,940</u>	<u>\$ 10,513,911</u>	<u>\$ 4,536</u>	<u>\$ 5,727</u>	<u>\$10,393,476</u>	<u>\$ 10,519,638</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. During the fiscal year, the School secured three notes payable totaling \$1,800,000, \$300,000, and \$75,000, respectively. It also paid off its loans with Self-Help Credit Union, amounting to \$1,739,495, and with the Tom Russell Foundation, totaling \$50,000. Additionally, the balance on the First Horizon loan decreased by \$106,331. As of June 30, 2024, the School’s long-term obligations totaled \$5,531,772, reflecting an increase of \$279,174 compared to the previous year.

The School’s outstanding debt at June 30, 2024 and 2023 is summarized in the following schedule:

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

	Governmental Activities	
	2024	2023
First Horizon Bank	\$ 3,356,772	\$ 3,463,103
Tom Russell Charitable Foundation	300,000	50,000
Self Help Credit Union	-	1,739,495
First Horizon Bank - 8002	1,800,000	-
Craig Herb	75,000	-
Total long-term obligations	\$ 5,531,772	\$ 5,252,598

The School leases its building and land from the Foundation, with annual rent expense totaling \$450,000 for fiscal year 2024.

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 draw families from Southeast Raleigh and surrounding communities due to its dedication to academic growth and improvement.
- Wake County, the School’s primary source of local revenue, raised its per pupil allocation by 6.7%.
- The State of North Carolina increased its per pupil funding by \$223.30 per ADM from the previous year, representing a 3.66% increase.
- The School continues to receive additional federal funds to support its educational programs.

Impact of Coronavirus on the School. During the fiscal year, the School allocated \$290,592 in Elementary and Secondary School Emergency Relief (ESSER) funds to address the ongoing impacts of the COVID-19 pandemic. These funds were primarily used for purchasing technology equipment and software, as well as for salaries of staff providing additional instructional support to students facing learning loss due to the pandemic. The School remains vigilant in monitoring its coronavirus-related expenses to ensure that state and federal funds are allocated effectively to meet 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>.

BASIC FINANCIAL STATEMENTS

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
DBA RISE CHARTER SCHOOL
Statement of Net Position
June 30, 2024

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 985,195	\$ 32,123	\$ 1,017,318
Due from other governments	96,740	-	96,740
Accounts receivable (net)	500	17,153	17,653
Prepaid items	15,741	-	15,741
Total current assets	<u>1,098,176</u>	<u>49,276</u>	<u>1,147,452</u>
Capital assets (Note II.A) 2.:			
Land	967,500	-	967,500
Other capital assets, net of depreciation	9,421,440	4,536	9,425,976
Total capital assets	<u>10,388,940</u>	<u>4,536</u>	<u>10,393,476</u>
Total assets	<u>11,487,116</u>	<u>53,812</u>	<u>11,540,928</u>
LIABILITIES			
Accounts payable and accrued expenses	234,299	19,003	253,302
Long-term liabilities:			
Due within one year	486,130	-	486,130
Due in more than one year	5,045,642	-	5,045,642
Total liabilities	<u>5,766,071</u>	<u>19,003</u>	<u>5,785,074</u>
NET POSITION			
Net investment in capital assets	4,857,168	4,536	4,861,704
Unrestricted	863,877	30,273	894,150
Total net position	<u>\$ 5,721,045</u>	<u>\$ 34,809</u>	<u>\$ 5,755,854</u>

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

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
DBA RISE CHARTER SCHOOL
Statement of Activities
For the Year Ended June 30, 2024

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
Instructional services	\$ 5,110,238	\$ 6,111	\$ 972,370	\$ (4,131,757)	\$ -	\$ (4,131,757)
System-wide support services	1,413,961	20,447	-	(1,393,514)	-	(1,393,514)
Community services	2,060	-	-	(2,060)	-	(2,060)
Interest on long-term debt	208,169	-	-	(208,169)	-	(208,169)
Total governmental activities	<u>6,734,428</u>	<u>26,558</u>	<u>972,370</u>	<u>(5,735,500)</u>	<u>-</u>	<u>(5,735,500)</u>
Business-type activities:						
School food service	485,210	-	356,545	-	(128,665)	(128,665)
Total business-type activities	<u>485,210</u>	<u>-</u>	<u>356,545</u>	<u>-</u>	<u>(128,665)</u>	<u>(128,665)</u>
Total primary government	<u>\$ 7,219,638</u>	<u>\$ 26,558</u>	<u>\$ 1,328,915</u>	<u>(5,735,500)</u>	<u>(128,665)</u>	<u>(5,864,165)</u>
				Unrestricted county appropriations	-	1,709,146
				Unrestricted State appropriations	-	3,594,534
				Donations- general	-	12,162
				Investment earnings	-	21,629
				Miscellaneous, unrestricted	-	32,206
				Transfers	127,473	-
				Total general revenues and transfers	<u>5,242,204</u>	<u>5,369,677</u>
				Change in net position	(1,192)	(494,488)
				Net position, beginning	36,001	6,250,342
				Net position, ending	<u>\$ 34,809</u>	<u>\$ 5,755,854</u>

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

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
DBA RISE CHARTER SCHOOL
Balance Sheet
Governmental Funds
June 30, 2024

Exhibit 3

	Major Funds			Total Governmental Funds
	General	State Public School	Federal Grants	
ASSETS				
Cash and cash equivalents	\$ 985,195	\$ -	\$ -	\$ 985,195
Due from other governments	96,740	-	-	96,740
Receivables (net)	500	-	-	500
Prepaid items	15,741	-	-	15,741
Total assets	\$ 1,098,176	\$ -	\$ -	\$ 1,098,176
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 234,298	\$ -	\$ -	\$ 234,298
Total liabilities	234,298	-	-	234,298
Fund balances:				
Nonspendable:				
Prepaid items	15,741	-	-	15,741
Restricted	-	-	-	-
Unassigned	848,137	-	-	848,137
Total fund balances	863,878	-	-	863,878
Total liabilities, deferred inflows of resources and fund balances	\$ 1,098,176	\$ -	\$ -	

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:	10,388,940
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	(5,531,773)
Net position of governmental activities	\$ 5,721,045

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

RISE SOUTHEAST CHARTER SCHOOL, INC.

Exhibit 4

DBA RISE CHARTER SCHOOL

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2024

	Major Funds			Total Governmental Funds
	General	State Public School	Federal Grants	
REVENUES				
State of North Carolina	\$ -	\$ 3,594,534	\$ -	\$ 3,594,534
Boards of Education	1,709,146	-	-	1,709,146
U.S. Government	-	-	648,513	648,513
Contributions and donations	12,162	-	-	12,162
Grants	323,857	-	-	323,857
Investment earnings	21,629	-	-	21,629
Charges for services	26,558	-	-	26,558
Other	32,206	-	-	32,206
Total revenues	<u>2,125,558</u>	<u>3,594,534</u>	<u>648,513</u>	<u>6,368,605</u>
EXPENDITURES				
Current:				
Instructional services	1,658,269	2,491,498	648,513	4,798,280
System-wide support services	498,479	898,428	-	1,396,907
Community services	2,060	-	-	2,060
Capital outlay	149,433	54,608	-	204,041
Debt service:				
Principal	1,895,826	-	-	1,895,826
Interest and other charges	58,169	150,000	-	208,169
Total expenditures	<u>4,262,236</u>	<u>3,594,534</u>	<u>648,513</u>	<u>8,505,283</u>
Excess of revenues over (under) expenditures	<u>(2,136,678)</u>	<u>-</u>	<u>-</u>	<u>(2,136,678)</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(127,473)	-	-	(127,473)
Loan proceeds	2,175,000	-	-	2,175,000
Total other financings sources (uses)	<u>2,047,527</u>	<u>-</u>	<u>-</u>	<u>2,047,527</u>
Net change in fund balance	(89,151)	-	-	(89,151)
Beginning fund balance	<u>953,029</u>	<u>-</u>	<u>-</u>	<u>953,029</u>
Ending fund balance	<u>\$ 863,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 863,878</u>

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

DBA RISE CHARTER SCHOOL

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2024**

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

Net changes in fund balances- total governmental funds	\$ (89,151)
--	-------------

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.	(124,971)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. 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>(279,174)</u>
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Total changes in net position of governmental activities	<u><u>\$ (493,296)</u></u>
--	----------------------------

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

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
DBA RISE CHARTER SCHOOL
Statement of Net Position
Proprietary Fund
June 30, 2024

Exhibit 6

	Enterprise Fund
	Major Fund
	School Food Service
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 32,123
Accounts receivable	17,153
Total current assets	49,276
Noncurrent assets:	
Equipment, net	4,536
Total assets	\$ 53,812
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 19,004
Total liabilities	19,004
NET POSITION	
Unrestricted	34,808
Total net position	\$ 34,808

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

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
DBA RISE RALEIGH CHARTER SCHOOL
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
June 30, 2024

Exhibit 7

	Enterprise Fund
	Major Fund
	School Food Service
OPERATING REVENUES	
Food sales	\$ -
Total operating revenues	-
OPERATING EXPENSES	
Food cost:	
Purchase of food	4,517
Salaries and benefits	124,589
Supplies and materials	749
Depreciation expense	1,191
Contracted services	354,163
Total operating expenses	485,209
Operating income (loss)	(485,209)
NONOPERATING REVENUES (EXPENSES)	
USDA reimbursements	356,545
Transfers from other funds	127,473
Total nonoperating expenses	484,018
Change in net position	(1,191)
Total net position - beginning	35,999
Total net position - ending	\$ 34,808

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

RISE SOUTHEAST CHARTER SCHOOL, INC.
DBA RISE CHARTER SCHOOL
Statement of Cash Flows
Proprietary Fund
For the Year ended June 30, 2024

Exhibit 8

	Enterprise Fund
	Major Fund
	School Food Service
CASH FLOWS FROM OPERATING ACTIVITES	
Cash received from customers	\$ (5,676)
Cash paid to employees for services	(124,589)
Cash paid for goods and services	(354,406)
Net cash provided (used) by operating activities	(484,671)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITES	
USDA reimbursements	356,545
Transfers in (out)	127,473
Net cash provided by noncapital financing activities	484,018
Net increase (decrease) in cash and cash equivalents	(653)
Balances - beginning of year	32,776
Balances - end of year	\$ 32,123
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (485,209)
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	(5,676)
Increase in accounts payable and accrued expenses	5,023
Total adjustments	538
Net cash provided (used) by operating activities	\$ (484,671)

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

NOTES TO THE FINANCIAL STATEMENTS

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.

dba RISE Charter School

Notes to the Financial Statements

For the Year Ended June 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of RISE Southeast Raleigh Charter School, Inc. dba RISE 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 RISE Southeast Raleigh Charter School, Inc. dba RISE 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

RISE Southeast Raleigh Charter School, Inc. dba RISE 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”), RISE Southeast Raleigh Charter School, Inc. dba RISE Charter School has been approved to operate the School, a public school serving approximately 463 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.

RISE Southeast Raleigh Charter School, Inc. dba RISE 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.

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
dba RISE Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2024

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”), RISE Southeast Raleigh Charter School, Inc. dba RISE 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.

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
dba RISE Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2024

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.

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
dba RISE Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2024

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, 2024. 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.

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
 dba RISE Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2024

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.

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.

dba RISE Charter School

Notes to the Financial Statements

For the Year Ended June 30, 2024

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.

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
 dba RISE Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2024

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 \$4,857,167 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).	\$ 11,790,310
Less accumulated depreciation	(1,401,370)
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>(5,531,773)</u>
Total adjustment	<u>\$ 4,857,167</u>

F) Revenues, Expenditures, and Expenses

1. Funding

RISE Southeast Raleigh Charter School, Inc. dba RISE 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))

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
 dba RISE Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) Revenues, Expenditures, and Expenses (Continued)

1. Funding (Continued)

Additionally, RISE Southeast Raleigh Charter School, Inc. dba RISE 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, 2024, RISE Southeast Raleigh Charter School, Inc. dba RISE Charter School received funding from the Boards of Education for Durham County (4,360), Johnston County (27,573), Wake County (1,675,884), and Harnett County (1,329).

Furthermore, RISE Southeast Raleigh Charter School, Inc. dba RISE 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 \$(404,145) 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.	\$ 204,041
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(329,012)
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.	(2,175,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	1,895,826
Total	<u>\$ (404,145)</u>

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
dba RISE Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2024

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, 2024, the School had deposits with banks and savings and loans with a carrying amount of \$1,017,318. The bank balance with the financial institutions was \$1,106,508, of which \$856,508 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.

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
 dba RISE Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2024

II. DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

2. Capital Assets

Capital asset activity for the year ended June 30, 2024, 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 and building improvements	\$ 9,782,500	\$ 149,433	\$ -	\$ 9,931,933
Furniture and fixtures	66,192	-	-	66,192
Vehicle	72,765	-	-	72,765
School equipment	491,229	54,608	-	545,837
Electronic equipment	206,083	-	-	206,083
Total assets being depreciated	<u>10,618,769</u>	<u>204,041</u>	<u>-</u>	<u>10,822,810</u>
Less accumulated depreciation for:				
Buildings	668,889	260,796	-	929,685
Furniture and fixtures	58,923	2,224	-	61,147
Vehicle	20,676	10,395	-	31,071
School equipment	124,142	50,406	-	174,548
Electronic equipment	199,728	5,191	-	204,919
Total accumulated depreciation	<u>1,072,358</u>	<u>329,012</u>	<u>-</u>	<u>1,401,370</u>
Total capital assets being depreciated, net	<u>9,546,411</u>			<u>9,421,440</u>
Governmental activity capital assets, net	<u>\$ 10,513,911</u>			<u>\$ 10,388,940</u>

Depreciation expense was charged to governmental functions as follows:

Instructional programs	\$ 180,957
Supporting services	<u>148,055</u>
	<u>\$ 329,012</u>

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
 dba RISE Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2024

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	\$ 13,901	\$ -	\$ -	\$ 13,901
Total assets being depreciated	<u>13,901</u>	<u>-</u>	<u>-</u>	<u>13,901</u>
Less accumulated depreciation for:				
School food service equipment	8,174	1,191	-	9,365
Total accumulated depreciation	<u>8,174</u>	<u>1,191</u>	<u>-</u>	<u>9,365</u>
Total capital assets being depreciated, net	<u>5,727</u>			<u>4,536</u>
Business-type activity capital assets, net	<u>\$ 5,727</u>			<u>\$ 4,536</u>

B) Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Retirement Plan

RISE Southeast Raleigh Charter School, Inc. dba RISE 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 \$29,582 to the plan during the year, with the employees contributing \$73,777.

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.

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.

dba RISE Charter School

**Notes to the Financial Statements
For the Year Ended June 30, 2024**

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

3. Long-Term Obligations

a) Leases

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, 2024, 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 \$- 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 \$3,356,772 at June 30, 2024.

The School entered into a direct borrowing agreement with New Horizons Bank for \$1,800,000 to refinance the borrowings from Self-Help Credit Union. The loan bears interest at 6.15%, and a maturity date of August 2034. The school building serves as collateral for the loan. The balance of the loan was \$1,800,000 at June 30, 2024.

The School entered into a direct borrowing agreement with Tom Russell Foundation for \$300,000. The loan is interest free and the full amount of the loan has a maturity date of September 1, 2024. The balance on the loan was \$300,000 at June 30, 2024.

The School entered into a direct borrowing agreement with Craig Herb for \$75,000. The loan is interest free and the full amount of the loan has a maturity date of September 1, 2024. The balance on the loan was \$75,000 at June 30, 2024. Subsequent to year-end, this note was paid in its entirety.

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
 dba RISE Charter School
Notes to the Financial Statements
For the Year Ended June 30, 2024

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

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

Year Ending June 30,	Principal	Interest	Total
2025	\$ 486,130	\$ 105,102	\$ 591,232
2026	114,396	101,836	216,232
2027	117,758	98,474	216,232
2028	121,219	95,013	216,232
2029	124,781	91,451	216,232
2030-2046	4,567,488	784,409	5,351,897
	<u>\$ 5,531,772</u>	<u>\$ 1,276,285</u>	<u>\$ 6,808,057</u>

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, 2024:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
New Horizon Foundation	\$ 3,463,103	\$ -	\$ (106,331)	\$ 3,356,772	\$ 106,331
Tom Russell - School	50,000	-	(50,000.00)	-	50,000
Self- Help Foundation	1,739,495	-	(1,739,495)	-	1,739,495
Tom Russell - Foundation	-	300,000	-	300,000	300,000
First Horizon 8002	-	1,800,000	-	1,800,000	-
Craig Herb	-	75,000	-	75,000	75,000
	<u>\$ 5,252,598</u>	<u>\$ 2,175,000</u>	<u>\$ (1,895,826)</u>	<u>\$ 5,531,772</u>	<u>\$ 2,270,826</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, RISE Southeast Raleigh Charter School, Inc. dba RISE 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.

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.

dba RISE Charter School

**Notes to the Financial Statements
For the Year Ended June 30, 2024**

III. DETAIL NOTES ON ALL FUNDS (Continued)

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

Total fund balance	\$	863,878
Less:		
Restricted		-
Prepaid items		<u>15,741</u>
Remaining fund balance	\$	<u>848,137</u>

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.

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.

dba RISE Charter School

Notes to the Financial Statements

For the Year Ended June 30, 2024

VI. BLENDED COMPONENT UNIT

Condensed combining information for the School's blended component unit for the year ended June 30, 2024, is presented as follows:

Condensed Statement of Net Position

Governmental Activities

June 30, 2024

	RISE Charter School	Southeast Raleigh Charter Foundation, Inc.	Eliminations	Total
Assets				
Current Assets	\$ 352,103	746,073	\$ -	\$ 1,098,176
Capital Assets, Net	419,191	9,969,749	-	10,388,940
Total Assets	<u>771,294</u>	<u>10,715,822</u>	<u>-</u>	<u>11,487,116</u>
Liabilities				
Current Liabilities	229,799	490,630	-	720,429
Long-Term Liabilities	-	5,045,642	-	5,045,642
Total Liabilities	<u>229,799</u>	<u>5,536,272</u>	<u>-</u>	<u>5,766,071</u>
Net Position				
Net Investment in Capital Assets	423,691	4,433,477	-	4,857,168
Unrestricted	117,804	746,073	-	863,877
Total Net Position	<u>\$ 541,495</u>	<u>\$ 5,179,550</u>	<u>\$ -</u>	<u>\$ 5,721,045</u>

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.

dba RISE Charter School

Notes to the Financial Statements

For the Year Ended June 30, 2024

VI. BLENDED COMPONENT UNIT (Continued)

Condensed Statement of Revenues, Expenses

Changes in Net Position

Governmental Activities

June 30, 2024

	RISE Charter School	Southeast Raleigh Charter Foundation, Inc.	Eliminations	Total
Operating Revenues				
Unrestricted county appropriations	\$ 1,709,146	\$ -	\$ -	\$ 1,709,146
Unrestricted State appropriations	3,594,534	-	-	3,594,534
Operating grants and contributions	867,370	105,000	-	972,370
Donations- general	12,162	-	-	12,162
Investment earnings	-	21,629	-	21,629
Charges for services	26,558	-	-	26,558
Miscellaneous, unrestricted	30,663	451,543	(450,000)	32,206
Transfers	373,427	(500,900)	-	(127,473)
	<u>6,613,860</u>	<u>77,272</u>	<u>(450,000)</u>	<u>6,241,132</u>
Operating Expenses				
Instructional services	4,849,442	260,796	-	5,110,238
System-wide support services	1,841,059	22,902	(450,000)	1,413,961
Community services	2,060	-	-	2,060
Interest on long-term debt	-	208,169	-	208,169
	<u>6,692,561</u>	<u>491,867</u>	<u>(450,000)</u>	<u>6,734,428</u>
Change in Net Position	(78,701)	(414,595)	-	(493,296)
Net Position				
Net position, beginning	620,196	5,594,145	-	6,214,341
Net position, ending	<u>\$ 541,495</u>	<u>\$ 5,179,550</u>	<u>\$ -</u>	<u>\$ 5,721,045</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 10, 2024 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

RISE CHARTER SCHOOL **Schedule 1**
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Government Fund Types
June 30, 2024

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
State of North Carolina	\$ 3,597,671	\$ 3,594,534	\$ (3,137)
Boards of Education:			
Durham County	4,360	4,360	-
Johnston County	27,573	27,573	-
Wake County	1,675,884	1,675,884	-
Harnett County	1,329	1,329	-
Hoke County	3,117	-	(3,117)
U.S. Government	671,571	648,513	(23,058)
Grants	719,757	323,857	(395,900)
Donations	7,814	12,162	4,348
Charges for services	6,111	26,558	20,447
Others	63,021	53,835	(9,186)
Total revenues	6,778,208	6,368,605	(409,603)
EXPENDITURES			
Salaries and bonuses	3,259,103	3,687,368	(428,265)
Employee benefits	876,013	935,003	(58,990)
Books and supplies	146,070	180,664	(34,594)
Technology	52,066	82,375	(30,309)
Non-capitalized equipment and leases	110,555	78,423	32,132
Contracted student services	287,750	875,991	(588,241)
Staff development	21,500	23,980	(2,480)
Administrative services	205,948	129,757	76,191
Insurance	66,106	41,939	24,167
Rent	450,000	-	450,000
Facilities	322,340	-	322,340
Utilities	134,800	105,570	29,230
Athletics	4,000	9,249	
Federal programs	671,571	-	671,571
Transportation and travel	165,638	46,928	118,710
Total	6,773,460	6,197,247	581,462
Capital outlay	70,500	204,041	(133,541)
Debt service:			
Principal	-	1,895,826	(1,895,826)
Interest	-	208,169	(208,169)
Total expenditures	6,843,960	8,505,283	(1,656,074)
Other financing sources (uses):			
Fund balance appropriated	-	-	-
Proceeds from loans	-	2,175,000	2,175,000
Transfers to other funds	-	(127,473)	(127,473)
Total other financing sources (uses)	-	2,047,527	2,047,527
Revenue over (under) expenditures	\$ (65,752)	\$ (89,151)	\$ (2,065,677)

RISE CHARTER SCHOOL **Schedule 1**
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Proprietary Fund Types
June 30, 2024

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Food sales	\$ -	-	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Food purchases	10,050	4,518	5,532
Contracted services	354,500	354,163	337
Supplies and materials	2,300	749	1,551
Depreciation	-	1,191	(1,191)
Salaries and benefits	116,580	124,588	(8,008)
Total expenditures	<u>483,430</u>	<u>485,209</u>	<u>(1,779)</u>
Revenues under expenditures	(483,430)	(485,209)	(1,779)
Other financing sources (uses):			
USDA Reimbursements	357,000	356,545	(455)
Transfers in	-	127,473	127,473
Total other financing sources and (uses)	<u>357,000</u>	<u>484,018</u>	<u>127,018</u>
Revenues and other sources over (under) expenditures	<u>\$ (126,430)</u>	(1,191)	<u>\$ 125,239</u>
Fund balance - beginning		<u>35,999</u>	
Fund balance - ending		<u>\$ 34,808</u>	

COMPLIANCE SECTION



**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
RISE Southeast Raleigh Charter School, Inc.
dba RISE 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 RISE Southeast Raleigh Charter School, Inc. dba RISE Charter School, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise RISE Southeast Raleigh Charter School, Inc.'s dba RISE Charter School basic financial statements, and have issued our report thereon dated October 10, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RISE Southeast Raleigh Charter School, Inc.'s dba RISE Charter School 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 RISE Southeast Raleigh Charter School, Inc.'s dba RISE Charter School internal control. Accordingly, we do not express an opinion on the effectiveness of RISE Southeast Raleigh Charter School, Inc.'s dba RISE Charter School 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 RISE Southeast Raleigh Charter School, Inc.'s dba RISE Charter School 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 10, 2024



**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
RISE Southeast Raleigh Charter School, Inc.
dba RISE Charter School
Raleigh, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program.

We have audited RISE Southeast Raleigh Charter School, Inc.'s School 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 RISE Southeast Raleigh Charter School, Inc.'s School major State programs for the year ended June 30, 2024. RISE Southeast Raleigh Charter School, Inc.'s School 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, RISE Southeast Raleigh Charter School, Inc. dba RISE 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, 2024.

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 RISE Southeast Raleigh Charter School, Inc. dba RISE 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 RISE Southeast Raleigh Charter School, Inc.'s School 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 RISE Southeast Raleigh Charter School, Inc.'s School 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 RISE Southeast Raleigh Charter School, Inc.'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 RISE Southeast Raleigh Charter School, Inc.'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 RISE Southeast Raleigh Charter School, Inc.'s School compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of RISE Southeast Raleigh Charter School, Inc.'s School 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 RISE Southeast Raleigh Charter School, Inc.'s School 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 items 2024-001, 2024-002 and 2024-003. 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 RISE Southeast Raleigh Charter School, Inc.'s School response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. RISE Southeast Raleigh Charter School, Inc.'s School 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 10, 2024



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
RISE Southeast Raleigh Charter School, Inc.
dba RISE Charter School
Raleigh, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited RISE Southeast Raleigh Charter School, Inc.'s School 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 RISE Southeast Raleigh Charter School, Inc.'s School major Federal programs for the year ended June 30, 2024. RISE Southeast Raleigh Charter School, Inc.'s School 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, RISE Southeast Raleigh Charter School, Inc. dba RISE 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, 2024.

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 RISE Southeast Raleigh Charter School, Inc. dba RISE 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 RISE Southeast Raleigh Charter School, Inc.'s School 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 RISE Southeast Raleigh Charter School, Inc.'s School 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 RISE Southeast Raleigh Charter School, Inc.'s School 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 RISE Southeast Raleigh Charter School, Inc.'s School 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 RISE Southeast Raleigh Charter School, Inc.'s School compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of RISE Southeast Raleigh Charter School, Inc.'s School 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 RISE Southeast Raleigh Charter School, Inc.'s School 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 10, 2024

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
DBA RISE CHARTER SCHOOL
Summary Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding 2024-001

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.

Finding 2024-002

SIGNIFICANT DEFICIENCY

Criteria	The school is required to maintain updated teacher licenses for all teachers employed.
Condition	The school did not require all teachers to be licensed or update expired licenses.
Cause	Multiple teachers were not licensed or had an expired license.
Effect	By not maintaining teacher licenses, the school is in violation.
Questioned costs	None.
Recommendation	The school should require every teacher in their employment to have an updated teacher license.

**PAVE SOUTHEAST RALEIGH CHARTER SCHOOL
DBA RISE SE RALEIGH CHARTER SCHOOL
Summary Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2024**

Finding 2024-003

SIGNIFICANT DEFICIENCY

Criteria	The school is required to have indebtedness clause on every new contract entered into that is paid for using state funds.
Condition	The school had one contract that did not have indebtedness clause.
Cause	One contract did not have indebtedness clause.
Effect	By not having the clause on every contract, the school is in violation.
Questioned costs	None.
Recommendation	The school should add indebtedness clause to every contract entered into.



RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
DBA RISE CHARTER SCHOOL
Corrective Action Plan
For the Year Ended June 30, 2024

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding 2024-001 | Significant Deficiency

- Criteria, Cause & Effect: 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. The school did not require all participants involved with athletic activities to sign a concussion and head injury sheet. As a result, there was one (1) missing form for a student athletic participant. 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.

- Name of Contact Person: Dawn Arthur

- Corrective Actions & Action Plans
 - The [RISE Athletic Handbook](#) has been modified to include appropriate processes and forms. The required forms, including the concussion form, have also been placed into the digital platform Dragonfly where they will be monitored and stored for posterity.
 - The [Athletic Director](#) is responsible for collecting and storing forms before scholars are permitted to play interscholastic sports.
 - The Athletic Director will inspect that forms are collected and stored for each season.
 - The Director of Finance will inspect, and audit, concussion forms between May - June, ahead of the audit season to ensure that all forms have been properly received. Concussion forms will be sampled by the annual audit to ensure compliance.



Finding 2024-002 | Significant Deficiency

- Criteria, Cause & Effect: The school is required to maintain updated teacher licenses for all teachers employed. The school did not require all teachers to be licensed or update expired licenses. Multiple teachers were not licensed or had an expired license. By not maintaining teacher licenses, the school is in violation.

- Name of Contact Person: Dawn Arthur

- Corrective Action & Action Plans
 - While we missed the 50% licensed teachers requirement by one teacher, for the 24-25 School Year, 62% of teachers are licensed for FY25.
 - The principal (the teacher hiring manager) and the Director of Human Resources are monitoring and reviewing teacher licensure quarterly; additionally, during the talent search and hiring process, candidates who are licensed will be prioritized.
 - The principal and executive director are working closely with teachers' whose license will expire soon or have already expired to provide early notice and resources to support the licensure renewal process.
 - Teachers with expired licenses are being provided resources to update their licenses.

Finding 2024-003 | Significant Deficiency

- Criteria, Cause & Effect: The school is required to have indebtedness clause on every new contract entered into that is paid for using state funds. The school had one contract that did not have an indebtedness clause. By not having the clause on every contract, the school is in violation.

- Name of Contact Person: Dawn Arthur

- Corrective Action & Action Plans
 - All signed contracts will be stored in 24-25 Signed Vendor Contract Folder
 - Director of Finance and Human Resources will review all signed contracts with 30 days to ensure the presence of the indebtedness clause
 - The Director of Finance will inspect, and audit contracts between May - June, ahead of the audit season to ensure that all forms have been properly received. Concussion forms will be sampled by the annual audit to ensure compliance.

**RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
DBA RISE CHARTER SCHOOL
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2024**

Finding 2023-001

This finding was repeated in the year ended June 30, 2024 as finding 2024-001.

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
DBA RISE CHARTER SCHOOL
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2024

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:			
Title VI-B Handicapped	84.027	PRC 060	\$ 95,669
Special Needs Targeted Assistance	84.027	PRC 118	<u>2,200</u>
Total Special Education Cluster			<u>97,869</u>
 Title I Basic	 84.010	 PRC 050	 <u>215,003</u>
Title II - Improving Teacher Quality	84.367	PRC 103	<u>28,902</u>
Title IV - A : Student Support and Academic Enrichment	84.424A	PRC 108	<u>16,147</u>
COVID- 19 Education Stabilization Fund	84.425-3	PRC 181	<u>290,592</u>
 Total U.S. Department of Education			 <u>648,513</u>
 <u>U.S. Department of Agriculture</u>			
Pass-through the N.C. Department of Public Instruction			
USDA Reimbursement		PRC 035	<u>356,545</u>
 Total federal assistance			 <u>1,005,058</u>
STATE GRANTS			
Cash Assistance:			
<u>N.C. Department of Public Instruction:</u>			
Summer Reading Program		PRC 016	21,403
Behavioral Support		PRC 029	2,320
Charter Schools		PRC 036	3,492,308
Transportation Grant		PRC 056	42,408
Literacy Intervention		PRC 085	8,043
Safety Grant		PRC 040	23,746
Test Result Bonus		PRC 048	<u>4,306</u>
 Total State assistance			 <u>3,594,534</u>
 Total federal and State assistance			 <u>\$ 4,599,592</u>

RISE SOUTHEAST RALEIGH CHARTER SCHOOL, INC.
DBA RISE CHARTER SCHOOL
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2024

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 RISE Charter School. under the programs of the federal government and the State of North Carolina for the year ended June 30, 2024. 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.