



SHARPE
PATELCPA

Carter Community School, Inc.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2024

CARTER COMMUNITY SCHOOL, INC.

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June 30, 2024

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Carter Community School, Inc.
Durham, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carter Community School, Inc. as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Carter Community School, Inc.'s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carter Community School, Inc., 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 Carter Community School, Inc. 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.

Substantial Doubt about the School's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As discussed in Note IV to the financial statements, the School's charter renewal application was declined by the North Carolina Department of Instruction and the School continues to experience declines in net position and working capital. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note IV. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

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 Carter Community School, Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 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 Carter Community School, Inc.'s basic financial statements. The accompanying budgetary schedules as well as the accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act., are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2025 on our consideration of Carter Community School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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 Carter Community School, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carter Community School, Inc.'s internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina

March 3, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Carter Community School, Inc.

Management's Discussion and Analysis

For the Year Ended June 30, 2024

As management of Carter Community School, Inc. (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

- The School's assets exceeded its liabilities at the close of the fiscal year by \$885,861, resulting in a positive net position.
- The School's total net position decreased by \$181,362, primarily due to a decrease in the business-type activities' net position.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$40,840.
- The State funded Average Daily Membership (ADM) was 177 for the current fiscal year. Prior ADM totals were 227 in 2019-20, 227 in 2020-21, 223 in 2021-22, and 218 in 2022-23.
- The School's long-term debt totaled \$1,263,093 as of June 30, 2024, a decrease of \$159,845 compared to the prior year. The debt consists of copier lease liability of \$47,757 and notes payable totaling \$1,215,336.

Overview of the Financial Statements

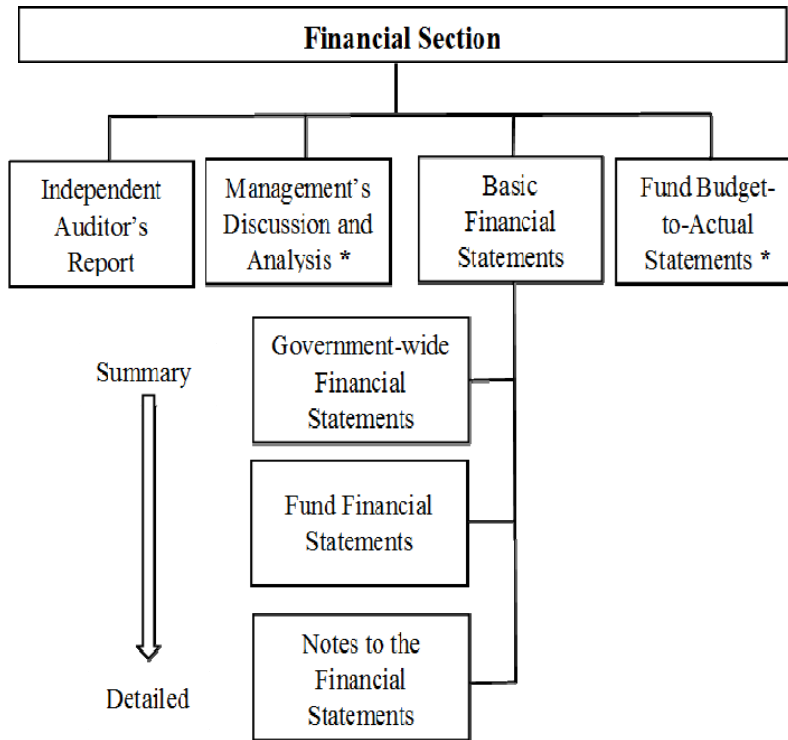
This discussion and analysis is intended to serve as an introduction to Carter Community School, Inc.'s basic financial statements. The School's basic financial statements consist of three components: the government-wide financial statements, the fund financial statements, and the notes to the financial 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 status.

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 fund statements.

Management's Discussion and Analysis
Carter Community School, Inc.
June 30, 2024

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 a financial statement 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.

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. Carter Community School, Inc., 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 Carter Community School, Inc. 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

Management's Discussion and Analysis
Carter Community School, Inc.
June 30, 2024

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 – Carter Community School, Inc. 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 that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 23 of this report.

Government-Wide Financial Analysis

The financial analysis reveals that at June 30, 2024, cash and cash equivalents, and other current assets, primarily accounts receivable items, accounted for 2.4% and 2.5% of total government-wide assets, respectively. The School's right-to-use leased assets, net of amortization, accounted for 2.1% of total assets, while capital assets, net of accumulated depreciation, accounted for 93.0% of total assets, while long-term liabilities represent 95.1% of total liabilities.

As previously noted, net position may, over time, serve as one useful indicator of a school's financial condition. The assets of Carter Community School, Inc. exceeded liabilities by \$885,861 as of June 30, 2024. At June 30, 2023, the net position of the School stood at \$1,067,223. The School's net position decreased by \$181,362 for the fiscal year ended June 30, 2024, following a decrease of \$271,161 in 2023. The amount of \$820,262 represents the School's investment in capital assets (e.g. buildings, instructional equipment, computer equipment, and vehicles) less outstanding debt issued to acquire those items. The School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School's net investment in capital assets is reported net of the outstanding related debt,

Management’s Discussion and Analysis
Carter Community School, Inc.
June 30, 2024

the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining net asset amount, \$65,599, is unrestricted. In 2023, the amount of net investment in capital assets was \$862,096, with unrestricted net position standing at \$205,127.

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

Carter Community School, Inc.
Condensed Statement of Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Cash and cash equivalents	\$ 52,640	\$ 175,360	\$ 50,253	\$ 25,409	\$ 102,893	\$ 200,769
Other current assets	53,787	61,730	2,595	-	56,382	61,730
Right to use leased assets, net	46,973	103,339	-	-	46,973	103,339
Capital assets, net	2,036,382	2,133,938	-	-	2,036,382	2,133,938
Total assets	2,189,782	2,474,367	52,848	25,409	2,242,630	2,499,776
Liabilities						
Current and other liabilities	65,587	8,965	28,089	650	93,676	9,615
Long-term liabilities	1,263,093	1,422,938	-	-	1,263,093	1,422,938
Total liabilities	1,328,680	1,431,903	28,089	650	1,356,769	1,432,553
Net position:						
Net investment in capital assets	820,262	862,096	-	-	820,262	862,096
Unrestricted	40,840	180,368	24,759	24,759	65,599	205,127
Total net position	\$ 861,102	\$ 1,042,464	\$ 24,759	\$ 24,759	\$ 885,861	\$ 1,067,223

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

- The School adopted an annual budget. The School’s performance was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.
- The School applied for and was awarded federal grants to assist with meeting the educational needs of the student population.
- Overall, state and local per-pupil funding saw an increase this fiscal year.

Management’s Discussion and Analysis
Carter Community School, Inc.
June 30, 2024

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:

Carter Community School, Inc.
Condensed Statement of Activities
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues:						
Operating grants and contributions	\$ 564,748	\$ 536,544	\$ 153,884	\$ 221,474	\$ 718,632	\$ 758,018
Charges for services	3,049	4,278	-	2,600	3,049	6,878
County and State funds	2,191,453	2,461,498	-	-	2,191,453	2,461,498
Miscellaneous, unrestricted	31,541	42,139	-	-	31,541	42,139
Donations	3	-	-	-	3	-
Total revenues	2,790,794	3,044,459	153,884	224,074	2,944,678	3,268,533
Expenses:						
Instructional services	1,676,750	2,152,452	-	-	1,676,750	2,152,452
System-wide support services	1,105,309	1,027,763	-	-	1,105,309	1,027,763
Community services	-	26,410	-	-	-	26,410
Interest on long-term debt	85,803	62,763	-	-	85,803	62,763
School food service	-	-	258,178	270,306	258,178	270,306
Total expenses	2,867,862	3,269,388	258,178	270,306	3,126,040	3,539,694
Increase (decrease) in net position before transfers	(77,068)	(224,929)	(104,294)	(46,232)	(181,362)	(271,161)
Transfers	(104,294)	(46,232)	104,294	46,232	-	-
Change in net position	(181,362)	(271,161)	-	-	(181,362)	(271,161)
Net position, July 1, as previously stated	1,042,464	1,234,125	24,759	24,759	1,067,223	1,258,884
Restatement	-	79,500	-	-	-	79,500
Net position, July 1, as restated	-	1,313,625	-	-	-	1,338,384
Net position, June 30	\$ 861,102	\$ 1,042,464	\$ 24,759	\$ 24,759	\$ 885,861	\$ 1,067,223

Governmental activities. Governmental activities decreased the School’s net position by \$77,068, before a transfer of \$104,294 was made to support business-type activities. County and State funds of \$2,191,453 decreased by 11.0% and make up 78.5% of total revenues. Instructional programs and related expenses of \$1,676,750 account for 58.5% of total expenses and decreased by 22.1%. Net position, after transfers, decreased 17.4%.

Business-type activities. Business-type activities decreased the School’s net position by \$104,294, before a transfer was received from the governmental fund. The School elects to continue to operate the School Food Service to meet the daily dietary demands of the student population. The School considers a nutritional program an essential part of a healthy learning environment.

Key elements of this increase are as follows:

- By adopting a budget for the enterprise fund that comprises the business-type activities, the Board can monitor the School’s revenues and expenditures and adjust their estimates as needed during the year.

Management's Discussion and Analysis
Carter Community School, Inc.
June 30, 2024

- The School received \$153,884 of federal reimbursement funds in the School Food Service Fund this past year, a 30.5% decrease compared to the prior year.

Financial Analysis of the School's Funds

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

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

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, the assets in the General Fund consisted primarily of cash and cash equivalents, which equaled 49.5% of total fund assets. Accounts payable accounted for 100% of General Fund liabilities. The unassigned fund balance of the General Fund was \$23,066, while total fund balance reached \$40,840. The unassigned fund balance of the General Fund was 56.5% of total fund balance. The primary source, 89.9%, of General Fund revenue was \$787,021 in reimbursements by various counties for their students attending the School. An additional \$1,915,293 was provided by the State of North Carolina and the Federal government, which accounted for 68.6% of total Governmental Fund revenue.

On the expenditure side, instruction-related expenses totaled \$270,860, system-wide support services amounted to \$508,811, and debt service reached \$178,821, representing 28.3%, 53.0%, and 18.7%, respectively, of General Fund expenditures.

Proprietary Funds. The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the School Food Service Fund at the end of the fiscal year amounted to \$24,759. There was no change in net position for the School Food Service Fund after a transfer of \$104,294 was received from the General Fund.

Capital Asset and Debt Administration

Capital assets. The School's investment in capital assets for its governmental activities totals \$2,036,382 (net of accumulated depreciation), as of June 30, 2024. Capital assets include land, a building, computer equipment, instructional equipment, building improvements, and vehicles.

Major capital asset transactions during the year include the following:

- An investment of \$19,427 in a new HVAC system; and
- Expending \$12,700 on building improvement projects.

Management’s Discussion and Analysis
Carter Community School, Inc.
June 30, 2024

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

Carter Community School, Inc.
Capital Assets, Net of Depreciation
Figure 4-A

	Governmental Activities	
	2024	2023
Land	\$ 393,986	\$ 393,986
Building	1,301,238	1,344,817
Computer equipment	47,369	60,588
Instructional equipment	6,921	9,883
Building improvements	176,376	186,920
Vehicles	110,492	137,744
Capital assets, net	\$ 2,036,382	\$ 2,133,938

The following schedule summarizes the School’s right-to-use assets as of June 30, 2024 and 2023:

Carter Community School, Inc.
Right to Use Assets, Net of Amortization
Figure 4-B

	Governmental Activities	
	2024	2023
Right to use assets		
Copier lease	\$ 46,973	\$ 103,339
Right to use assets, net	\$ 46,973	\$ 103,339

Additional information about the School’s capital assets and right-to-use assets can be found in note II.A.2. and II.A.3. of the Basic Financial Statements.

Long-term Debt. The School’s long-term debt consists of copier lease liability totaling \$47,757 and notes payable amounting to \$1,215,336. The copier lease liability decreased by \$56,728 during this fiscal year, while notes payable decreased by \$103,117.

**Management’s Discussion and Analysis
Carter Community School, Inc.
June 30, 2024**

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

**Carter Community School, Inc.
Long-term Obligations
Figure 5**

	Governmental Activities	
	2024	2023
Lease liabilities	\$ 47,757	\$ 104,485
Notes payable	1,215,336	1,318,453
Total long-term obligations	\$ 1,263,093	\$ 1,422,938

Additional information about the School’s long-term obligations can be found in note II.B.2. of the Basic Financial Statements.

Economic Factors

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

- The State of North Carolina increased per pupil funding by \$244.02 per ADM, representing a 3.85% increase compared to the previous year.
- The School works closely with faculty, parents, students, and community partners to ensure students are fully prepared for success in college and their future careers.
- The School continues to receive additional federal funding to support and enhance its educational programs.

Impact of Coronavirus on the School. During the fiscal year, the School allocated \$313,859 in Elementary and Secondary School Emergency Relief (ESSER) funds to support ongoing efforts to mitigate the impacts of the COVID-19 pandemic. These funds were primarily used to purchase instructional supplies and technology for students, as well as to cover salaries for staff providing additional instructional support to address learning loss resulting from the pandemic. Additionally, the School utilized ESSER funds to upgrade facilities, ensuring the health and safety of both students and staff. The School continues to carefully monitor coronavirus-related expenses to ensure that state and federal funds are being used effectively to meet the evolving needs of its students and staff

Management's Discussion and Analysis
Carter Community School, Inc.
June 30, 2024

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 Principal, Carter Community School, Inc., 1955 W Cornwallis Road, Durham, NC 27705, telephone (919) 797-2340. Additional information is available at the School's website, www.communitydva.org.

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BASIC FINANCIAL STATEMENTS

CARTER COMMUNITY SCHOOL, INC.
Statement of Net Position
June 30, 2024

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 52,640	\$ 50,253	\$ 102,893
Due from other governments	9,390	-	9,390
Receivables, net	26,623	-	26,623
Prepaid items	17,774	2,595	20,369
Total current assets	106,427	52,848	159,275
Non-current assets:			
Right to use lease assets, net of amortization	46,973	-	46,973
Capital assets:			
Land and construction in progress	393,986	-	393,986
Capital assets, net of depreciation	1,642,396	-	1,642,396
Loan costs, net of amortization	-	-	-
Total capital assets	2,036,382	-	2,036,382
Total assets	2,189,782	52,848	2,242,630
LIABILITIES			
Accounts payable	65,587	28,089	93,676
Long-term liabilities:			
Lease liability	-	-	-
Due within one year	835,063	-	835,063
Due in more than one year	428,030	-	428,030
Total liabilities	1,328,680	28,089	1,356,769
NET POSITION			
Net investment in capital assets	820,262	-	820,262
Unrestricted	40,840	24,759	65,599
Total net position	\$ 861,102	\$ 24,759	\$ 885,861

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

CARTER COMMUNITY SCHOOL, INC.
Statement of Activities
For the Year Ended June 30, 2024

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
Instructional services	\$ 1,676,750	\$ 3,049	\$ 527,616	\$ (1,146,085)	\$ -	\$ (1,146,085)
System-wide support services	1,105,309	-	37,132	(1,068,177)	-	(1,068,177)
Interest on long-term debt	85,803	-	-	(85,803)	-	(85,803)
Total governmental activities	<u>2,867,862</u>	<u>3,049</u>	<u>564,748</u>	<u>(2,300,065)</u>	<u>-</u>	<u>(2,300,065)</u>
Business-type activities:						
School food service	258,178	-	153,884	-	(104,294)	(104,294)
Total business-type activities	<u>258,178</u>	<u>-</u>	<u>153,884</u>	<u>-</u>	<u>(104,294)</u>	<u>(104,294)</u>
Total primary government	<u>\$ 3,126,040</u>	<u>\$ 3,049</u>	<u>\$ 718,632</u>	<u>(2,300,065)</u>	<u>(104,294)</u>	<u>(2,404,359)</u>
General revenues:						
Unrestricted county appropriations				787,021	-	787,021
Unrestricted State appropriations				1,404,432	-	1,404,432
Donations - general				3	-	3
Miscellaneous, unrestricted				31,541	-	31,541
Transfers				(104,294)	104,294	-
Total general revenues and transfers				<u>2,118,703</u>	<u>104,294</u>	<u>2,222,997</u>
Change in net position				(181,362)	-	(181,362)
Beginning net position				<u>1,042,464</u>	<u>24,759</u>	<u>1,067,223</u>
Ending net position				<u>\$ 861,102</u>	<u>\$ 24,759</u>	<u>\$ 885,861</u>

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

CARTER COMMUNITY SCHOOL, INC.
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	\$ 52,640	\$ -	\$ -	\$ 52,640
Due from other governments	9,390	-	-	9,390
Receivables, net	26,623	-	-	26,623
Prepaid items	17,774	-	-	17,774
Total assets	\$ 106,427	\$ -	\$ -	\$ 106,427
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 65,587	\$ -	\$ -	\$ 65,587
Total liabilities	65,587	-	-	65,587
Fund balances:				
Nonspendable:				
Prepaid items	17,774	-	-	17,774
Unassigned	23,066	-	-	23,066
Total fund balances	40,840	-	-	40,840
Total liabilities, deferred inflows of resources and fund balances	\$ 106,427	\$ -	\$ -	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,036,382
Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the funds	46,973
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	(1,263,093)
Net position of governmental activities	\$ 861,102

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

CARTER COMMUNITY SCHOOL, INC.
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2024

Exhibit 4

	Major Funds			Total Governmental Funds
	General	State Public School	Federal Grants	
REVENUES				
State of North Carolina	\$ -	\$ 1,404,432	\$ -	\$ 1,404,432
Boards of Education	787,021	-	-	787,021
U.S. Government	-	-	510,861	510,861
Contributions and donations	3	-	-	3
Local grant revenue	53,887	-	-	53,887
Other	34,590	-	-	34,590
Total revenues	<u>875,500</u>	<u>1,404,432</u>	<u>510,861</u>	<u>2,790,793</u>
EXPENDITURES				
Current:				
Instructional services	270,860	854,326	454,302	1,579,488
System-wide support services	508,811	470,579	37,132	1,016,522
Capital outlay	-	12,700	19,427	32,127
Debt service:				
Principal	108,162	51,683	-	159,845
Interest and other charges	70,659	15,144	-	85,803
Total expenditures	<u>958,492</u>	<u>1,404,432</u>	<u>510,861</u>	<u>2,873,785</u>
Excess (deficiency) of revenues over expenditures	<u>(82,992)</u>	<u>-</u>	<u>-</u>	<u>(82,992)</u>
OTHER FINANCING SOURCES (USES)				
Transfer to other funds	(104,294)	-	-	(104,294)
Total other financing sources (uses)	<u>(104,294)</u>	<u>-</u>	<u>-</u>	<u>(104,294)</u>
Net change in fund balance	<u>(187,286)</u>	<u>-</u>	<u>-</u>	<u>(187,286)</u>
Beginning fund balance	228,126	-	-	228,126
Ending fund balance	<u>\$ 40,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,840</u>

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

CARTER COMMUNITY SCHOOL, INC. **Exhibit 5**
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
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	\$ (187,286)
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.	(97,555)
This is the amount by which right to use leased asset capital outlays exceeded amortization in the current period.	(56,366)
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 issuance costs, premiums, discounts and similar items 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	159,845
Total change in net position of governmental activities	\$ (181,362)

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

CARTER COMMUNITY SCHOOL, INC.
Statement of Net Position
Proprietary Funds
June 30, 2024

Exhibit 6

	Enterprise Fund
	Major Fund
	School Food
	Service
ASSETS	
Current assets:	
Cash	\$ 50,253
Prepaid expenses	2,595
Total current assets	52,848
Total assets	\$ 52,848
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 28,089
Total liabilities	28,089
NET POSITION	
Unrestricted	24,759
Total net position	\$ 24,759

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

CARTER COMMUNITY SCHOOL, INC.
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2024

Exhibit 7

	Enterprise Fund
	Major Fund
	School Food Service
OPERATING REVENUES	
Food sales	\$ -
Total operating revenues	-
OPERATING EXPENSES	
Salaries and benefits	21,411
Contracted services	234,847
Supplies and materials	62
Workshop expenses	163
Computer software and supplies	1,695
Total operating expenses	258,178
Operating income (loss)	(258,178)
NONOPERATING REVENUES	
Federal reimbursements	153,884
Total nonoperating revenues	153,884
Transfers from other funds	104,294
Change in net position	-
Total net position - beginning	24,759
Total net position - ending	\$ 24,759

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

CARTER COMMUNITY SCHOOL, INC.
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

Exhibit 8

	Enterprise Funds
	Major Fund
	School Food Service
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash paid for goods and services	\$ (211,923)
Cash paid to employees for services	(21,411)
Net cash provided (used) by operating activities	(233,334)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal reimbursements	153,884
Transfer in (out)	104,294
Net cash provided (used) by noncapital financing activities	258,178
Net increase (decrease) in cash and cash equivalents	24,844
Balances - beginning of year	25,409
Balances - end of year	\$ 50,253
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (258,178)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Increase) decrease in prepaid expense	(2,595)
Increase (decrease) in accounts payable	27,439
Net cash provided (used) by operating activities	\$ (233,334)

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

NOTES TO THE FINANCIAL STATEMENTS

CARTER COMMUNITY SCHOOL, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Carter Community School, Inc. (the “School”) conform to generally accepted accounting principles (“GAAP”) as applicable to governments. Charter schools are established by non-profit entities, such as Carter Community School, Inc.. 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

Carter Community School, Inc. is a North Carolina non-profit corporation incorporated in August 2004. Pursuant to the provisions of the Charter School Act of 1996 as amended (the Act), the School has been approved to operate Carter Community School, Inc., a public school serving approximately 178 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 was effective until June 30, 2022 and may be renewed for subsequent periods of ten (10) years unless one of the conditions in G.S. 115C-218.6(b) applies in which case the SBE may renew the charter for a shorter period or not renew the charter. The School’s charter was revoked in January 2025

Carter Community School, Inc. has been recognized by the Internal Revenue Service as exempt from Federal income taxation under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

B) Basis of Presentation

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

CARTER COMMUNITY SCHOOL, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Presentation (Continued)

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

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

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

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 Grants Fund: The Federal Grants Fund includes grants from the U.S. Government for current operating needs of the School and is reported as a special revenue fund.

The School reports the following major enterprise fund:

Food Service Fund: The Food Service Fund is used to account for the food service program.

CARTER COMMUNITY SCHOOL, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) Measurement Focus and Basis of Accounting

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

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

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

D) Budgetary Data

Annual budgets are adopted for all funds, 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 budget presented in the supplemental information represents the budget 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 insured or otherwise secured as required by State Law [G.S. 115C-444].

CARTER COMMUNITY SCHOOL, INC.
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)

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.

Capital assets are depreciated over the following estimated useful lives:

Buildings and improvements	30 years
Textbooks	5 years
Vehicles	7 years
Computer equipment	5 years
Instructional equipment	5 years

5. Right to Use Assets

The School has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

CARTER COMMUNITY SCHOOL, INC.
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)

6. 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 the current fiscal year. 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 not items that meet this criterion.

7. 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 issues as other financing sources.

8. Compensated Absences

Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the School has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Position/Fund Balances

Net Position

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

CARTER COMMUNITY SCHOOL, INC.
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. Net Position/Fund Balances (Continued)

Fund Balance

In the governmental fund financial statements, fund balance is composed of two 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 travel expenses and rent on the school facility which is not a spendable resource.

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

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

Assigned Fund Balance – Portion of fund balance that the School intends to use for specific purposes.

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

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.

CARTER COMMUNITY SCHOOL, INC.
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. Net Position/Fund Balances (Continued)

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

10. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between governmental funds' total fund balance and governmental activities' net position as reported in the government-wide statement of net position. The net adjustment of \$820,262 consists of several elements as follows:

DESCRIPTION	AMOUNT
Capital assets used in governmental activities are not financial resources are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column.	\$ 3,754,977
Less accumulated depreciation	(1,718,595)
Net capital assets	2,036,382
Right to use leased asset	46,973
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	(1,263,093)
Total adjustment	<u>\$ 820,262</u>

CARTER COMMUNITY SCHOOL, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) Revenues, Expenditures, and Expenses

1. Funding

Carter Community School, Inc. is funded by the SBE 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. Vance 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-218.105(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)).

Additionally, the 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, the School received funding from the Board of Education for Durham County \$767,340, Chapel Hill Schools \$10,880, Franklin County \$2,346, Orange County \$5,237 and Wake County \$1,218.

CARTER COMMUNITY SCHOOL, INC.
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)

2. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund statement of revenues, expenditures, and changes in fund balances is followed by reconciliation between the change in governmental funds' fund balance and the change in governmental activities' net position as reported on the government-wide statement of activities. The net difference of \$5,924 between the amounts consists of the following elements:

DESCRIPTION	AMOUNT
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 32,127
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(129,682)
This is the amount by which right to use leased asset capital outlays exceeded amortization in the current period.	(56,366)
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.	159,845
Total	<u>\$ 5,924</u>

G) Use of Estimates and Assumptions

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.

CARTER COMMUNITY SCHOOL, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2024

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 \$102,893. The bank balances with the financial institutions was \$186,668 and up to \$250,000 is insured. As a result, the amounts were fully insured by the Federal Deposit Insurance Corporation. The School does not have a deposit policy for custodial credit risk. The School holds \$2,500 in petty cash.

2. Capital Assets

Capital asset activity for the year ended June 30, 2024, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 393,986	\$ -	\$ -	\$ 393,986
Total capital assets not being depreciated	<u>393,986</u>	<u>-</u>	<u>-</u>	<u>393,986</u>
Capital assets being depreciated:				
Building	1,875,657	19,427	-	1,895,084
Computer Equipment	220,986	-	-	220,986
Instructional Equipment	88,883	-	-	88,883
Textbooks	68,512	-	-	68,512
Building Improvements	464,387	12,700	-	477,087
Vehicles	610,439	-	-	610,439
Total capital assets being depreciated	<u>3,328,864</u>	<u>32,127</u>	<u>-</u>	<u>3,360,991</u>
Less accumulated depreciation for:				
Building	530,840	63,006	-	593,846
Computer Equipment	160,398	13,219	-	173,617
Instructional Equipment	79,000	2,962	-	81,962
Textbooks	68,512	-	-	68,512
Building Improvements	277,467	23,244	-	300,711
Vehicles	472,695	27,252	-	499,947
Total accumulated depreciation	<u>1,588,912</u>	<u>129,683</u>	<u>-</u>	<u>1,718,595</u>
Total capital assets being depreciated, net	<u>1,739,952</u>			<u>1,642,396</u>
Governmental activity capital assets, net	<u>\$ 2,133,938</u>			<u>\$ 2,036,382</u>

CARTER COMMUNITY SCHOOL, INC.
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)

Depreciation expense was charged to governmental functions as follows:

Instructional services	\$ 97,262
System-wide support services	<u>32,421</u>
	<u>\$ 129,683</u>

3. Right to Use Lease Asset

The School has recorded right to use leased assets. The assets are right to use assets for one copier unit. The related lease is discussed in the Leases subsection of the Liabilities section of these notes. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Primary Government for the year ended June 30, 2024 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Right to use assets				
Copier leases	\$ 216,071	\$ -	\$ -	\$ 216,071
Total right to use assets	<u>216,071</u>	<u>-</u>	<u>-</u>	<u>216,071</u>
Less accumulated amortization for:				
Copier leases	<u>112,732</u>	<u>56,366</u>	<u>-</u>	<u>169,098</u>
Total accumulated amortization	<u>112,732</u>	<u>56,366</u>	<u>-</u>	<u>169,098</u>
Right to use assets, net	<u>\$ 103,339</u>			<u>\$ 46,973</u>

B) Liabilities

1. 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 carries flood insurance through the National Flood Insurance Plan (“NFIP”). Because the School is 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 is eligible to purchase coverage of \$500,000 per structure through the NFIP.

CARTER COMMUNITY SCHOOL, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2024

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

2. Long-Term Obligations

a) Leases

The School has entered into the following lease agreement that qualifies as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception.

In 2020, the School entered into an operating lease with Triangle Business Systems for a copier. The School paid \$56,728 during the year ended June 30, 2024.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2024 were as follows:

Year ending June 30	Payment	Interest	Principal
2025	\$ 48,000	\$ 243	\$ 47,757
	\$ 48,000	\$ 243	\$ 47,757

b) Notes Payable

On May 20, 2014, the School entered into a direct borrowing agreement with Mechanics and Farmers Bank, a North Carolina Institution, for \$1,540,000 with a fixed interest rate of 3.99%. On June 12, 2017, the School refinanced the note with Mechanics and Farmers Bank for \$1,308,968 with a fixed interest rate of 4.87%. The note was restructured in May 2024. The note and interest are to be paid in two monthly payments of \$13,915 with the last payment being made on July 20, 2024, at which time the loan will be paid in full. The property pledged as collateral for the debt while the debt is outstanding. At June 30, 2024, the School owed \$757,633 on this note.

On October 30, 2021, the School entered into a direct borrowing agreement with Ally Financial, for \$24,358 with a fixed interest rate of 5.99%. The proceeds will be used to purchase a vehicle. The note and interest is to be paid in monthly payments of \$472 with the last payment being made on October 30, 2026 at which the loan will be paid in full. The property is pledged as collateral for the debt while the debt is outstanding. At June 30, 2024, the School owed \$13,125 on this note.

On November 5, 2021, the School entered into a direct borrowing agreement with The Institute Capital Economic Development, for \$500,000 with a fixed interest rate of 6.00%. The note and interest is to be paid in monthly payments of \$4,219 with the last payment being made on December 5, 2036 at which the loan will be paid in full. The property is pledged as collateral for the debt while the debt is outstanding. At June 30, 2024, the School owed \$444,578 on this note.

CARTER COMMUNITY SCHOOL, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2024

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

2. Long-Term Obligations (Continued)

b) Note Payable (Continued)

Future maturities of the notes are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 787,306	\$ 31,182	\$ 818,488
2026	31,670	24,611	56,281
2027	30,275	22,711	52,986
2028	29,677	20,955	50,632
2029	31,504	19,127	50,631
2030-2034	189,118	64,038	253,156
2035-2039	115,786	8,603	124,389
	<u>\$ 1,215,336</u>	<u>\$ 191,227</u>	<u>\$ 1,406,563</u>

Changes in long-term obligations

c) Debt Covenants

The loan with Mechanics and Farmers Bank requires a debt coverage ratio of 1.25 to 1 to be maintained by the School. The debt service coverage ratio at June 30, 2024 is as follows:

Change in net position	(181,361)
Add backs:	
Depreciation	129,683
Amortization	56,366
Interest	<u>85,803</u>
Income available for debt service	90,491
Required debt service	84,111
Debt Service Coverage Ratio	<u>1.08</u>

The School did not meet for the covenant for the year ended June 30, 2024.

CARTER COMMUNITY SCHOOL, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2024

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

2. Long-Term Obligations (Continued)

d) Long-Term Obligation Activity

The following is a summary of changes in the School's long-term obligations for the fiscal year ended June 30, 2024:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion</u>
Governmental activities:					
Lease liabilities	\$ 104,485	\$ -	\$ 56,728	\$ 47,757	\$ 47,757
Notes payable	1,318,453	-	103,117	1,215,336	787,306
Total	<u>\$ 1,422,938</u>	<u>\$ -</u>	<u>\$ 159,845</u>	<u>\$ 1,263,093</u>	<u>\$ 835,063</u>

II. DETAIL NOTES ON ALL FUNDS (Continued)

C) Fund Balance

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

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

Total fund balance	\$ 40,840
Less:	
Prepaid items	<u>17,774</u>
Remaining fund balance	<u>\$ 23,066</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.

CARTER COMMUNITY SCHOOL, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2024

IV. GOING CONCERN

The School incurred a negative change in net position of approximately \$181,362 in 2024 and continued to experience certain decreases in working capital. As a result, the School is in technical default of certain covenants contained in its loan agreement with its primary lender. The School has had to restructure its debt on multiple occasions and cannot currently meet those obligations. In addition, the School has had its charter revoked by the North Carolina Department of Public Instruction.

The School's poor financial condition and revocation of its charter described above raises substantial doubt about the School's ability to continue as a going concern within one year after issuance date of the financial statements. School finances are impacted by late payments from Durham Public Schools. Management has secured a line of credit to protect operations from possible funding shortfalls. The School is also evaluating disposal of certain assets in order to raise new capital for future operations. However, there can be no assurance that the School will be successful in achieving its objectives. The School is also appealing the decision by the North Carolina Department of Instruction regarding its charter.

The accompanying financial statements have been prepared assuming that the School will continue as a going concern; however, the above conditions raise substantial doubt about the School's ability to do so. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the School be unable to continue as a going concern.

V. 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 March 3, 2025 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CARTER COMMUNITY SCHOOL, INC.
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual
Government Fund Types
For the Year Ended June 30, 2024

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
State of North Carolina	\$ 1,404,035	\$ 1,404,432	\$ 397
Boards of Education	745,005	787,021	42,016
U.S. Government	563,159	510,861	(52,298)
Local grant revenue	-	53,887	53,887
Other	-	34,590	34,590
Total revenues	<u>2,712,199</u>	<u>2,790,793</u>	<u>78,594</u>
EXPENDITURES			
Salaries	1,121,008	962,315	158,693
Employer provided benefits	274,868	213,557	61,311
Books and supplies	59,633	209,877	(150,244)
Technology	153,400	38,047	115,353
Non-cap equipment and leases	75,500	-	75,500
Contracted student services	120,000	633,466	(513,466)
Cap equipment & purchases	591	-	591
Staff development	12,000	35,632	(23,632)
Administrative services	254,493	102,016	152,477
Insurances	64,100	47,847	16,253
Rent	15,600	8,990	6,610
Facilities	261,552	4,770	256,782
Utilities	66,018	41,451	24,567
Transportation and travel	415,274	298,042	117,232
Federal programs	563,344	-	563,344
Total expenditures	<u>3,457,381</u>	<u>2,596,010</u>	<u>861,371</u>
Capital outlay	<u>-</u>	<u>32,127</u>	<u>(32,127)</u>
Debt service:			
Principal	200,000	159,845	40,155
Interest and other charges	-	85,803	(85,803)
Total debt service	<u>200,000</u>	<u>245,648</u>	<u>(45,648)</u>
Total expenditures	<u>3,657,381</u>	<u>2,873,785</u>	<u>783,596</u>
Other financing sources (uses):			
Transfers	<u>-</u>	<u>(104,294)</u>	<u>(104,294)</u>
Total other financing sources (uses)	<u>-</u>	<u>(104,294)</u>	<u>(104,294)</u>
Excess of revenue over (under) expenditures	<u>\$ (945,182)</u>	<u>\$ (187,286)</u>	<u>\$ (809,296)</u>

CARTER COMMUNITY SCHOOL, INC. **Schedule 2**
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual
Proprietary Fund Types
For the Year Ended 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			
Salaries and benefits	30,383	21,411	8,972
Contracted services	271,800	234,847	36,953
Supplies and materials	200	62	138
Computer software and supplies	6,785	1,695	5,090
Food purchases	250	-	250
Total expenditures	<u>309,418</u>	<u>258,178</u>	<u>51,240</u>
Revenues over (under) expenditures	<u>(309,418)</u>	<u>(258,178)</u>	<u>(51,240)</u>
Other financing sources (uses):			
Federal reimbursements	131,706	153,884	22,178
Transfers	<u>-</u>	<u>104,294</u>	<u>104,294</u>
Total other financing sources	<u>131,706</u>	<u>258,178</u>	<u>126,472</u>
Revenues and other sources over (under) expenditures	<u>\$ (177,712)</u>	<u>\$ -</u>	<u>\$ 75,232</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
Carter Community School, Inc.
Durham, 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, and the aggregate remaining fund information of Carter Community School, Inc., as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Carter Community School, Inc.'s basic financial statements, and have issued our report thereon dated March 3, 2025.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Sharpe Patel PLLC

Raleigh, North Carolina
March 3, 2025



**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
Carter Community School, Inc.
Durham, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program.

We have audited Carter Community School, Inc.'s compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Carter Community School, Inc.'s major State programs for the year ended June 30, 2024. Carter Community School, Inc.'s major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Carter Community School, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major 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 Carter Community School, Inc. 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 Carter Community School, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Carter Community School, Inc.'s State programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Carter Community 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 Carter Community 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 Carter Community School, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Carter Community School, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Carter Community School, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Carter Community School, Inc.'s response to internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Carter Community School, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Carter Community School, Inc. is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Carter Community School, Inc.'s corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 and the State Single Implementation Act. Accordingly, this report is not suitable for any other purpose.

Sharpe Patel PLLC

Raleigh, North Carolina

March 3, 2025

**Carter Community School, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2024**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report issued on whether the financial statements were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

Material weaknesses identified? _____ yes _____ no

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

Noncompliance material to financial statements noted _____ yes _____ no

State Awards

Internal control over major State programs:

Material weaknesses identified? _____ yes _____ no

Significant deficiency(s) identified that are not considered to be material weakness(es)? _____ yes _____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act _____ yes _____ no

Identification of major State programs: Program Name
 State Public School Fund - Charter Schools

**Carter Community School, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024**

SECTION II - FINANCIAL STATEMENT FINDINGS

None Noted.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding 2024-001

Significant deficiency

Criteria:	Charter schools are required to maintain concussion forms for all student athletes and adults involved in interscholastic sports.
Condition:	The School did not maintain concussion forms for coaches.
Cause:	There were no concussion forms on file for any of the coaches or adults involved in sports tested during the audit.
Effect:	School is not in compliance with requirement.
Questioned costs:	None.
Recommendation:	We recommend that the School maintain athletic rosters of all students and adults involved in interscholastic sports.

CARTER COMMUNITY SCHOOL, INC.
CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2024

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding 2024-001

Name of contact person: Ben Johnson

Corrective action: The board has restructured organization responsibilities and placed responsibility for concussion forms with the our Chief Operations Officer, with compliance oversight from the Board Specialist. By policy, if there are no compliance forms, the athletic activity is suspended.

Proposed completion date: Complete

Carter Community School, Inc.
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2024

SCHEDULE OF PRIOR YEAR FINDINGS

Finding 2023-001

This finding was not repeated in the current year

Finding 2023-002

This finding was not repeated in the current year

Carter Community School, Inc.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2024

Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	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			
IDEA Part B	84.027	PRC 060	\$ 34,807
Title I Grants to LEAs	84.010	PRC 050	142,960
Supporting Effective Instruction State Grants	84.367	PRC 103	19,235
Education Stabilization Fund			
ARP - K-12 Emergency Relief Fund	84.425-3	PRC 181	301,158
ESSER III IDEA VI-B	84.425-3	PRC 185	12,376
ARP - Cyberbullying & Suicide Prevention Grants	84.425-3	PRC 192	325
Total Education Stabilization Fund			<u>313,859</u>
Total U.S. Department of Education			<u>510,861</u>
<u>U.S. Department of Agriculture</u>			
Cash Assistance:			
Pass-through the N.C. Department of Public Instruction			
Child Nutrition Cluster:			
National School Lunch Program	10.553-CL	PRC 035	153,884
Total Child Nutrition Cluster			<u>153,884</u>
Total U.S. Department of Agriculture			<u>153,884</u>
Total federal assistance			<u>664,745</u>
STATE GRANTS			
Cash Assistance:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund - Summer Reading		PRC 016	20,365
State Public School Fund - Charter Schools		PRC 036	1,377,608
State Public School Fund - Test Result Bonus		PRC 048	6,459
Total State assistance			<u>1,404,432</u>
Total federal and State assistance			<u>\$ 2,069,177</u>

Carter Community School, Inc.
Schedule of Expenditures of Federal and State Awards (Continued)
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 Carter Community School, Inc. 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.