

FINANCIAL STATEMENTS
METROLINA REGIONAL SCHOLARS' ACADEMY
CHARLOTTE, NORTH CAROLINA
JUNE 30, 2022

METROLINA REGIONAL SCHOLARS' ACADEMY
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FINANCIAL SECTION

METROLINA REGIONAL SCHOLARS' ACADEMY

CHARLOTTE, NORTH CAROLINA

JUNE 30, 2022



REBEKAH BARR
CPA PC

Independent Auditor's Report

Board of Trustees
Metrolina Regional Scholars' Academy
Charlotte, North Carolina

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of Metrolina Regional Scholars' Academy, North Carolina, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of Metrolina Regional Scholars' Academy, as of June 30, 2022, 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 Metrolina Regional Scholars' Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Metrolina Regional Scholars' Academy'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 Metrolina Regional Scholars' Academy'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 Metrolina Regional Scholars' Academy'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 7-14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 the Metrolina Regional Scholars' Academy's basic financial statements. The accompanying budgetary schedules and the schedule of expenditures of federal and state awards as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 applies 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 budgetary schedules and the schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022, on our consideration of Metrolina Regional Scholars' Academy'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metrolina Regional Scholars' Academy's internal control over financial reporting and compliance.

Rebekah Barr, CPA PC

Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

October 25, 2022

Metrolina Regional Scholars Academy, Inc.

Management's Discussion and Analysis

For the Year Ended June 30, 2022

As management of Metrolina Regional Scholars Academy, Inc. (or the "Academy"), we provide these financial statements and this narrative overview and analysis of the Academy's financial position at June 30, 2022, and its operations for the year then ended. We encourage readers to review the discussion presented here in conjunction with additional information included in the financial statements and notes which follow this section.

Financial Highlights

- Due to the COVID-19 pandemic, the Academy was allotted \$397,090.72 from state and federal sources, incurred \$191,482.14 in COVID-related expenses, and carried over \$205,608.58 to spend on COVID-related expenses during fiscal year 2022-2023.
- The assets of the Academy exceeded its liabilities and deferred inflows at the close of the fiscal year by \$5,929,848 (*net position*).
- The government's total net position increased by \$393,149 during the fiscal year, primarily due to an increase in the governmental-type activities' net position.
- As of the close of the current fiscal year, the Academy's governmental funds reported combined ending fund balances of \$2,865,962, an increase of \$170,583 in comparison with the prior year.
- The Academy has a supporting entity, Scholars Academy Foundation for the Gifted, Inc. Beginning in the current fiscal year, the Foundation carried out most of the fundraising activities for the Academy. The Foundation donated funds to the Academy to support its programs. The Foundation's activities are reported as enterprise fund in the Academy's financial statements.
- The Academy's State funded Average Daily Membership (ADM) remains stable. The ADM is 394 for the current fiscal year. As of June 30, 2022, there was a waiting list of 222 prospective students.
- During the current fiscal year, Academy's total long-term debt decreased by \$205,000 to \$2,139,663, due to principal payoff of the Academy's direct revenue bond.
- The Academy invested in two (2) new buses to provide transportation to and from school, as well as student field trips.

Overview of the Financial Statements

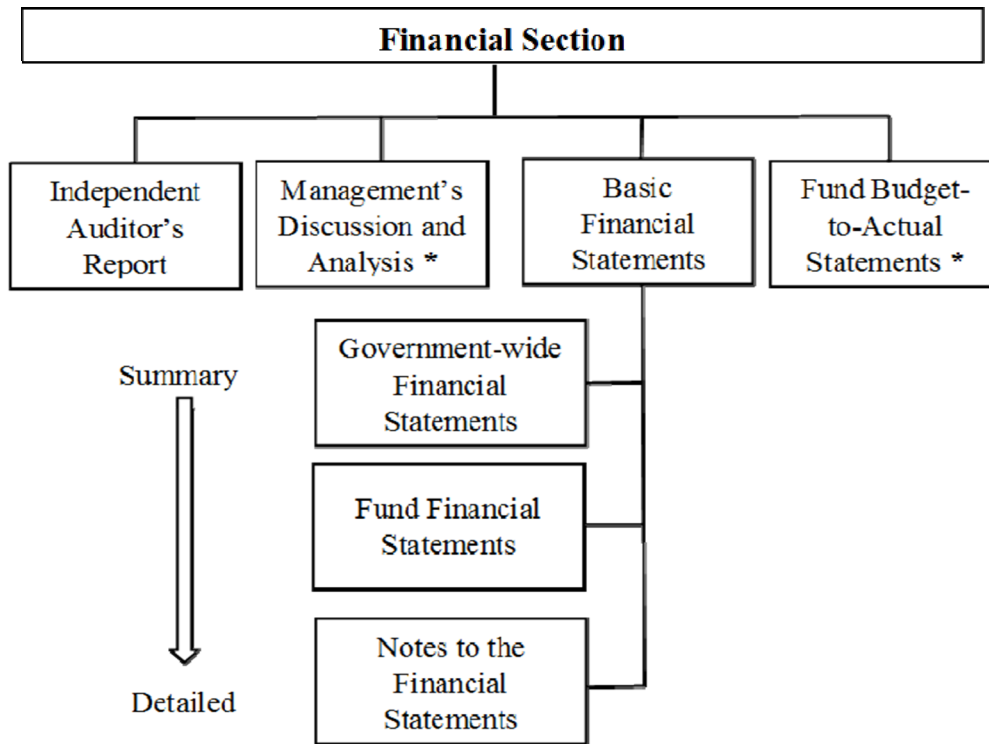
This discussion and analysis is intended to serve as an introduction to Metrolina Regional Scholars Academy's basic financial statements. The Academy's basic financial statements consist of three components: the government-wide financial statements, the fund financial statements, and the notes to the financial statements. The basic financial statements present two distinct financial perspectives of the Academy through the use of government-wide statements and 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 Academy.

Metrolina Regional Scholars Academy, Inc.

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 Academy'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 Academy. 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.

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 Academy's individual funds. Budgetary information for the Academy 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 Academy'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 Academy's financial status as a whole.

Metrolina Regional Scholars Academy, Inc.

The two government-wide statements report the Academy's net position and how it has changed. Net position is the difference between the Academy'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 Academy'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 Academy'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 Academy charges its students and other customers to provide. These include the Child Care services offered by the Academy. The business-type activities section is also where the activity of the Academy's supporting Foundation is reported.

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 Academy's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy, 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 Academy's budget ordinance. All of the funds of Metrolina Regional Scholars Academy 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 Academy's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Academy'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 Academy 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 Academy in determining what activities will be pursued and what services will be provided by the Academy during the year. It also authorizes the Academy 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 Academy has complied with the budget ordinance and whether or not the Academy has succeeded in providing the services as planned when the budget was adopted.

Proprietary Funds – The Academy 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 Academy uses an enterprise fund to account for the net position, the change in net position and the cash flows of its Child Care services functions. It also uses an Enterprise fund to report the activities of its supporting organization, Scholars Academy Foundation for the Gifted, Inc.

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.

Metrolina Regional Scholars Academy, Inc.

Government-Wide Financial Analysis

The financial analysis reveals that at June 30, 2022, cash and cash equivalents, and other current assets, primarily amounts due from other governments, accounted for 42.18% and 0.34% of total government-wide assets, respectively. These relationships were little changed from the prior year. Capital assets, net of accumulated depreciation, accounted for 57.47% of total assets. Long-term liabilities represent 87.80% of total liabilities.

As previously noted, net position may, over time, serve as one useful indicator of a school's financial condition. The assets of the Academy exceeded liabilities and deferred inflows of resources by \$5,929,848 as of June 30, 2022. At June 30, 2021, the net position of the Academy stood at \$5,508,869. The Academy's net position increased by \$420,979 for the fiscal year ended June 30, 2022, compared to an increase of \$791,114 in 2021. The difference in increase in net position between fiscal year end 2022 and fiscal year end 2021 is largely attributable to the forgiveness of a PPP note payable in 2021, whose proceeds were used for eligible purposes and decreased the total long-term liabilities for fiscal year end 2021. The amount of \$2,684,679 reflects the Academy's investment in capital assets (e.g. land, buildings, electronic equipment, furniture and fixtures, and vehicles) less any related debt still outstanding to acquire those items. The Academy uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the Academy's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining net asset amount, \$3,245,169, is unrestricted. In 2021, the amount of net investment in capital assets was \$2,462,113 with unrestricted net position standing at \$3,046,756.

A condensed statement of net position which summarizes the assets, liabilities, deferred inflows of resources and net position at June 30, 2022 and 2021 is as follows:

Figure 2
Condensed Statement of Net Position

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|--------------------------------------|--------------------------------|---------------------|---------------------------------|-------------------|---------------------|---------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Assets | | | | | | |
| Cash and cash equivalents | \$ 3,161,607 | \$ 3,002,876 | \$ 379,182 | \$ 351,377 | \$ 3,540,789 | \$ 3,354,253 |
| Other current assets | 28,776 | 26,405 | 25 | | 28,801 | 26,405 |
| Capital assets | <u>4,824,342</u> | <u>4,806,776</u> | <u>-</u> | <u>-</u> | <u>4,824,342</u> | <u>4,806,776</u> |
| Total assets | <u>8,014,725</u> | <u>7,836,057</u> | <u>379,207</u> | <u>351,377</u> | <u>8,393,932</u> | <u>8,187,434</u> |
| Liabilities | | | | | | |
| Current and other liabilities | 297,330 | 302,543 | - | - | 297,330 | 302,543 |
| Long-term liabilities | <u>2,139,663</u> | <u>2,344,663</u> | <u>-</u> | <u>-</u> | <u>2,139,663</u> | <u>2,344,663</u> |
| Total liabilities | <u>2,436,993</u> | <u>2,647,206</u> | <u>-</u> | <u>-</u> | <u>2,436,993</u> | <u>2,647,206</u> |
| Deferred inflows of resources | <u>27,091</u> | <u>31,359</u> | <u>-</u> | <u>-</u> | <u>27,091</u> | <u>31,359</u> |
| Net position | | | | | | |
| Net investment in capital assets | 2,684,679 | 2,462,113 | - | - | 2,684,679 | 2,462,113 |
| Unrestricted | <u>2,865,962</u> | <u>2,695,379</u> | <u>379,207</u> | <u>351,377</u> | <u>3,245,169</u> | <u>3,046,756</u> |
| Total net position | <u>\$ 5,550,641</u> | <u>\$ 5,157,492</u> | <u>\$ 379,207</u> | <u>\$ 351,377</u> | <u>\$ 5,929,848</u> | <u>\$ 5,508,869</u> |

Several aspects of the Academy's financial operations contributed to the improvement in the total unrestricted governmental net position:

- The Academy adopted an annual budget for all funds. The Academy's performance was measured using these budgets on a monthly basis, allowing changes in spending as needed to stay within the budget.

Metrolina Regional Scholars Academy, Inc.

- The Academy applied for and was awarded several state and federal grants to assist with the expenses of meeting the education needs of the student population and COVID related expenses.
- Generally speaking, state and local funding changes proportionately with any changes in student enrollment.

Revenues, expenses, transfers and the change in net position is summarized in the following condensed statement of activities for the years ended June 30, 2022 and 2021:

Figure 3
Condensed Statement of Activities

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|----------------------------------------------|--------------------------------|---------------------|---------------------------------|-------------------|---------------------|---------------------|
| | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ - | \$ - | \$ 5,010 | \$ 2,095 | \$ 5,010 | \$ 2,095 |
| Operating grants and contributions | 320,600 | 67,470 | - | - | 320,600 | 67,470 |
| General revenues | | | | | | |
| County, State and federal funds | 3,723,269 | 3,467,197 | - | - | 3,723,269 | 3,467,197 |
| Proceeds from Forgiveness of Debt (PPP Loan) | - | 527,820 | - | - | - | 527,820 |
| Donations | 505,143 | 501,976 | 356,920 | - | 862,063 | 501,976 |
| Miscellaneous, unrestricted | <u>225,741</u> | <u>31,083</u> | <u>14,954</u> | <u>-</u> | <u>240,695</u> | <u>31,083</u> |
| Total revenues | <u>4,774,753</u> | <u>4,595,546</u> | <u>376,884</u> | <u>2,095</u> | <u>5,151,637</u> | <u>4,597,641</u> |
| Expenses | | | | | | |
| Instructional services | 3,776,724 | 3,272,652 | - | - | 3,776,724 | 3,272,652 |
| Donations to School | - | - | 332,065 | - | 332,065 | - |
| Athletics, arts and clubs | 5,780 | 350 | - | - | 5,780 | 350 |
| Support services | 542,137 | 472,793 | 4,088 | - | 546,225 | 472,793 |
| Interest on long-term debt | 56,963 | 59,962 | - | - | 56,963 | 59,962 |
| Child care | <u>-</u> | <u>-</u> | <u>12,901</u> | <u>770</u> | <u>12,901</u> | <u>770</u> |
| Total expenses | <u>4,381,604</u> | <u>3,805,757</u> | <u>349,054</u> | <u>770</u> | <u>4,730,658</u> | <u>3,806,527</u> |
| Change in net position before transfers | <u>393,149</u> | <u>789,789</u> | <u>27,830</u> | <u>1,325</u> | <u>420,979</u> | <u>791,114</u> |
| Transfers | - | - | - | - | - | - |
| Change in net position | 393,149 | 789,789 | 27,830 | 1,325 | 420,979 | 791,114 |
| Net position, July 1 | <u>5,157,492</u> | <u>4,367,703</u> | <u>351,377</u> | <u>350,052</u> | <u>5,508,869</u> | <u>4,717,755</u> |
| Net position, June 30 | <u>\$ 5,550,641</u> | <u>\$ 5,157,492</u> | <u>\$ 379,207</u> | <u>\$ 351,377</u> | <u>\$ 5,929,848</u> | <u>\$ 5,508,869</u> |

Metrolina Regional Scholars Academy, Inc.

Governmental activities: Governmental activities increased the Academy's net position by \$393,149. County, state and federal funds of \$3,723,269 increased by 7.4% and make up 78% of total revenues. Instructional services and related expenses of \$4,324,641 account for 98.7% of total expenses, and increased by 15.45%. This reflects the increased program and general revenues offset against increased costs of providing instructional services and the decrease in interest on long-term debt. Net position before transfers decreased by 50%. The main driver for a decrease in the net position change is the forgiveness of the PPP Loan recorded as revenue in 2021.

Business-type activities: Business-type activities consist of the Academy's Child Care program (which served only a few students for before school care) and the Foundation's activities. The Foundation performed most of the fundraising activities for the Academy during this fiscal year, and donated funds to the Academy as needed. These activities increased the Academy's net position by \$379,207.

Financial Analysis of the School's Funds

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

Governmental Funds. The focus of the Academy's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Academy'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 Academy. At the end of the current fiscal year, the assets in the General Fund consisted primarily of cash and cash equivalents which equaled 99.1% of total fund assets. Accounts payable accounted for 4.8% of General Fund liabilities. The unassigned fund balance of the General Fund was \$2,850,272, while total fund balance reached \$2,865,962, an increase of \$170,583. The primary source of General Fund revenue was \$1,185,236 in reimbursements by various counties for their students attending the Academy. An additional \$2,858,633 was provided by the State of North Carolina and the federal government. Expenditures for instructional programs totaled \$1,175,614, or 67.3% of General Fund expenditures. Additional instructions-related expenditures of \$188,853, capital outlay of \$119,107, and debt service of \$261,963 accounted for 10.8%, 6.8%, and 15%, respectively, of General Fund expenditures.

At June 30, 2022, the governmental funds of the Academy reported a combined fund balance of \$2,865,962, a 6.3% increase over last year.

Proprietary Funds. The Academy's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Academy's Child Care Service Fund at the end of the fiscal year amounted to \$358,440, an increase of 2% over last year. The Foundation started with a net position of zero and ended with a net position of \$20,767. The combined ending net position of the two enterprise funds was \$379,207.

Capital Asset and Debt Administration

Capital assets. The Academy's investment in capital assets for its governmental and business-type activities as of June 30, 2022, totals \$4,824,342 (net of accumulated depreciation). These assets include the building, furniture and fixtures, computer and electronic equipment, and three (3) school buses.

Aside from purchasing two (2) school buses, there were no major capital asset transactions during the year. Our fleet of 3 school buses now provides transportation to and from school for approximately 30% of our student population, as well as field trip transportation.

Metrolina Regional Scholars Academy, Inc.

The following schedule summarizes the Academy's capital assets as June 30, 2022 and 2021:

Figure 4
Capital Assets, Net of Depreciation

| | <u>Governmental Activities</u> | |
|---------------------------------|--------------------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| Land | \$ 471,700 | \$ 471,700 |
| Buildings | 4,059,278 | 4,168,702 |
| Computer equipment | 38,102 | 32,724 |
| Furniture and fixtures | 33,577 | 41,897 |
| Electronic and school equipment | 8,274 | 29,259 |
| Vehicles | 213,411 | 62,494 |
| Capital assets, net | <u>\$ 4,824,342</u> | <u>\$ 4,806,776</u> |

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

Long-term Debt. As of June 30, 2022, the Academy had total debt outstanding of \$2,139,663, a decrease of \$205,000 over the prior year. The debt consists solely of a revenue bond payable. The decrease includes principal payments of \$205,000.

The School's outstanding debt at June 30, 2022 and 2021 is summarized in the following schedule:

Figure 5
Long-term Obligations

| | <u>Governmental Activities</u> | |
|-------------------------------|--------------------------------|---------------------|
| | <u>2022</u> | <u>2021</u> |
| Bond Payable Direct Borrowing | \$ 2,139,663 | \$ 2,344,663 |
| Total long-term obligations | <u>\$ 2,139,663</u> | <u>\$ 2,344,663</u> |

Economic Factors

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

- The Academy continues to attract families in the Charlotte-Mecklenburg area due to its superior academic performance.
- The State of North Carolina increased the per pupil funding by \$207.34, which equated to an increase of 3.7% from the prior year.

Metrolina Regional Scholars Academy, Inc.

Impact of Coronavirus on the Academy. During the fiscal year, the state and nation were affected by the unprecedented spread of the novel coronavirus. The Academy returned to an in-person learning model for all students. Providing instruction while keeping our students and staff safe and healthy posed a challenge with instructional technology, mask requirements, COVID testing and absences due to COVID infections and exposure, as well as mental health concerns. The Academy was allotted \$313,340.72 in COVID-19 supplemental funds from the state and federal government to offset COVID-related expenses of which \$161,601.42 was carried over to spend during fiscal year 2022-2023. An additional COVID Health Support grant from the Department of Health and Human Services in the amount of \$83,750 was also awarded, of which \$44,007.16 will be carried forward to spend during fiscal year 2022-2023. COVID-related expenses related to instructional and health expenses totaled \$191,482.14.

Requests for Information

This report is designed to provide an overview of the Academy's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Executive Director, Metrolina Regional Scholars Academy, Inc., 5225 Seventy-Seven Drive, Charlotte, NC 28217, telephone (704) 503-1112. Additional information is available at the Academy's website, www.scholarsacademy.org.

Metrolina Regional Scholars' Academy
Statement of Net Position
June 30, 2022

| | Primary Government | | |
|-----------------------------------------------------|------------------------------------|-------------------------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 3,161,607 | \$ 379,182 | \$ 3,540,789 |
| Due from other governments | 6,715 | - | 6,715 |
| Accounts receivable - trade | 6,371 | 25 | 6,396 |
| Prepaid expenses | 15,690 | - | 15,690 |
| Security deposits | - | - | - |
| Capital assets: | | | |
| Land, improvements, and construction in progress | 471,700 | - | 471,700 |
| Other capital assets, net of depreciation | 4,352,642 | - | 4,352,642 |
| Total capital assets | <u>4,824,342</u> | <u>-</u> | <u>4,824,342</u> |
| Total assets | <u>8,014,725</u> | <u>379,207</u> | <u>8,393,932</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>-</u> | <u>-</u> | <u>-</u> |
| LIABILITIES | | | |
| Accounts payable - trade | 14,267 | - | 14,267 |
| Salaries and wages payable | 283,063 | - | 283,063 |
| Derivative instrument - interest rate swap | - | - | - |
| Long-term liabilities: | | | |
| Compensated absences | - | - | - |
| Due within one year | 215,000 | - | 215,000 |
| Due in more than one year | 1,924,663 | - | 1,924,663 |
| Total liabilities | <u>2,436,993</u> | <u>-</u> | <u>2,436,993</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>27,091</u> | <u>-</u> | <u>27,091</u> |
| NET POSITION | | | |
| Net investment in capital assets | 2,684,679 | - | 2,684,679 |
| Unrestricted | 2,865,962 | 379,207 | 3,245,169 |
| Total net position | <u>\$ 5,550,641</u> | <u>\$ 379,207</u> | <u>\$ 5,929,848</u> |

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

Metrolina Regional Scholars' Academy
Statement of Activities
June 30, 2022

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|-------------------------------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|---------------------------------------------------|--------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| Instructional programs | \$ 3,776,724 | \$ - | \$ 232,132 | \$ - | \$ (3,544,592) | \$ - | \$ (3,544,592) |
| Athletics, arts and clubs | 5,780 | - | - | - | (5,780) | - | (5,780) |
| Support services | 542,137 | - | 5,668 | - | (536,469) | - | (536,469) |
| Community services | - | - | - | - | - | - | - |
| Interest on debt | 56,963 | - | - | - | (56,963) | - | (56,963) |
| Total governmental activities | 4,381,604 | - | 237,800 | - | (4,143,804) | - | (4,143,804) |
| Business-type activities: | | | | | | | |
| Scholars Academy Foundation | 336,153 | - | - | - | - | (336,153) | (336,153) |
| Before and after school fund | 12,901 | 5,010 | - | - | - | (7,891) | (7,891) |
| Total business-type activities | 349,054 | 5,010 | - | - | - | (344,044) | (344,044) |
| Total primary government | \$ 4,730,658 | \$ 5,010 | \$ 237,800 | \$ - | (4,143,804) | (344,044) | (4,487,848) |
| General revenues: | | | | | | | |
| Unrestricted county appropriations | | | | | 1,185,236 | - | 1,185,236 |
| Unrestricted State appropriations | | | | | 2,538,033 | - | 2,538,033 |
| Unrestricted Federal appropriations | | | | | 82,800 | - | 82,800 |
| Donations - general | | | | | 505,143 | 356,920 | 862,063 |
| Miscellaneous, unrestricted | | | | | 225,741 | 14,954 | 240,695 |
| Transfers | | | | | - | - | - |
| Total general revenues, special items, and transfers | | | | | 4,536,953 | 371,874 | 4,908,827 |
| Change in net position | | | | | 393,149 | 27,830 | 420,979 |
| Net position-beginning, previously reported | | | | | 5,157,492 | 351,377 | 5,508,869 |
| Net position-ending | | | | | \$ 5,550,641 | \$ 379,207 | \$ 5,929,848 |

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

Metrolina Regional Scholars' Academy
Balance Sheet
Governmental Funds
June 30, 2022

| | Major Funds | | Total Non-Major Funds | Total Governmental Funds |
|-----------------------------------------------------------------------------|---------------------|---------------------|-----------------------|--------------------------|
| | General | State Public School | Federal Grants | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 3,161,607 | \$ - | \$ - | \$ 3,161,607 |
| Due from other governments | 6,715 | - | - | 6,715 |
| Accounts receivable - other | 6,371 | - | - | 6,371 |
| Prepaid items | 15,690 | - | - | 15,690 |
| Security deposits | - | - | - | - |
| Total assets | 3,190,383 | - | - | 3,190,383 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable - trade | 14,267 | - | - | 14,267 |
| Salaries and wages payable | 283,063 | - | - | 283,063 |
| Total liabilities | 297,330 | - | - | 297,330 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| | 27,091 | - | - | 27,091 |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Prepaid items | 15,690 | - | - | 15,690 |
| Unassigned | 2,850,272 | - | - | 2,850,272 |
| Total fund balances | 2,865,962 | - | - | 2,865,962 |
| Total liabilities, deferred inflows of resources, and funds balances | \$ 3,190,383 | \$ - | \$ - | |

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

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 4,824,342 |
| Deferred outflows of resources related to pensions | - |
| Liabilities for earned but unavailable revenues in fund statements. 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. | (2,139,663) |
| Net pension liability | - |
| Compensated absences | - |
| Net position of governmental activities | \$ 5,550,641 |

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

Metrolina Regional Scholars' Academy
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2022

| | Major Funds | | Total Non-Major Funds | Total Governmental Funds |
|---------------------------------------------------|--------------|---------------------|-----------------------|--------------------------|
| | General | State Public School | Federal Grants | |
| Revenues | | | | |
| State of North Carolina | \$ - | \$ 2,538,033 | \$ - | \$ 2,538,033 |
| Local education agencies | 1,185,236 | - | - | 1,185,236 |
| U.S. Government | - | - | 320,600 | 320,600 |
| Fines and forfeitures | - | - | - | - |
| Contributions and donations | 505,143 | - | - | 505,143 |
| Other | 225,741 | - | - | 225,741 |
| Total revenues | 1,916,120 | 2,538,033 | 320,600 | 4,774,753 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instructional programs | 1,175,614 | 2,212,288 | 232,132 | 3,620,034 |
| Athletics, arts and clubs | 5,780 | - | - | 5,780 |
| Support services | 183,073 | 325,745 | 5,668 | 514,486 |
| Community services | - | - | - | - |
| Capital outlay | 119,107 | - | 82,800 | 201,907 |
| Debt service: | | | | |
| Principal | 205,000 | - | - | 205,000 |
| Interest and other charges | 56,963 | - | - | 56,963 |
| Total expenditures | 1,745,537 | 2,538,033 | 320,600 | 4,604,170 |
| Excess (deficiency) of revenues over expenditures | 170,583 | - | - | 170,583 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers to other funds | - | - | - | - |
| Proceeds from debt | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balance | 170,583 | - | - | 170,583 |
| Fund balances-beginning | 2,695,379 | - | - | 2,695,379 |
| Fund balances-ending | \$ 2,865,962 | \$ - | \$ - | \$ 2,865,962 |

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

Metrolina Regional Scholars' Academy
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statements of Activities
For the Year Ended June 30, 2022

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

| | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|---------|
| Net changes in fund balances - total governmental funds | \$ | 170,583 |
| Change in fund balance due to change in reserve for inventory | | - |
| <p>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</p> | | |
| | | 17,566 |
| <p>Contributions to the pension plan in the current fiscal year are not included on the statement of activities</p> | | |
| | | - |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| Amount of donated assets | | - |
| <p>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.</p> | | |
| | | 205,000 |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p> | | |
| Pension expense | | - |
| Compensated absences | | - |
| Rounding adjustment | | - |
| | | - |
| Total changes in net position of governmental activities | \$ | 393,149 |

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

Metrolina Regional Scholars' Academy
Statement of Net Position
Proprietary Fund
June 30, 2022

| | Major Funds | | |
|---------------------------------------|-------------|--------------------------|------------|
| | Foundation | Before & After School | Total |
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 20,767 | \$ 358,415 | \$ 379,182 |
| Due from other governments | - | - | - |
| Accounts receivable - trade | - | 25 | 25 |
| Inventories | - | - | - |
| Total current assets | 20,767 | 358,440 | 379,207 |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Kitchen equipment, net | - | - | - |
| Computer equipment, net | - | - | - |
| Total noncurrent assets | - | - | - |
| Total assets | \$ 20,767 | \$ 358,440 | \$ 379,207 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| | - | - | - |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable - trade | \$ - | \$ - | \$ - |
| Deferred revenue | - | - | - |
| Total current liabilities | - | - | - |
| Long-term liabilities: | | | |
| Net pension liability | - | - | - |
| Total long-term liabilities | - | - | - |
| Total liabilities | - | - | - |
| DEFERRED INFLOWS OF RESOURCES | | | |
| | - | - | - |
| NET ASSETS | | | |
| Net investment in capital assets | - | - | - |
| Unrestricted | 20,767 | 358,440 | 379,207 |
| Total net position | \$ 20,767 | \$ 358,440 | \$ 379,207 |

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

Metrolina Regional Scholars' Academy
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
June 30, 2022

| | Major Funds | | |
|-----------------------------------------------------|------------------|--------------------------|-------------------|
| | Foundation | Before & After School | Total |
| OPERATING REVENUES | | | |
| Before and after school | \$ - | \$ 5,010 | \$ 5,010 |
| Donations and other | 356,920 | 14,954 | 371,874 |
| Total operating revenues | <u>356,920</u> | <u>19,964</u> | <u>376,884</u> |
| OPERATING EXPENSES | | | |
| Salary and related costs | - | 151 | 151 |
| Donations to school | 332,065 | - | 332,065 |
| Contracted services | - | 11,018 | 11,018 |
| Supplies and materials | - | 1,732 | 1,732 |
| Bank charges | 4,088 | - | 4,088 |
| Total operating expenses | <u>336,153</u> | <u>12,901</u> | <u>349,054</u> |
| Operating income (loss) | <u>20,767</u> | <u>7,063</u> | <u>27,830</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Federal reimbursements | - | - | - |
| Total nonoperating revenue (expenses) | <u>-</u> | <u>-</u> | <u>-</u> |
| Income (loss) before contributions and transfers | - | - | - |
| Capital contributions | - | - | - |
| Transfers (to) from other funds | - | - | - |
| Change in net position | <u>20,767</u> | <u>7,063</u> | <u>27,830</u> |
| Total net position - beginning | - | 351,377 | 351,377 |
| Total net position - ending | <u>\$ 20,767</u> | <u>\$ 358,440</u> | <u>\$ 379,207</u> |

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

Metrolina Regional Scholars' Academy
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2022

| | Major Funds | | |
|-------------------------------------------------------------------------------------------------------------|------------------|--------------------------|-------------------|
| | Foundation | Before & After School | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash received from customers | \$ 356,920 | \$ 19,939 | \$ 376,859 |
| Cash paid to employees for services | (336,153) | (12,901) | (349,054) |
| Cash paid for goods and services | - | - | - |
| Net cash provided (used) by operating activities | <u>20,767</u> | <u>7,038</u> | <u>27,805</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Federal reimbursements | - | - | - |
| Transfer (to) from other funds | - | - | - |
| Net cash provided (used) by noncapital financing activities | <u>-</u> | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Capital contributions | - | - | - |
| Acquisition of capital assets | - | - | - |
| Net cash (used) by capital and related financing | <u>-</u> | <u>-</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | <u>20,767</u> | <u>7,038</u> | <u>27,805</u> |
| Balances-beginning of the year | - | 351,377 | 351,377 |
| Balances-end of the year | <u>\$ 20,767</u> | <u>\$ 358,415</u> | <u>\$ 379,182</u> |
| Reconciliation of operating income to net cash provided by operating activities | | | |
| Operating income | \$ 20,767 | \$ 7,063 | \$ 27,830 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation expense | - | - | - |
| Changes in assets and liabilities: | | | |
| (Increase) decrease in accounts receivable | - | (25) | (25) |
| Increase (decrease) in accounts payable and accrued liabilities | - | - | - |
| (Increase) decrease in deferred outflows of resources for pension plan contributions in current fiscal year | - | - | - |
| Total adjustments | <u>-</u> | <u>(25)</u> | <u>(25)</u> |
| Net cash provided by operating activities | <u>\$ 20,767</u> | <u>\$ 7,038</u> | <u>\$ 27,805</u> |

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

**Metrolina Regional Scholars’ Academy, North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2022**

I. Summary of Significant Accounting Policies

The accounting policies of the Metrolina Regional Scholars’ Academy, North Carolina (the Academy) conform to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities. Because of the authority of the State Board of Education (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. 115C218.95 with all net assets purchased with the public funds reverting to a local education agency (G.S. 115C218.100), 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

Metrolina Regional Scholars’ Academy is a North Carolina non-profit corporation incorporated in 1999. Pursuant to the provisions of the Charter School Act of 1996 as amended (the “Act”), Metrolina Regional Scholars’ Academy has been approved to operate the Metrolina Regional Scholars’ Academy, a public school serving approximately 400 students. The Academy operates under an approved charter received from the SBE and applied for under the provisions of General Statute (G.S.) 115C-218.1. G.S. 115C-218.6(b)(1) states that a charter school shall be subject to the audit requirements adopted by the SBE, which includes the audit requirements established by G.S. 115C-447 of the School Budget and Fiscal Control Act (SBFCA) and requires the financial statements to be prepared in accordance with GAAP. The current charter is effective until June 30, 2025 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.

As required by generally accepted accounting principles, these financial statements present the School and its component unit, a legally separate entity for which the School is financially accountable. Scholars Academy Foundation for the Gifted, Inc. exists to provide operating support to the School through fundraising activities. The Foundation is reported as an enterprise fund in the School’s financial statements. The Foundation is reported using the blended presentation method which presents the component unit as a department of the School and offers no separate presentation as with the discrete method.

| Component Unit | Reporting Method | Criteria for Inclusion | Separate Financial Statements |
|--------------------------------------------------|-------------------------|-------------------------------------------------------------------------------------------------------|--------------------------------------|
| Scholars Academy Foundation for the Gifted, Inc. | Blended | The Foundation is fiscally dependent on the School. The Foundation only exists to support the School. | No |

B. Basis of Presentation

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

Government-wide Statements: The statement of net position and the statement of activities display information about Metrolina Regional Scholars’ Academy, including the Academy. These statements

include the financial activities of the overall entity. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Academy. 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 Academy and for each function of the Academy'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 Academy's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Academy reports the following major governmental funds:

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

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

The Academy reports the following non-major governmental fund:

Federal Fund. The Federal Fund is used to account for the Federal moneys that are passed through the State Department of Public Instruction to the Academy.

The Academy reports the following major enterprise funds:

Foundation. The Foundation Fund is used to report all activity of the Scholars Academy Foundation for the Gifted, Inc. within the school. The Foundation exists to provide operating support to the School through fundraising activities.

Child Care Fund. The Child Care Fund is used to account for the before and after school care program within the Academy.

C. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statement. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting.

Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Academy 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 Academy 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 Academy funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Academy'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 government-wide basis. All budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the Academy's funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget presented in the supplemental data represents the budget of the Academy at June 30, 2022. All appropriations lapse at year end.

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

1. Deposits and Investments

All deposits of the Academy are made in a local bank; whose accounts are FDIC insured. Also, the Academy has established time deposit accounts consisting of money market accounts.

2. Cash and Cash Equivalents

The Academy 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 Academy's donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 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 Academy to capitalize all capital assets costing more than \$500 with an estimated useful life of two or more years. In addition, other items which are purchased and used in large quantities such as student desks and office furniture are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over the following estimated useful lives:

| | <u>Years</u> |
|---------------------------------|--------------|
| Buildings | 50 |
| Computer equipment | 5 |
| Furniture and fixtures | 7 |
| Electronic and school equipment | 5 |
| Textbooks | 5 |
| Vehicles | 2 - 7 |
| Playground equipment | 7 |

5. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Academy has no items that meets the criterion for this category for 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 Academy has one item that meet the criterion for this category – unearned revenues.

6. Long-term Obligations

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

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

7. Compensated Absences

Employees of the Academy do not accumulate annual leave, therefore the Academy does not have any liability for compensated absences which would be reported in the government-wide statements. The sick leave policy of the Academy provides for accumulation of earned sick leave. Sick leave does not vest and there is no carryover. Since the Academy has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

8. Net Position/Fund Balances

Net Position

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

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

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

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

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.

Metrolina Regional Scholars' Academy has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Board of Directors 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 Academy.

9. The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$2,684,679 consists of several elements as follows:

| <u>DESCRIPTION</u> | <u>AMOUNT</u> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column). | \$ 6,970,484 |
| Less accumulated depreciation | (2,146,142) |
| Pension related deferred outflows of resources | |
| Differences between contributions and proportional share of contributions and changes in proportion | - |
| Contributions made to the pension plan in current fiscal year | - |
| Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements: | |
| PPP loan payable (forgiveable) | - |
| Capital leases payable | - |
| Bonds payable | (2,139,663) |
| Compensated absences | - |
| Net pension liability | - |
| Deferred inflows of resources related to pensions | |
| Differences between expected and actual experience | - |
| Differences between projected and actual earnings on plan investments | - |
| Total adjustment | <u>\$ 2,684,679</u> |

F. Revenues, Expenditures, and Expenses

1. Funding

Metrolina Regional Scholars' Academy is funded by the State Board of Education, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the Academy is located (i.e. Charlotte-Mecklenburg Board of Education) for each child attending the Academy except for the allocation for children with special needs and (ii) an additional amount for each child attending the Academy who is a child with special needs [G.S. 115C-218.].

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. 115C218.105(b))

Additionally, the Academy 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. 115C218.105(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, 2022, Metrolina Regional Scholars' Academy received funding from the Boards of Education for Cabarrus (\$82,046), Charlotte-Mecklenburg (\$960,484), Iredell Statesville (\$1,967) and Union (\$136,790) Counties, along with Mooresville City Schools (\$3,949).

Furthermore, Metrolina Regional Scholars' Academy has received donations of cash and/or equipment from private organizations. The cash has been used for general operations of the Academy.

2. Reconciliation between government-wide and fund statements

The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by a reconciliation between the change in fund balance – governmental activities and the change in net position – governmental funds as reported on the government-wide statement of activities. The net difference of \$222,566 between the two amounts consists of the following elements:

| <u>DESCRIPTION</u> | <u>AMOUNT</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities. | \$ 201,907 |
| Depreciation expense that is recorded on the statement of activities but not in the fund statements. | (184,341) |
| Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities | - |
| New debt issued during the year is recorded as a source of funds on the fund statements but has no effect on the statement of activities, only the statement of net assets. | - |
| Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net assets in the government-wide statements. | 205,000 |
| Compensated absences | - |
| Total | <u>\$ 222,566</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.

II. Stewardship, Compliance, and Accountability

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

Noncompliance with North Carolina General Statutes

None.

Contractual Violations

None.

B. Deficit Fund Balance or Net Position of Individual Funds

None.

III. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2022, the Academy had deposits with banks and savings and loans with a carrying amount of \$3,519,210. The bank balances with the financial institutions totaled \$3,564,743. Of this balance, \$3,202,028 was not covered by federal depository insurance. As required by the revenue bond agreement (Note II.B.4.a.), the Academy maintains the majority of its cash at the same financial institution that services the revenue bond. The Academy does not have a deposit policy for custodial credit risk. The Academy holds \$812 in petty cash.

2. Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

| | Beginning | Increases | Decreases | Ending |
|---------------------------------------------------|---------------------|-------------------|-------------|---------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 471,700 | \$ - | \$ - | \$ 471,700 |
| | <u>471,700</u> | <u>-</u> | <u>-</u> | <u>471,700</u> |
| Capital assets being depreciated: | | | | |
| Building | 5,350,337 | - | - | 5,350,337 |
| Computer equipment | 257,676 | 19,115 | - | 276,791 |
| Furniture and fixtures | 321,302 | - | - | 321,302 |
| Electronic and school equipment | 152,593 | - | - | 152,593 |
| Textbooks | 65,431 | - | - | 65,431 |
| Vehicles | 136,812 | 182,792 | - | 319,604 |
| Playground equipment | 12,726 | - | - | 12,726 |
| Total capital assets being depreciated | <u>6,296,877</u> | <u>201,907</u> | <u>-</u> | <u>6,498,784</u> |
| Less accumulated depreciation for: | | | | |
| Building | 1,181,635 | 109,424 | - | 1,291,059 |
| Computer equipment | 224,952 | 13,737 | - | 238,689 |
| Furniture and fixtures | 279,405 | 8,320 | - | 287,725 |
| Electronic and school equipment | 123,334 | 20,985 | - | 144,319 |
| Textbooks | 65,431 | - | - | 65,431 |
| Vehicles | 74,318 | 31,875 | - | 106,193 |
| Playground equipment | 12,726 | - | - | 12,726 |
| Total accumulated depreciation | <u>1,961,801</u> | <u>\$ 184,341</u> | <u>\$ -</u> | <u>2,146,142</u> |
| Total capital assets being depreciated, net | <u>\$ 4,335,076</u> | | | <u>\$ 4,352,642</u> |
| Total governmental activities capital assets, net | <u>\$ 4,806,776</u> | | | <u>\$ 4,824,342</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|------------------------------|--------------------------|
| Instructional services | \$ 156,690 |
| System-wide support services | <u>27,651</u> |
| | <u><u>\$ 184,341</u></u> |

| | <u>Beginning</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending</u> |
|----------------------------------------------------|------------------|------------------|------------------|---------------|
| Business-type activities: | | | | |
| Capital assets being depreciated: | | | | |
| Computer equipment | 444 | - | - | 444 |
| Total capital assets being depreciated | <u>444</u> | <u>-</u> | <u>-</u> | <u>444</u> |
| Less accumulated depreciation for: | | | | |
| Computer equipment | 444 | - | - | 444 |
| Total accumulated depreciation | <u>444</u> | <u>\$ -</u> | <u>\$ -</u> | <u>444</u> |
| Total capital assets being depreciated, net | <u>\$ -</u> | | | <u>\$ -</u> |
| Total business-type activities capital assets, net | <u>\$ -</u> | | | <u>\$ -</u> |

B. Liabilities

1. Retirement Plan

The Academy participates in a retirement plan administered by the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF). Employees working 30 or more hours a week are eligible to participate in the plan. Participants may make voluntary contributions, pursuant to a salary reduction agreement, of a percentage of annual compensation. The Academy contributes one half other total employee’s contributions up to 6% of the employee’s compensation. For the year ended June 30, 2022, the Academy contributions totaled \$50,049, with participants contributing \$171,223.

2. Deferred Inflows of Resources

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

| | |
|------------------------------|------------------|
| | <u>Unearned</u> |
| | <u>Revenue</u> |
| Unused Grants (General Fund) | <u>\$ 27,091</u> |

3. Risk Management

The Academy 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 Academy maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

In accordance with G.S. 115C-442, the Academy’s employees who have custody of the Academy’s monies at any given time are performance bonded through a commercial surety bond. The finance officer is bonded for \$250,000 with a \$1,000 deductible.

The Academy 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 Academy has obtained a group health insurance policy for its personnel through a commercial insurer. Through the plan, permanent, full-time employees of the Academy are eligible to receive health care benefits up to \$1 million lifetime limit.

4. Long-term Obligations

a) In December 2009, the North Carolina Capital Facilities Finance Agency (the Agency) issued Educational Facilities Revenue Bond in the principal amount of \$1,050,000 to the Academy. Proceeds of the bonds were loaned to the Academy to purchase and construct education facilities. The loan bears interest at a variable rate equal to the sum obtained by adding (i) 68% of the one-month LIBOR and (ii) 1.83% per annum. Principal payments will be payable quarterly beginning April 2011 and maturing March 2031. The unpaid principal balance of the revenue bond amounted to \$2,139,663 as of June 30, 2022.

The future payments of the direct revenue bonds and direct notes payable for the years ended June 30 are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> |
|---------------------------------|---------------------|
| 2023 | \$ 215,000 |
| 2024 | 225,000 |
| 2025 | 230,000 |
| 2026 | 242,500 |
| 2027 | 255,000 |
| Thereafter | 972,163 |
| | <u>\$ 2,139,663</u> |

5. Changes in Long-Term Obligations

The following are the changes in long-term obligations:

| | <u>Beginning</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending</u> | <u>Current</u> |
|-----------------------------|--------------------|------------------|------------------|--------------------|-------------------|
| Direct Bond Payable | <u>\$2,344,663</u> | \$ - | \$ 205,000 | <u>\$2,139,663</u> | <u>\$ 215,000</u> |
| Total Long-Term Obligations | <u>\$2,344,663</u> | \$ - | \$ 205,000 | <u>\$2,139,663</u> | <u>\$ 215,000</u> |

In accordance with the guaranty agreement, the Academy is required to comply with covenants as follows:

Tangible Net Worth – The Academy is required to maintain a tangible net worth of at least \$1,000,000.

Debt Service Coverage Ratio – The Academy is required to maintain a debt service coverage ratio of at least 1.20 to 1.00.

Ratio of Total Liabilities to Tangible Net Worth – The Academy is required to maintain a ratio of total liabilities to tangible net worth of no greater than 3.50 to 1.00.

As of and for the year ended June 30, 2022, the School has complied with all covenants referred to above.

C. Fund Balance

Metrolina Regional Scholars' Academy has a revenue spending policy that provides policy for programs with multiple revenue sources. The Board of Directors will use resources in the following hierarchy: federal funds, State funds, local non-School funds, Metrolina Regional Scholars' Academy 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 Academy. The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation.

| | |
|-------------------------------------------------|--------------------|
| Total fund balance | \$2,865,962 |
| Less: | |
| Inventories | - |
| Prepaid Items | 15,690 |
| Appropriated Fund Balance in 2022 budget | - |
| Remaining Fund Balance | \$2,850,272 |

V. Transfers

The School's Foundation transferred \$332,065 to the School during the year as support and reimbursement for expenses.

VI. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

VII. Subsequent Events

The Academy has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditors' report. The Academy has not evaluated subsequent events after that date.

NON-MAJOR FUNDS

Federal Grants Fund - This fund is used to account for the federal grant activity of the school.

**Metrolina Regional Scholars' Academy
Non-major Governmental Fund
Balance Sheet
June 30, 2022**

| | Special Revenue Funds |
|------------------------------------------|--------------------------|
| Assets | |
| Cash and cash equivalents | \$ - |
| Due from other governments | - |
| Total assets | \$ - |
| Liabilities and Fund Balances | |
| Liabilities | |
| Accrued salaries and wages payable | \$ - |
| Deferred revenue | - |
| Total liabilities | - |
| Fund balances-unreserved | - |
| Total liabilities and fund equity | \$ - |

Metrolina Regional Scholars' Academy
Non-major Governmental Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Fiscal Year Ended June 30, 2022

| | Special Revenue Funds |
|------------------------------------|--------------------------|
| | Totals 2022 |
| Revenues: | |
| U.S. Government | |
| Special Education Cluster | \$ 75,810 |
| NC Advancing Charter Collaboration | 93,050 |
| Education Stabilization Funds | 151,740 |
| Total | 320,600 |
| Donations | - |
| Other | - |
| Total | - |
| Total Revenues | 320,600 |
| Expenditures: | |
| Current | |
| Instructional programs: | |
| Regular programs | 136,060 |
| Special programs | 52,345 |
| Alternative programs | 4,813 |
| School-based support services | 38,914 |
| Total | 232,132 |
| Support services: | |
| Special population | 5,668 |
| Total | 5,668 |
| Non-programmed charges: | |
| Capital outlay | 82,800 |
| Total | 82,800 |
| Total expenditures | 320,600 |
| Revenues over expenditures | - |
| Fund balances: | |
| Beginning of year, July 1 | - |
| End of year, June 30 | \$ - |

Metrolina Regional Scholars' Academy
All Fund Types excluding Foundation
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Government-wide Budget
Year Ended June 30, 2022

| | 2022 | | |
|-----------------------------------------|-------------------|-------------------|----------------------------------------|
| | Final Budget | Actual | Favorable (Unfavorable) Variance |
| Revenues: | | | |
| State of North Carolina | \$ 2,547,333 | \$ 2,538,033 | \$ (9,300) |
| Boards of Education | 1,185,236 | 1,185,236 | - |
| U.S. Government | 513,779 | 320,600 | (193,179) |
| Before and after school | 19,964 | 19,964 | - |
| Contributions and donations | 505,143 | 505,143 | - |
| Others | 225,741 | 225,741 | - |
| Total revenues | <u>4,997,196</u> | <u>4,794,717</u> | <u>(202,479)</u> |
| Expenditures | | | |
| Salaries & wages | 2,894,791 | 2,866,144 | 28,647 |
| Benefits | 526,809 | 526,752 | 57 |
| Books & supplies | 117,877 | 98,083 | 19,794 |
| Contracted student services | 153,362 | 79,048 | 74,314 |
| Staff development | 33,731 | 27,166 | 6,565 |
| Administrative services | 104,026 | 98,395 | 5,631 |
| Insurances | 27,591 | 27,591 | - |
| Rents & debt service | 266,063 | 266,063 | - |
| Facilities | 122,933 | 122,933 | - |
| Utilities | 78,806 | 78,806 | - |
| Transportation & travel | 18,703 | 18,703 | - |
| Technology | 173,437 | 128,826 | 44,611 |
| Non capitalized equipment | 10,095 | 10,095 | - |
| Cap equipment & purchases | 119,107 | 119,107 | - |
| Nutrition & food | 13,616 | 13,616 | - |
| Confucious grant | 445 | 445 | - |
| Health support grant | 41,727 | 41,727 | - |
| COVID-19 | 107,981 | 93,571 | 14,410 |
| Total expenditures | <u>4,811,100</u> | <u>4,617,071</u> | <u>194,029</u> |
| Other financing sources (uses): | | | |
| Federal reimbursements | - | - | - |
| Proceeds from debt | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenues over expenditures | <u>\$ 186,096</u> | <u>\$ 177,646</u> | <u>\$ (8,450)</u> |

COMPLIANCE SECTION

METROLINA REGIONAL SCHOLARS' ACADEMY

CHARLOTTE, NORTH CAROLINA

JUNE 30, 2022



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

Board of Directors
Metrolina Regional Scholars' Academy
Charlotte, 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 accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Metrolina Regional Scholars' Academy as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprises Metrolina Regional Scholars' Academy's basic financial statements and have issued our report thereon dated October 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Metrolina Regional Scholars' Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metrolina Regional Scholars' Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Metrolina Regional Scholars' Academy'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 School'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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider 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 Metrolina Regional Scholars' Academy's financial statements are free of 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rebekah Barr, CPA PC

Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

October 25, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH OMB UNIFORM GUIDANCE; AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

Board of Trustees
Metrolina Regional Scholars' Academy
Charlotte, North Carolina

Report on Compliance for Each Major State Program

We have audited Metrolina Regional Scholars' Academy'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 its major State program for the year ended June 30, 2022. Metrolina Regional Scholars' Academy's major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Metrolina Regional Scholars' Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

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). 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 Metrolina Regional Scholars' Academy 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 Metrolina Regional Scholars' Academy'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 its major State program.

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 Metrolina Regional Scholars' Academy'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 stands, *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 Metrolina Regional Scholars' Academy'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 Metrolina Regional Scholars' Academy'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 Metrolina Regional Scholars' Academy'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 Metrolina Regional Scholars' Academy'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 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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

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

Rebekah Barr, CPA PC

Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

October 25, 2022

METROLINA REGIONAL SCHOLARS' ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION I. -- SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Internal control over financial reporting:

| | | |
|-------------------------------------------------------------------------------------------|-----------|------------------------------|
| Material weakness(es) identified? | _____ yes | _____ <u>X</u> no |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ yes | _____ <u>X</u> none reported |

| | | |
|------------------------------------------------------|-----------|-------------------|
| Noncompliance material to financial statements noted | _____ yes | _____ <u>X</u> no |
|------------------------------------------------------|-----------|-------------------|

State Awards

Internal control over major state programs:

| | | |
|-------------------------------------------------------------------------------------------|-----------|------------------------------|
| Material weakness(es) identified? | _____ yes | _____ <u>X</u> no |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | _____ yes | _____ <u>X</u> 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 State Single Audit Implementation Act | _____ yes | _____ <u>X</u> no |
|------------------------------------------------------------------------------------------------------------------------|-----------|-------------------|

Identification of major state programs:

Program Name

State Public School Funds (PRC036 - Charter School Funds)

METROLINA REGIONAL SCHOLARS' ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

METROLINA REGIONAL SCHOLARS' ACADEMY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2022

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported.

METROLINA REGIONAL SCHOLARS' ACADEMY
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

There were no prior year audit findings.

METROLINA REGIONAL SCHOLARS' ACADEMY
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022

| GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE | FEDERAL ASSISTANCE LIVING NUMBER | STATE/ PASS-THROUGH GRANTOR'S NUMBER | EXPENDITURES |
|-----------------------------------------------|-------------------------------------------|-----------------------------------------------|---------------------|
| FEDERAL GRANTS: | | | |
| CASH ASSISTANCE | | | |
| <u>US Department of Education</u> | | | |
| Passed Through the North Carolina | | | |
| Department of Public Instruction: | | | |
| NC Advancing Charter Collaboration | 84.282 | PRC 160 | \$ 93,050 |
| Special Education Cluster: | | | |
| Idea VI-B Handicapped | 84.027A | PRC 060 | 72,973 |
| ESSER III - ARP - IDEA 611 Grants | 84.027 | PRC 185 | 3,559 |
| Idea VI-B Targeted Assistance | 84.027A | PRC 118 | <u>2,837</u> |
| Total Special Education Cluster | | | 79,369 |
| Education Stabilization Funds | | | |
| ESSERF - Charter School Supplement | 84.425D | PRC 164 | 5,798 |
| ESSERF - Digital K-8 Curricula | 84.425D | PRC 165 | 2,659 |
| ESSERF - EC Grants | 84.425D | PRC 167 | 349 |
| GEER - Student Health Support | 84.425C | PRC 169 | 9,666 |
| GEER - Supplemental Instructional | 84.425C | PRC 170 | 4,813 |
| ESSER II - PSU Supplemental Funding | 84.425D | PRC 172 | 71,640 |
| ESSER II - Instructional Support | 84.425D | PRC 173 | 2,543 |
| ESSER III - PSU Supplemental Funding | 84.425D | PRC 182 | 15,590 |
| ARP - ESSER III - Teacher Bonuses | 84.425D | PRC 203 | <u>35,123</u> |
| Total Education Stabilization Funds | | | <u>148,181</u> |
| TOTAL FEDERAL CASH ASSISTANCE | | | <u>320,600</u> |
| NC STATE GRANTS: | | | |
| CASH ASSISTANCE | | | |
| <u>NC Department of Public Instruction</u> | | | |
| State Public School Funds | | PRC 036 | 2,466,231 |
| Principal and Teacher Performance Bonuses | | PRC 048 | 1,937 |
| State Fiscal Recovery Funds | | PRC 141 | <u>69,865</u> |
| TOTAL NC STATE CASH ASSISTANCE | | | <u>2,538,033</u> |
| TOTAL FEDERAL AND STATE AWARDS | | | <u>\$ 2,858,633</u> |

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

Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Metrolina Regional Scholars' Academy under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. 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 Metrolina Regional Scholars' Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows of Metrolina Regional Scholars Academy.

Note 2: Indirect Costs

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

Note 3: Summary of Significant Accounting Policies

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