



2021

Sample Financial Statements

for a Charter School

in North Carolina

Note to Preparer: Please note that an amendment to G.S. 115C-218.30(a) provides in part as follows: "... The audit requirements shall not include submission to, review of, or approval by, the Local Government Commission for any audit reports, audit contracts, or audit invoices, nor shall they require any other authority, involvement, or oversight by the Local Government Commission with regard to financial reporting, accountability requirements, or procedures." [S.L. 2021-58](#)

This example, **Cardinal Charter, Inc.**, is appropriate for a non-profit charter holder only one charter school where substantially all the activities of the non-profit relate to operation of the charter school.

For an example suitable for a non-profit holder of multiple charters for schools and substantially all the activities of the non-profit relate to operation of the charter schools, see the **Owl Charter, Inc.** illustrative statements. A non-profit that is the charter holder of a charter school with a separate non-profit owning and financing facilities (often identified as the "foundation") should review the sample reporting entity note included as an attachment to [Memo 2019-10](#).

Revised August 2021

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Cardinal Charter, Inc.

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Compliance Section

Note to preparer: The Table of Contents should be listed at a level of detail that meets the need of the users of the report, which may be more or less detailed than shown.

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Financial Section

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LETTERHEAD OF INDEPENDENT AUDITOR

Independent Auditor's Report

To the Board of Directors
Cardinal Charter, Inc.
Dogwood, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cardinal Charter, Inc. as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Cardinal Charter, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Emphasis of Matter or **Subsequent Event** paragraph should be considered.

Auditor's Responsibility

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

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

the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cardinal Charter Inc. as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13 through 20 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 and Other Information

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

The combining and individual non-major fund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, budgetary schedules, other schedules, and the accompanying Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated *[date of report]* on our consideration of Cardinal Charter, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Cardinal Charter, Inc.'s internal control over financial reporting and compliance.

[Signature]

[City and State]

[Date]

Note to preparer: Sample audit opinions and reports may be found [here](#). The sample opinion included has been modified for the Cardinal Charter, Inc. facts and circumstances.

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Management Discussion and Analysis

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Cardinal Charter, Inc.

Management's Discussion and Analysis

For the Year Ended June 30, 2021

As management of Cardinal Charter, Inc. ("Cardinal" or the "School"), we provide these financial statements and this narrative overview and analysis of the School's financial position at June 30, 2021 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

- Financial highlights regarding the financial impact of COVID should be presented.
- The assets of the School exceeded its liabilities and deferred inflows at the close of the fiscal year by \$475,693 (*net position*).
- The government's total net position increased by \$28,305, primarily due to an increase in the net position of the business-type activities.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$63,599, an increase of \$ 48,003 in comparison with the prior year.
- Enrollment continues to increase at the School, rising by 19 students this past year, a 4.5% increase. Student enrollment totaled 439, 420 and 398 in years 2021, 2020 and 2019, respectively.
- During the current fiscal year, Cardinal's total long-term debt increased by \$397,251 to \$577,428. The key factor in this increase was the new capital lease entered into by the School for the lease purchase of a new building. The total lease amount is \$400,000.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Cardinal's basic financial statements. The School's basic financial statements consist of three components: the government-wide financial statements, the fund financial statements, and the notes to the financial statements. The basic financial statements present two different views of the School through the use of the government-wide statements and the fund financial statements. In addition to the basic financial statements, the annual financial report contains the independent auditor's report, certain required supplementary information and other required schedules that provide additional information to enhance the reader's understanding of the financial position and activities of the School.

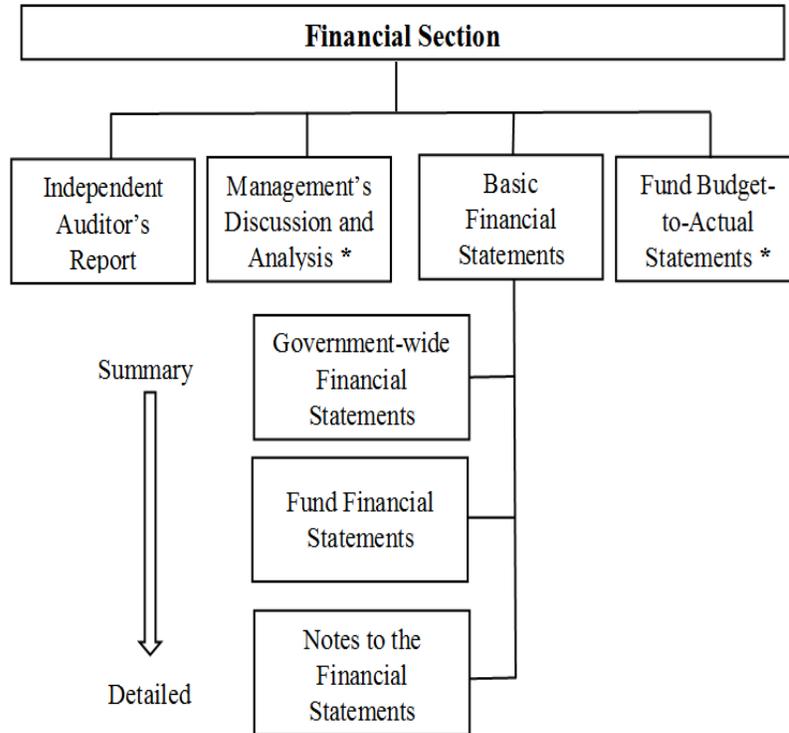
Note to Preparer: The following chart (Figure 1) is appropriate for a charter school that does not provide pension and OPEB-related benefits. A chart suitable for charter schools that do provide pension and OPEB-related benefits is also available and is included as an appendix to the Word document sample Charter School MD&A. The presentation as Figure 1 from prior versions can also be used.

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The chart in Figure 1 outlines the relationships of the components of the annual financial report.

Components of Annual Financial Report

Figure 1



* Required Supplementary Information

Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the School. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the proprietary funds statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the School's individual funds. Budgetary information for the School also can be found in this section of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The

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government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and how it has changed. Net position is the difference between the School's total assets plus deferred outflows of resources minus the total of liabilities plus deferred inflows of resources. Measuring net position is one way to gauge the School's financial condition.

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

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the School's budget ordinance. All of the funds of Cardinal can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The School adopts an annual budget for each of its funds, although it is not required to do so by the General Statutes. Because the budget is not legally required by the statutes, the budgetary comparison statements are not included in the basic financial statements but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the School in determining what activities will be pursued and what services will be provided by the School during the year. It also authorizes the School to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for each of the funds demonstrates how well the School has complied with the budget ordinance and whether the School has succeeded in providing the services as planned when the budget was adopted.

Proprietary Funds – Cardinal has two proprietary funds, both of which are enterprise funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide

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financial statements. The School uses enterprise funds to account for the net position, the change in net position and the cash flows for the school food service and the childcare services.

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 31 of this report.

Government-Wide Financial Analysis

Note to Preparer. GASBS 34 ¶9. Indicates that the “MD&A should discuss the current-year results in comparison with the prior year, with emphasis on the current year. This fact-based analysis should discuss the positive and negative aspects of the comparison with the prior year. The use of charts, graphs, and tables is encouraged to enhance the understandability of the information.”

GASBS 34 ¶11.c. provides for, at a minimum, inclusion of “[a]n analysis of the government's overall financial position and results of operations to assist users in assessing whether financial position has improved or deteriorated as a result of the year's operations. The analysis should address both governmental and business-type activities as reported in the government-wide financial statements and should include *reasons* for significant changes from the prior year, not simply the amounts or percentages of change. In addition, important economic factors, such as changes in the tax or employment bases, that significantly affected operating results for the year should be discussed.”

The financial analysis reveals that at June 30, 2021 cash and cash equivalents, and other current assets , primarily amounts due from other governments, accounted for 8.3% and 10.4% of total government-wide assets, respectively. These relationships were little changed from the prior year. During the 2021 fiscal year, the school entered into the lease long-term of a classroom building. This transaction accounted for \$400,000 of the increase in capital assets and long-term liabilities, increases of 61.4% and 190.4% respectively. Capital assets, net of accumulated depreciation, accounted for 81.3% of total assets. Long-term liabilities represent 76.1% of total liabilities.

As previously noted, net position may, over time, serve as one useful indicator of a school's financial condition. The assets of the School exceeded liabilities and deferred inflows of resources by \$475,693 as of June 30, 2021. At June 30, 2020, the net position of the School stood at \$447,388. The School's net position increased by \$28,305 for the fiscal year ended June 30, 2021, compared to an increase of \$15,360 in 2020. The School's investment in capital assets (e.g. land, buildings, furniture and school-related equipment) less outstanding debt issued to acquire those items represents the largest portion of total net position (84.0%). The School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining net asset amount, \$76,107, is unrestricted. In 2020, the amount of net investment in capital assets was \$412,909 with unrestricted net position standing at \$34,479.

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A condensed statement of net position which summarizes the assets, liabilities, deferred inflows of resources and net position at June 30, 2021 and 2020 is as follows:

Figure 2
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Cash and cash equivalents	\$ 91,584	\$ 46,205	\$ 5,387	\$ 1,215	\$ 96,971	\$ 47,420
Other current assets	102,667	100,347	18,791	1,863	121,458	102,210
Capital assets	914,783	566,936	33,541	26,150	948,324	593,086
Total assets	<u>1,109,034</u>	<u>713,488</u>	<u>57,719</u>	<u>29,228</u>	<u>1,166,753</u>	<u>742,716</u>
Liabilities						
Current and other liabilities	158,491	105,423	6,500	7,939	164,991	113,362
Long-term liabilities	523,313	180,177	1,256	-	524,569	180,177
Total liabilities	<u>681,804</u>	<u>285,600</u>	<u>7,756</u>	<u>7,939</u>	<u>689,560</u>	<u>293,539</u>
Deferred inflows of resources	<u>1,500</u>	<u>1,789</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,789</u>
Net position						
Net investment in capital assets	366,045	386,759	33,541	26,150	399,586	412,909
Unrestricted	59,685	39,340	16,422	(4,861)	76,107	34,479
Total net position	<u>\$ 425,730</u>	<u>\$ 426,099</u>	<u>\$ 49,963</u>	<u>\$ 21,289</u>	<u>\$ 475,693</u>	<u>\$ 447,388</u>

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

- The School adopted an annual budget for all funds except the Clubs and Activities Fund. The School's performance was measured using these budgets on a monthly basis, allowing changes in spending as needed to stay within the budget.
- The School applied for and was awarded several federal grants to assist with the expenses of meeting the education needs of extremely academically gifted children.
- Management is capitalizing on the population boom in the tri-county area and is focusing efforts on attracting students throughout the region. Funding increased by 12.9% reflecting both the increase in the student population and the various fund-raising activities.

Cardinal Charter, Inc.

Revenues, expenses, transfers and the change in net position is summarized in the following condensed statement of activities for the years ended June 30, 2021 and 2020:

Figure 3
Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	\$ -	\$ -	\$ 68,669	\$ 60,115	\$ 68,669	\$ 60,115
Operating grants and contributions	46,125	40,051	46,351	40,252	92,476	80,303
Capital grants and contributions	-	-	934	-	934	-
General revenues						
County, State and federal funds	500,472	446,421	-	-	500,472	446,421
Unrestricted grants and contributions	7,725	6,875	-	-	7,725	6,875
Investment earnings	325	215	-	-	325	215
Other revenues	15,762	14,102	-	-	15,762	14,102
Total revenues	<u>570,409</u>	<u>507,664</u>	<u>115,954</u>	<u>100,367</u>	<u>686,363</u>	<u>608,031</u>
Expenses						
Instructional services	464,536	415,829	-	-	464,536	415,829
System-wide support services	84,385	75,103	-	-	84,385	75,103
Non-programed charges	5,685	5,060	-	-	5,685	5,060
School food service	-	-	83,026	80,893	83,026	80,893
Childcare	-	-	14,254	12,686	14,254	12,686
Interest on long-term debt	6,172	3,100	-	-	6,172	3,100
Total expenses	<u>560,778</u>	<u>499,092</u>	<u>97,280</u>	<u>93,579</u>	<u>658,058</u>	<u>592,671</u>
Increase in net position before transfers	9,631	8,572	18,674	6,788	28,305	15,360
Transfers	(10,000)	(8,000)	10,000	8,000	-	-
Change in net position	(369)	572	28,674	14,788	28,305	15,360
Net position, beginning	<u>426,099</u>	<u>425,527</u>	<u>21,289</u>	<u>6,501</u>	<u>447,388</u>	<u>432,028</u>
Net position, ending	<u>\$ 425,730</u>	<u>\$ 426,099</u>	<u>\$ 49,963</u>	<u>\$ 21,289</u>	<u>\$ 475,693</u>	<u>\$ 447,388</u>

Governmental activities: Governmental activities decreased the School's net position by \$369. County, State and federal funds of \$500,472 increased by 12.1% make up 87.7% of total revenues. Instructional service and related expenses of \$495,995 account for 98.8% of total expenses and increased by 11.8%. This reflects the increased both increased program and general revenues offset against increased costs of providing instructional services, the increase in interest on long-term debt and the transfer to support the food service activities. Net position before transfers to support business-type activities increased 12.4%.

Business-type activities: Business-type activities consist of the school food services and childcare programs providing income before contributions and transfers of \$13,548 and \$4,192, respectively. These activities increased Cardinal's net position by \$28,674, accounting for almost 100% of the total growth in the School's net position.

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Key elements of this increase are as follows:

- By adopting a budget for each of the enterprise funds that comprise the business-type activities, the Board can monitor the School's revenues and expenditures and adjust their estimates as needed during the year.
- The School received \$46,351 of federal reimbursement funds in the School Food Service Fund this past year, a 15.1% increase over the prior year.

Financial Analysis of the School's Funds

Note to Preparer. GASBS 34 ¶11.d. provides for, at a minimum, inclusion of “[a]n analysis of balances and transactions of individual funds. The analysis should address the reasons for significant changes in fund balances or fund net assets and whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use.”

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

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

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, the assets in the General Fund consisted primarily of cash and cash equivalents which equaled 86.4% of total fund assets. Notes payable accounted for 61.4% of General Fund liabilities. The unassigned fund balance of the General Fund was \$1,260,763, while total fund balance reached \$1,272,437, an increase of \$78,367. The unassigned fund balance of the General Fund was \$54,084, or 86.4% of total fund balance, while total fund balance reached \$62,584. The primary source, 68.4%, of General Fund revenue was \$125,000 in reimbursements by various counties for their students attending the School. An additional \$45,441, or 23.6% of General Fund revenue, was provided by the State of North Carolina and the federal government. Expenditures for capital outlays for the new classroom facility totaled \$409,000, or 71.7% of General Fund expenditures. Additional instructions-related expenditures of \$124,212 and debt service of \$37,000 accounted for 21.8% and 6.5%, respectively, of General Fund expenditures.

At June 30, 2021, the governmental funds of Cardinal reported a combined fund balance of \$63,599, a 307.8% increase over last year.

Proprietary Funds. The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the School Food Service Fund at the end of the fiscal year amounted to \$11,488. The total growth in net position for the School Food Service Fund was \$23,548, which is comprised of income before transfers of \$13,548 and transfer from the General Fund of \$10,000.

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Capital Asset and Debt Administration

Note to Preparer. GASBS 34 ¶11.d. provides for, at a minimum, inclusion of “[a] description of significant capital asset and long-term debt activity during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services.”

Capital assets. The School’s investment in capital assets for its governmental and business–type activities as of June 30, 2021, totals \$948,324 (net of accumulated depreciation). These assets include the building, and various equipment, furniture and electronic equipment.

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

- The capital lease for a new classroom building with the total lease purchase price of \$400,000; and
- The purchase of a tract of land for \$9,000 to be held for future expansion.

The following schedule summarizes the School’s capital assets as June 30, 2021 and 2020:

Figure 4
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 9,000	\$ -	\$ -	\$ -	\$ 9,000	\$ -
Buildings	396,667	-	-	-	396,667	-
Furniture and other equipment	495,867	552,103	23,841	15,827	519,708	567,930
Electronic equipment	13,249	14,833	9,700	10,323	22,949	25,156
Capital assets, net	\$ 914,783	\$ 566,936	\$ 33,541	\$ 26,150	\$ 948,324	\$ 593,086

The School’s new classroom building that came online for the Fall semester provides additional state of the arts classroom facilities to serve the growing student population in the tri-county area. Additional information on the School’s capital assets can be found in Note III.A.2. of the Basic Financial Statements.

Long-term Debt. At June 30, 2021, the School had total debt outstanding of \$577,428. The debt consists of a \$25,000 note payable with Bank of Dogwood and \$548,783 of capital lease debt.

The School’s outstanding debt at June 30, 2021 and 2020 is summarized in the following schedule:

Figure 5
Long-term Obligations

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Capital leases	\$ 548,738	\$ 155,777	\$ -	\$ -	\$ 548,738	\$ 155,777
Notes payable direct borrowing	25,000	25,000	-	-	25,000	25,000
Compensated absences	2,047	-	1,643	-	3,690	-
Total long-term obligations	\$ 575,785	\$ 180,777	\$ 1,643	\$ -	\$ 577,428	\$ 180,777

Cardinal Charter, Inc.

Cardinal's total debt increased by \$397,251 during the past fiscal year due to the \$400,000 in capital lease financing issued for the lease purchase of a new classroom building.

Economic Factors

Note to Preparer. GASBS 34 ¶11.h. provides for, at a minimum, inclusion of "...a description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes in net assets)."

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

- The low unemployment rate (4.9%) in the tri-county area has increased revenues in the three counties and contributed to the increased funding to all public schools in the area, including charter schools.
- Though cutbacks in federal funding to education have resulted in a reduction of federal revenue for the School of 5% over the next year, the increase in the School's enrollment will generate more revenue overall.
- The high growth rate (20%) of the tri-county area is anticipated to increase the number of students in the School over the next three years. The School estimates the growth rate in enrollment to continue at a 10–15% increase each year for the next three years.

Impact of Coronavirus on School. During the fiscal year, the state and the nation were affected by the spread of a coronavirus. The Cardinal's response to the coronavirus included *please describe. Describe the financial and economic effects that the coronavirus has had on your School during the year and any action taken to moderate the impact.*

The GASB "Emergency Toolbox" designed to help quickly identify the authoritative guidance that could be relevant to the current circumstances may be found [here](#). North Carolina Local Government COVID and local government finance resources may be found [here](#).

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Cardinal Charter, Inc., 500 Dogwood Lane, Dogwood, NC 00000-0000, telephone (919) 800-9000. Additional information is available at the Cardinal's website, www.xxxxxxx.com.

Cardinal Charter, Inc.

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Cardinal Charter, Inc.

Basic Financial Statements

Cardinal Charter, Inc.

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Cardinal Charter, Inc.
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 91,584	\$ 5,387	\$ 96,971
Due from other governments	94,167	11,832	105,999
Receivables (net)	-	5,340	5,340
Internal balances	-	-	-
Inventories	500	1,619	2,119
Prepaid items	8,000	-	8,000
Capital assets			
Land	9,000	-	9,000
Other capital assets, net of depreciation	905,783	33,541	939,324
Total capital assets	<u>914,783</u>	<u>33,541</u>	<u>948,324</u>
Total assets	<u>1,109,034</u>	<u>57,719</u>	<u>1,166,753</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Accounts payable and accrued expenses	4,500	5,413	9,913
Accrued salaries and wages payable	90,652	700	91,352
Due to other governments	9,000	-	9,000
Accrued interest payable	1,867	-	1,867
Current portion of long-term liabilities	52,472	387	52,859
Total current liabilities	158,491	6,500	164,991
Long-term liabilities			
Due in more than one year	523,313	1,256	524,569
Total liabilities	<u>681,804</u>	<u>7,756</u>	<u>689,560</u>
Deferred inflows of resources	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Net position			
Net investment in capital assets	366,045	33,541	399,586
Unrestricted	59,685	16,422	76,107
Total net position	<u>\$ 425,730</u>	<u>\$ 49,963</u>	<u>\$ 475,693</u>

Note to preparer: Units that choose to aggregate deferred outflows and deferred inflows on the face of the statements should itemize components in the notes.

* Line items are selected for illustrative purposes only. Additional line items may be required. Line items for which there is **no activity** should not be displayed on the statement.

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

Cardinal Charter, Inc.
Statement of Activities
For the Year Ended June 30, 2021

Functions or Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
Instructional services	\$ 464,536	\$ -	\$ 22,657	\$ -	\$ (441,879)	\$ -	\$ (441,879)
System-wide support services	84,385	-	22,357	-	(62,028)	-	(62,028)
Non-programmed charges	5,685	-	1,111	-	(4,574)	-	(4,574)
Interest on long-term debt	6,172	-	-	-	(6,172)	-	(6,172)
Total governmental activities	<u>560,778</u>	<u>-</u>	<u>46,125</u>	<u>-</u>	<u>(514,653)</u>	<u>-</u>	<u>(514,653)</u>
Business-type activities							
School food service	83,026	50,223	46,351	-	-	13,548	13,548
Childcare	14,254	18,446	-	934	-	5,126	5,126
Total business-type activities	<u>97,280</u>	<u>68,669</u>	<u>46,351</u>	<u>934</u>	<u>-</u>	<u>18,674</u>	<u>18,674</u>
Total primary government	<u>\$ 658,058</u>	<u>\$ 68,669</u>	<u>\$ 92,476</u>	<u>\$ 934</u>	<u>(514,653)</u>	<u>18,674</u>	<u>(495,979)</u>
General revenues							
Unrestricted county appropriations					125,000	-	125,000
Unrestricted State appropriations					347,531	-	347,531
Unrestricted federal appropriations					27,941	-	27,941
Contributions and donations, general					7,725	-	7,725
Investment earnings, unrestricted					325	-	325
Miscellaneous revenue, unrestricted					15,762	-	15,762
Total general revenues					<u>524,284</u>	<u>-</u>	<u>524,284</u>
Transfers					<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
Total general revenues and transfers					<u>514,284</u>	<u>10,000</u>	<u>524,284</u>
Change in net position					(369)	28,674	28,305
Net position, beginning					<u>426,099</u>	<u>21,289</u>	<u>447,388</u>
Net position, ending					<u>\$ 425,730</u>	<u>\$ 49,963</u>	<u>\$ 475,693</u>

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

Cardinal Charter, Inc.
Balance Sheet
Governmental Funds
June 30, 2021

	Major Funds			Total Governmental Funds
	General	State Public School	Total Non-major Funds	
Assets				
Cash and cash equivalents	\$ 90,569	\$ -	\$ 1,015	\$ 91,584
Due from other funds	-	9,000	-	9,000
Due from other governments	5,747	84,724	3,696	94,167
Prepaid items	8,000	-	-	8,000
Inventories	500	-	-	500
Total assets	<u>\$ 104,816</u>	<u>\$ 93,724</u>	<u>\$ 4,711</u>	<u>\$ 203,251</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 4,500	\$ -	\$ -	\$ 4,500
Accrued salaries and wages payable	2,232	84,724	3,696	90,652
Note payable to bank	25,000	-	-	25,000
Due to other governments	-	9,000	-	9,000
Due to other funds	9,000	-	-	9,000
Total liabilities	<u>40,732</u>	<u>93,724</u>	<u>3,696</u>	<u>138,152</u>
Deferred inflows of resources	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
Fund balance				
Nonspendable				
Inventories	500	-	-	500
Prepaid items	8,000	-	-	8,000
Assigned				
Clubs and Activities	-	-	1,015	1,015
Unassigned	54,084	-	-	54,084
Total fund balances	<u>62,584</u>	<u>-</u>	<u>1,015</u>	<u>63,599</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 104,816</u>	<u>\$ 93,724</u>	<u>\$ 4,711</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	914,783
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.	<u>(552,652)</u>
Net position of governmental activities	<u>\$ 425,730</u>

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

Cardinal Charter, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	Major Funds			Total Governmental Funds
	General	State Public School	Total Non-major Funds	
Revenues				
State of North Carolina	\$ 17,500	\$ 347,136	\$ -	\$ 364,636
Boards of Education	125,000	-	-	125,000
U.S. Government	27,941	-	29,020	56,961
Contributions and donations	7,000	-	725	7,725
Investment earnings	325	-	-	325
Other revenues	14,996	-	766	15,762
Total revenues	192,762	347,136	30,511	570,409
Expenditures				
Current				
Instructional services	60,196	327,136	25,552	412,884
System-wide support services	59,442	9,981	3,414	72,837
Non-programmed charges	4,574	19	1,092	5,685
Capital outlay	409,000	-	-	409,000
Debt service				
Principal	31,439	-	-	31,439
Interest and other charges	5,561	-	-	5,561
Total expenditures	570,212	337,136	30,058	937,406
Excess (deficiency) of revenues over expenditures	(377,450)	10,000	453	(366,997)
Other financial sources (uses)				
Transfers to other funds	-	(10,000)	-	(10,000)
Note payable issued	25,000	-	-	25,000
Capital lease obligations issued	400,000	-	-	400,000
Total other financing sources (uses)	425,000	(10,000)	-	415,000
Net change in fund balance	47,550	-	453	48,003
Fund balance, beginning	15,034	-	562	15,596
Fund balance, ending	\$ 62,584	\$ -	\$ 1,015	\$ 63,599

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

Cardinal Charter, Inc.
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of the Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

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

Net changes in fund balances - total governmental funds	\$ 48,003
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	347,847
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and prepaid insurance when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(393,561)
Difference in accrued interest payable and interest expensed on fund statements	(611)
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.	
Compensated absences	(2,047)
Total changes in net position of governmental activities	\$ (369)

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

Cardinal Charter, Inc.
Statement of Net Position
Proprietary Funds
June 30, 2021

	Enterprise Funds		
	Major Fund	Non-major Fund	Total
	School Food Service	Childcare	
Assets			
Current assets			
Cash and cash equivalents	\$ 3,172	\$ 2,215	\$ 5,387
Due from other governments	11,132	700	11,832
Due from other funds	-	-	-
Receivables (net)	2,800	2,540	5,340
Inventories	1,419	200	1,619
Total current assets	<u>18,523</u>	<u>5,655</u>	<u>24,178</u>
Noncurrent assets			
Capital assets			
Furniture and office equipment, net	19,541	800	20,341
Food service equipment	3,500	-	3,500
Computer equipment, net	9,500	200	9,700
Total noncurrent assets	<u>32,541</u>	<u>1,000</u>	<u>33,541</u>
Total assets	<u>51,064</u>	<u>6,655</u>	<u>57,719</u>
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	5,392	721	6,113
Due to other funds	-	-	-
Due within one year	387	-	387
Total current liabilities	<u>5,779</u>	<u>721</u>	<u>6,500</u>
Long-term liabilities			
Other long-term liabilities	-	-	-
Due in more than one year	1,256	-	1,256
Total long-term liabilities	<u>1,256</u>	<u>-</u>	<u>1,256</u>
Total liabilities	<u>7,035</u>	<u>721</u>	<u>7,756</u>
Net position			
Net investment in capital assets	32,541	1,000	33,541
Unrestricted	11,488	4,934	16,422
Total net position	<u>\$ 44,029</u>	<u>\$ 5,934</u>	<u>\$ 49,963</u>

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

Cardinal Charter, Inc.
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Enterprise Funds		
	Major Fund	Non-major Fund	
	School Food Service	Childcare	Total
Operating revenues			
Food sales	\$ 50,223	\$ -	\$ 50,223
Childcare fees	-	18,446	18,446
Total operating revenues	<u>50,223</u>	<u>18,446</u>	<u>68,669</u>
Operating expenses			
Costs of purchased food	45,899	-	45,899
Salaries and benefits	11,859	11,727	23,586
Indirect costs	113	144	257
Materials and supplies	153	517	670
Depreciation	950	773	1,723
Contracted services	23,970	1,093	25,063
Other operating expenses	82	-	82
Total operating expenses	<u>83,026</u>	<u>14,254</u>	<u>97,280</u>
Operating income (loss)	<u>(32,803)</u>	<u>4,192</u>	<u>(28,611)</u>
Nonoperating revenues			
Federal reimbursements	46,351	-	46,351
Total nonoperating revenues	<u>46,351</u>	<u>-</u>	<u>46,351</u>
Income before contributions and transfers	13,548	4,192	17,740
Capital contributions	-	934	934
Transfers from other funds	10,000	-	10,000
Change in net position	23,548	5,126	28,674
Net position, beginning	<u>20,481</u>	<u>808</u>	<u>21,289</u>
Net position, ending	<u>\$ 44,029</u>	<u>\$ 5,934</u>	<u>\$ 49,963</u>

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

Cardinal Charter, Inc.
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Enterprise Funds		
	Major Fund	Non-major Fund	
	School Food Service	Childcare	Total
Cash flow from operating activities			
Cash received from customers	\$ 37,207	\$ 15,206	\$ 52,413
Cash paid for goods and services	(62,951)	(1,854)	(64,805)
Cash paid to employees for services	(10,093)	(11,827)	(21,920)
Net cash provided by (used in) operating activities	<u>(35,837)</u>	<u>1,525</u>	<u>(34,312)</u>
Cash flow from noncapital financing activities			
Federal reimbursements	46,351	-	46,351
Cash flow provided by noncapital financing activities	<u>46,351</u>	<u>-</u>	<u>46,351</u>
Cash flow from capital and related financing activities			
Capital contributions	-	934	934
Acquisition of capital assets	(8,287)	(827)	(9,114)
Net cash provided by (used in) capital and related financing activities	<u>(8,287)</u>	<u>107</u>	<u>(8,180)</u>
Net increase in cash and cash equivalents	2,227	1,632	3,859
Cash and cash equivalents, beginning	945	583	1,528
Cash and cash equivalents, ending	<u>\$ 3,172</u>	<u>\$ 2,215</u>	<u>\$ 5,387</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ (32,803)	\$ 4,192	\$ (28,611)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	950	773	1,723
Salaries paid by special revenue fund	10,000	-	10,000
Changes in assets and liabilities:			
Increase in due from other governments	(8,573)	(700)	(9,273)
Increase in accounts receivable	(2,800)	(2,540)	(5,340)
Increase in inventory	(785)	(200)	(985)
Increase (decrease) in accounts payable and accrued liabilities	(1,949)	100	(1,849)
Increase (decrease) in salaries and wages payable	123	(100)	23
Total adjustments	<u>(3,034)</u>	<u>(2,667)</u>	<u>(5,701)</u>
Net cash provided by (used in) operating activities	<u>\$ (35,837)</u>	<u>\$ 1,525</u>	<u>\$ (34,312)</u>

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

Cardinal Charter, Inc.
Notes to the Financial Statements
For the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

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

Note to Preparer: The GASB “Emergency Toolbox” designed to help quickly identify the authoritative guidance that could be relevant to the impact of coronavirus on School current may be found [here](#). North Carolina Local Government COVID-19 resources may be found [here](#).

The laws related to charter schools have been recodified as NC General Statutes Chapter 115C, Article 14A (G.S. 115C-218 through 115C-218.115) and are available [here](#).

This example is appropriate for a non-profit that sponsors only one charter school and substantially all of the activities of the non-profit relate to operation of the charter school.

For a non-profit sponsoring multiple charter schools, review the sample provided for Owl Charter, Inc.

The following is a summary of the more significant accounting policies.

A. Reporting Entity

Cardinal is a North Carolina non-profit corporation incorporated in October 2014. Pursuant to the provisions of the Charter School Act of 1996 as amended (the “Act”), Cardinal has been approved to operate Cardinal Charter School, a public school serving approximately 439 students. The School operates under an approved charter received from the SBE and applied for under the provisions of G.S. 115C-218.1. G.S. 115C-218.6(b)(1) provides 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, 20xx and may be renewed for subsequent periods of ten (10) years unless one of the conditions in G.S. 115C-218.6(b) applies in which case the SBE may renew the charter for a shorter period or not renew the charter. Management believes that the charter will be renewed in the ordinary course of business.

Cardinal Charter, Inc.

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

Note to Preparer: The above language is suggested when the IRS has issued a determination letter recognizing the organization as tax-exempt. Adjust the language appropriately if the application for recognition of exemption from federal income taxation has been or will be filed but a determination letter has not been received.

B. Basis of Presentation

In accordance with GASB Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments (“GASB 34”), Cardinal 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 Cardinal, including the School. 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 Cardinal. 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 Cardinal and for each function of Cardinal’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 Cardinal’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. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Cardinal Charter, Inc.

Cardinal reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of Cardinal. 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.

Cardinal reports the following major enterprise fund:

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

Cardinal reports two non-major governmental funds, the Federal Grants Fund and the Clubs and Activities Fund, and reports one non-major enterprise fund, the Childcare Fund.

Note to Preparer: In the situation presented here, the School does have administrative involvement per the criteria in GASBS 84 ¶11.c.(2); therefore, the activity would continue to be reported in the special revenue fund. Depending upon the policies and legal structure of a given charter school's clubs and activities, the presentation of these activities for each school may be different. Implementation Guide No. 2019-2, *Fiduciary Activities* has numerous examples of how to apply GASBS 84 to reporting club and scholarship activities based on how each charter school's policy. Refer to questions 3 and 4.28 in Implementation Guide 2019-2, *Fiduciary Activities*, for more information. Also, see [Memo 2021-04](#) for additional information.

C. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which Cardinal 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. Cardinal 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.

Cardinal Charter, Inc.

Under the terms of grant agreements, Cardinal funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is Cardinal'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, except for the chess, drama, and debate clubs and Cardinal athletics which are included in the Clubs and Activities Fund. 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 Cardinal'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 Cardinal at June 30, 2021. All appropriations lapse at year end.

Note to Preparer: Because charter schools are not required by the General Statutes to adopt an annual budget, some variation exists regarding the basis on which the schools develop their budgets. If a school adopts an annual budget by fund or adopts a fund budget for only some of the school's funds, the budget to actual statements should be prepared on a fund basis. If, however, the school adopts a school-wide budget, the budget to actual statement would reflect all revenues and expenditures as measured against the estimated revenue and appropriations for the school.

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

1. Deposits and Investments

All deposits of Cardinal are made in local banks, whose accounts are FDIC insured. Also, Cardinal may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts and certificates of deposit.

2. Cash and Cash Equivalents

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

3. Inventories and Prepaid Items

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

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

Cardinal Charter, Inc.

4. Capital Assets

Cardinal'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 Cardinal to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items which are purchased and used in large quantities such as student desks and office furniture are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Note to Preparer: GASB Statement 72 requires that donations of specific capital assets during fiscal years beginning after June 15, 2015, be measured at acquisition value (market-based entry price). For more information on the acquisition value requirements for certain donated capital assets please refer to Paragraph 79 of GASB Statement No. 72.

Capital assets are depreciated over the following estimated useful lives:

Asset Category	Years
Buildings	50
Furniture and office equipment	10
Food service equipment	7
Electronic equipment	5

5. Deferred outflows or 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. Cardinal has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. Cardinal has one item that meets the criterion for this category: prepaid facilities rent in the General Fund.

6. Long-term obligations

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

Cardinal Charter, Inc.

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

7. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual leave balances. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. Cardinal accounts for its leave on a first-in, first-out basis, such that the oldest available leave is used first. The current portion of the liability is recorded as such in the government-wide financial statements.

The sick leave policy of Cardinal provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since Cardinal has no obligation for accumulated sick leave until it is taken, no accrual for sick leave has been made.

8. Net Position and Fund Balance

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

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

Prepaid Items – that 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.

Cardinal Charter, Inc.

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

Note to Preparer: Cardinal Charter, Inc. does not have an example of restricted or committed fund balance. Refer to the City of Dogwood or Carolina County Illustrative Statements for an example.

Restricted and Committed section of Fund Balance must be by purpose. The name of the restricting source is not a purpose. Example: “Restricted by grants” is not a purpose and should be renamed “Restricted for School Capital Outlay”.

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

Assigned – That amount of fund balance that Cardinal intends to use for specific purposes.

Note to Preparer: Schools must disclose the official that has authority to assign fund balance for a specific purpose and the policy of the governing body that established this authorization.

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

Unassigned – 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.

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

Note to Preparer: Schools should modify this language to reflect their own policies.

9. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between governmental funds’ total fund balance and governmental activities’ net position as reported in the government-wide statement of net position.

Cardinal Charter, Inc.

The net adjustment of \$362,131 represents the amount that the net position of governmental activities exceeds the total fund balances of governmental funds and consists of several elements as follows:

Description	Amount
Capital assets used in governmental activities are not financial resources are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$ 1,046,860
Less accumulated depreciation	(132,077)
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements.	
Bonds, leases, and installment financing	(548,738)
Compensated absences	(2,047)
Accrued interest payable	(1,867)
Total adjustment	<u>\$ 362,131</u>

F. Revenues, Expenditures, and Expenses

1. Funding

Cardinal is funded by the SBE receiving (i) an amount equal to the average per pupil allocation for the average daily membership (“ADM”) from the local school administrative unit allotments in which the school is located (*i.e.* Carolina County Board of Education) for each child attending the school except for the allocation for children with special needs and (ii) an additional amount for each child attending the school who is a child with special needs (G.S. 115C-218.105(a)).

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

Additionally, Cardinal receives for each student an amount equal to the per pupil share of the local current expense fund of the local school administrative unit in which the child resides. (G.S. 115C-218.105(c)). Amounts transferred that consist of revenue from supplemental taxes shall be transferred only to a charter school located in the district where the taxes are levied and the child resides.

For the fiscal year ended June 30, 2021, Cardinal received funding from the Boards of Education for Carolina County (\$75,000), Dogwood County (\$43,750), and Old Pine County (\$6,250).

Furthermore, Cardinal has received donations of cash or equipment from private organizations. The cash has been used for the purchase of new equipment for Cardinal’s facilities.

Cardinal Charter, Inc.

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 the fund balance of the governmental funds and the change in the net position of governmental activities as reported on the government-wide statement of activities.

The net difference of \$48,372 between the two amounts represents the amount that the change in fund balances of government funds exceeds the change in net position of governmental activities and 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.	\$ 419,078
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(71,231)
New debt issued during the year is recorded as a source of funds on the fund statements but has no effect on the statement of activities, only the statement of net position.	(400,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	6,439
Expenses reported on the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual).	(611)
Compensated absences are accrued in the government-wide statements but not in the fund statements, as they do not use current resources.	(2,047)
Total adjustment	<u>\$ (48,372)</u>

II. Stewardship, Compliance, and Accountability

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

1. Noncompliance with North Carolina General Statutes

Cardinal, in violation of G.S. 115C-218.105(b), purchased a tract of land for \$9,000 with funds provided by State Board of Education during the year ended June 30, 2021. It is Cardinal's intention to keep the land for future school expansion. Accordingly, capital outlay and a liability for the \$9,000 to be repaid to the State Public School Fund have been recorded in the

Cardinal Charter, Inc.

General Fund. A receivable from the General Fund and a liability to the State of North Carolina have been recorded in the State Public School Fund. (See the related Note III.C.)

Note to preparer: Significant instances of noncompliance with the General Statutes should be disclosed in this section and should include a description of the school's plan to correct the violation. Immaterial instances of noncompliance could be summarized in the management letter. For a charter school, budgetary over-expenditures are not statutory violations. See the preceding example. The auditor should consider reporting issues normally disclosed in this section in the management letter.

2. Contractual Violations

Note to preparer: Significant contractual violations of lease arrangements, loans or other contractual agreements should be disclosed in this section along with a corrective action plan.

B. Deficit Fund Balance or Net Position of Individual Funds

Note to preparer: Individual funds that report deficits in their fund balances or in their total net position should be disclosed along with a corrective action plan.

III. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2021, Cardinal had deposits with banks and savings and loans with a carrying amount of \$96,871. The bank balance with the financial institutions was \$110,951, which was covered by federal depository insurance. Cardinal does not have a deposit policy for custodial credit risk. Cardinal holds \$100 in petty cash.

Note to preparer: As required by GASB 40, any deposit amount beyond the FDIC limit must be disclosed as uncollateralized. The school should disclose whether or not their board has adopted a formal policy for any of the different deposit and investments risks it encounters. In addition, the unit should include whether its management follows any internal practices to avoid applicable risks. See *Note III.A.1* of Carolina County Board of Education for an example of when the Board has not formally adopted a policy, nor does management have an internal policy. Please see *Note III.A.1* of City of Dogwood for an example of when no formal policy has been adopted, but there are internal management policies in place. See *Note III.A.1* of Carolina County for an example of a formal policy.

Cardinal Charter, Inc.

2. Capital Assets

Capital asset activity related to governmental activities for the year ended June 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities				
Capital assets not being depreciated				
Land	\$ -	\$ 9,000	\$ -	\$ 9,000
Capital assets being depreciated				
Buildings	-	400,000	-	400,000
Furniture and office equipment	607,214	4,278	-	611,492
Electronic equipment	20,568	5,800	-	26,368
Total capital assets being depreciated	<u>627,782</u>	<u>410,078</u>	<u>-</u>	<u>1,037,860</u>
Less accumulated depreciation for				
Buildings	-	3,333	-	3,333
Furniture and office equipment	55,111	60,514	-	115,625
Electronic equipment	5,735	7,384	-	13,119
Total accumulated depreciation	<u>60,846</u>	<u>71,231</u>	<u>-</u>	<u>132,077</u>
Total capital assets being depreciated, net	<u>\$ 566,936</u>			<u>\$ 905,783</u>
Total - governmental capital assets, net	<u>\$ 566,936</u>			<u>\$ 914,783</u>

Depreciation expense charged to governmental functions for the year ended June 30, 2021 is summarized as follows:

Description	Amount
Instructional programs	\$ 55,135
Supporting services	<u>16,096</u>
Total depreciation expense	<u>\$ 71,231</u>

Cardinal Charter, Inc.

Capital asset activity related to business-type activities for the year ended June 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities				
Food Service Fund				
Capital assets being depreciated				
Furniture and office equipment	\$ 12,066	\$ 8,287	\$ -	\$ 20,353
Food service equipment	4,000	-	-	4,000
Electronic equipment	10,000	-	-	10,000
Total capital assets being depreciated	<u>26,066</u>	<u>8,287</u>	<u>-</u>	<u>34,353</u>
Less accumulated depreciation for				
Furniture and office equipment	362	450	-	812
Food service equipment	250	250	-	500
Electronic equipment	250	250	-	500
Total accumulated depreciation	<u>862</u>	<u>950</u>	<u>-</u>	<u>1,812</u>
Food service fund capital assets, net	<u>\$ 25,204</u>			<u>\$ 32,541</u>
Childcare Fund				
Capital assets being depreciated				
Furniture and office equipment	\$ 373	827	-	\$ 1,200
Electronic equipment	573	-	-	573
Total capital assets being depreciated	<u>946</u>	<u>827</u>	<u>-</u>	<u>1,773</u>
Less accumulated depreciation for				
Furniture and office equipment	-	400	-	400
Electronic equipment	-	373	-	373
Total accumulated depreciation	<u>-</u>	<u>773</u>	<u>-</u>	<u>773</u>
Childcare fund capital assets, net	<u>\$ 946</u>			<u>\$ 1,000</u>
Business-type capital assets, net	<u>\$ 26,150</u>			<u>\$ 33,541</u>

B. Liabilities

1. Pension Plan Obligations

a. Retirement Plan

Cardinal has adopted a tax deferred annuity retirement plan under Internal Revenue Code §403(b). The Cardinal Charter, Inc. Retirement Plan (“Retirement Plan”) is a defined contribution plan and is administered by Dogwood Pension Services, Inc. The Retirement Plan was effective July 1, 2010. The benefit terms are established or may be amended by the Board of Directors. All full-time employees who have reached age 21 are eligible to participate in the plan after one year of service to Cardinal. Employees who work at least 30 hours a week are considered full-time. Cardinal contributes 4% of the annual compensation of each eligible employee. The employee may make voluntary contributions, pursuant to a salary reduction agreement, of a percentage of annual compensation not to exceed the limits set by the Internal Revenue Code.

Cardinal Charter, Inc.

At June 30, 2021, all eligible employees of Cardinal were included in the Retirement Plan. Cardinal made all required contributions. For the year ended June 30, 2021, the pension cost was \$2,438, with members contributing \$3,961. No amounts were forfeited. The financial statements for the Retirement Plan are available by contacting Dogwood Pension Services, Inc. at 919-555-6868 or by writing to 555 Cardinal Avenue, Dogwood, NC 00000.

Note to preparer: For charter schools participating in the Teachers and State Employees Retirement System, illustrative note disclosures for the pension plan and the post-employment retirement benefits may be found in the Carolina County Board of Education illustrative financial statements. The current level of required contributions for the fiscal year is detailed in a memo issued by the staff of the Local Government Commission.

For charter schools providing their own retirement benefits, the preparer should consider what information is relevant to the users of the financial statements. This should include, but is not limited to, a description of the type of retirement plan offered, the eligibility requirements, and the cost to the school. See GASB Statements 68 and 73 for guidance on specific disclosure requirements.

2. Other Post Employment Benefit

Note to preparer: For charter schools participating in the State Health Plan, illustrative note disclosures for the other post-employment benefits may be found in the Carolina County Board of Education illustrative financial statements. The current level of required contributions for the fiscal year is detailed in a memo issued by the staff of the Local Government Commission.

Single-employer healthcare plan disclosures are also found in the Carolina County (partially funded plan) and in the City of Dogwood (unfunded plan) illustrative financial statements.

For charter schools providing their own other post-employment benefits, the preparer should consider what information is relevant to the users of the financial statements. This should include, but is not limited to, a description of the type of plan offered, the eligibility requirements, and the expense to the school. See GASB Statements 74 and 75 for guidance on specific disclosure requirements.

3. Deferred Inflows of Resources

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

Description	Unearned Revenue
Prepaid facilities rent (General Fund)	\$ 1,500

4. Risk Management

Cardinal and the School are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Cardinal Charter, Inc.

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

As authorized by G.S. 115C-218.90(a)(4), Cardinal also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan ("Medical Plan"), a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through this plan, permanent full-time employees of the School are eligible to receive health care benefits. The School pays the full cost of coverage for employees enrolled in the Medical Plan.

Cardinal and the School carry 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. Cardinal carries flood insurance through the National Flood Insurance Plan (NFIP). Because Cardinal is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the City is eligible to purchase coverage of \$500,000 per structure through the NFIP.

5. Claims and Judgments

At June 30, 2021, Cardinal was a defendant to various lawsuits. In the opinion of management and Cardinal's attorney, the ultimate effect of these legal matters will not have a material adverse effect on Cardinal's financial position.

6. Long-Term Obligations

Note to Preparer: Schools should be alert to any debt covenant violations including debt coverage ratio requirements, debt term modifications, payment extensions, defaults, etc. and include appropriate disclosures.

In addition to other requirements to disclose information related to debt in the notes, schools should disclose the information required by GASB Statement 88 and [Memo 2020-08](#).

a. Note Payable

On May 16, 2020, the school entered into a direct borrowing from a bank for \$25,000 plus interest at prime plus 1% evidenced by an unsecured note with a six-month term. The 2020 note was repaid in full plus interest on September 15, 2020. On March 18, 2021, the school entered into a direct borrowing from a bank for \$25,000 plus interest at prime plus 1.5% evidenced by an unsecured note with a six-month term. The loans were obtained for working capital purposes during the summer months.

b. Capital Leases

Cardinal entered into various lease agreements for certain equipment. At the conclusion of each of the leases, ownership is transferred to Cardinal. The lease agreements qualify as capital leases for accounting purposes and, therefore, the obligations have been recorded at the present value of the future minimum lease payments as of the date of their inception.

Cardinal Charter, Inc.

Cardinal entered into two capital leases in July 2017 for school furnishings including desks and physical education equipment, as well as electronic equipment, including computers. Both capital leases were for four-year terms.

In January 2021, Cardinal entered into a capital lease in the amount of \$400,000 for the school building. The lease is for a twenty-year term, requiring annual payments from \$21,296 to \$25,056.

At June 30, 2021, assets recorded under the capital leases were as follows:

Class of Property	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 400,000	\$ 3,333	\$ 396,667
Furniture and office equipment	200,000	38,142	161,858
Electronic equipment	18,768	11,991	6,777
Total	<u>\$ 618,768</u>	<u>\$ 53,466</u>	<u>\$ 565,302</u>

The following is a schedule of the future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2021:

Fiscal Years Ending June 30	Amounts
2022	\$ 44,520
2023	45,419
2024	46,328
2025	48,198
2026	50,126
2027 - 2031	125,633
2032 - 2036	127,500
2037 - 2041	<u>250,250</u>
Total minimum lease payments	737,974
Less: amount representing interest	<u>189,236</u>
Present value of minimum lease payments	<u>\$ 548,738</u>

Note to Preparer: Schools should review leases and other contracts to identify items that require reporting under GASBS 87. Memo [2021-05](#) offers guidance on the policy and planning aspects associated with the lease guidance and Memo [2021-09](#) and related worksheets focuses on the implementation of the statement from both a lessee's and a lessor's perspective. Development tools have been developed to assist local governments post various transactions to the general ledger.

Cardinal Charter, Inc.

c. Changes in General Long-Term Obligations

The following is a summary of changes in Cardinal’s long-term obligations for the fiscal year ended June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities					
Capitalized leases	\$ 155,177	\$ 400,000	\$ 6,439	\$ 548,738	\$ 27,272
Note payable direct borrowing	25,000	25,000	25,000	25,000	25,000
Compensated absences	-	10,700	8,653	2,047	200
Total	<u>\$ 180,177</u>	<u>\$ 435,700</u>	<u>\$ 40,092</u>	<u>\$ 575,785</u>	<u>\$ 52,472</u>
Business-type activities					
Compensated absences	\$ -	\$ 2,257	\$ 614	\$ 1,643	\$ 387
Total	<u>\$ -</u>	<u>\$ 2,257</u>	<u>\$ 614</u>	<u>\$ 1,643</u>	<u>\$ 387</u>

C. Interfund Balances and Activity

The composition of interfund balances as of June 30, 2021, is as follows:

	<u>Amount</u>
Balance represents amount owed to the State Public School Fund from the General Fund to repay the fund for a tract of land purchased in violation of G.S. 115C-218.105(b).	<u>\$ 9,000</u>

Transfers to and from other funds for the year ended June 30, 2021 include the following:

	<u>Amount</u>
Amount transferred from the State Public School Fund to the School Food Service Fund to support activities related to providing nutritionally-balanced meals to students.	<u>\$ 10,000</u>

Note to preparer: The purpose of each transfer must be disclosed.

Understanding interfund balances plays a significant role in the determination of fiscal health. The justification and a repayment schedule should be disclosed for balances that are not expected to be repaid within the current fiscal year. All interfund transactions throughout the year are considered essential to fair presentation at the basic financial statement level and should be included in the notes to the financial statements. For interfund transfers, amounts transferred between funds by individual major fund, non-major governmental funds in the aggregate, non-major enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type; a general description of the principal purposes of interfund transfers; and purposes for and amounts of non-routine transfers and transfers inconsistent with the activities of the fund making the transfers should be disclosed in the notes.

These provisions should be applied only to material items.

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Note to preparer: Also, the due to and the due from in this case illustrates the repayment of the misspent money disclosed in the Stewardship, Compliance, and Accountability note. The Special Revenue funds should not be advancing money to other funds using due to and due from transactions for routine operational needs. If such advances are made, they should be disclosed as a violation of General Statutes.

D. Fund Balance

Cardinal has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officer will use resources according to the following hierarchy: Federal funds, State funds, local non-Cardinal funds, and Cardinal 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 unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of Cardinal.

Note to Preparer: Schools should modify the revenue spending policy description to reflect their specific policies.

The following schedule provides management and citizens with information on the portion fund balance of the General Fund that is available for appropriation as of June 30, 2021.

Total fund balance	\$	62,584
Less		
Inventories		500
Prepaid items		8,000
Remaining fund balance	\$	54,084

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year end. The following schedule provides a summary of encumbrances outstanding as of June 30, 2021.

Fund	Amount
General Fund	\$ 10,450
Non-major funds	3,000

Note to Preparer: The school is also required to disclose dollar amount of encumbrances for all major funds and non-major funds in aggregate. Encumbrances under GASB Statement No. 54 will not be shown on the face of the statement; however, amounts of significant encumbrances must be disclosed for each major fund and in aggregate for non-major funds.

Cardinal Charter, Inc.

E. Net Investment in Capital Assets

Note to preparer: If the net investment in capital assets amount is not easily determinable based on the amounts presented in the basic financial statements, please include a calculation. It may be submitted in a document separate from the audit submission.

IV. Related Party Transactions

Mr. Paul Smith, a member of the governing board of Cardinal, also serves as principal of the School. For the fiscal year, Mr. Smith was paid a salary of \$25,200 from the General Fund and \$19,800 from the State Public School Fund.

Note to preparer: Under GAAP, significant commitments, agreements, contracts and transactions with officials and employees of the school and with any related organizations should be fully disclosed.

These GAAP disclosures should include the nature of the relationship, a description and the dollar amount of any transactions, the amount(s) due to or from the related parties, the fund(s) involved in the transaction, and any other significant details. Other types of transactions that might need to be disclosed could include any of the following: loans, leases of equipment or facilities, other types of service arrangements, purchase or sale of capital assets, etc.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

Cardinal 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.

VI. Significant Effects of Subsequent Events

Note to preparer: Events between the end of the accounting period covered by the financial statements and the issuance date that have a significant effect upon the school should be disclosed.

Required Supplementary Information

Note to preparer: Charter schools participating in the Teachers and State Employees Retirement System (“TSERS”) or providing other post-employment benefits should include the required supplementary information. Appropriated disclosures for TSERS are presented in the Carolina County Board of Education and other sample financial statements.

Cardinal Charter, Inc.

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Cardinal Charter, Inc.

Non-major Governmental Funds

Federal Grants Fund	This fund is used to account for the federal moneys that are passed through the State Department of Public Instruction to the School.
Clubs and Activities Fund	This fund is used to account for the funds raised and earned by the various clubs and activities, including the athletic teams that are part of the School.

Cardinal Charter, Inc.

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Cardinal Charter, Inc.
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2021

	Special Revenue Funds		Total
	Federal Grants Fund	Clubs and Activities Fund	
Assets			
Cash and cash equivalents	\$ -	\$ 1,015	\$ 1,015
Due from other governments	3,696	-	3,696
Total assets	\$ 3,696	\$ 1,015	\$ 4,711
Liabilities			
Accrued salaries and wages payable	\$ 3,696	\$ -	\$ 3,696
Total liabilities	3,696	-	3,696
Fund balances			
Assigned - Clubs and Activities	-	1,015	1,015
Total liabilities and fund equity	\$ 3,696	\$ 1,015	\$ 4,711

Cardinal Charter, Inc.
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended June 30, 2021

	Special Revenue Funds		Total
	Federal Grants Fund	Clubs and Activities Fund	
Revenues			
U.S. Government			
Title I, Grant to Local Education			
Agencies - Educationally Deprived	\$ 17,412	\$ -	\$ 17,412
Title VI - Innovative Education Programs	10,158	-	10,158
Other U.S. government	1,450	-	1,450
Total	29,020	-	29,020
Contributions and donations	-	725	725
Other revenues	-	766	766
Total revenues	29,020	1,491	30,511
Expenditures			
Current			
Instructional services			
Regular curricular services	12,982	-	12,982
Public safety	11,281	-	11,281
Other instructional programs	1,289	-	1,289
Total	25,552	-	25,552
System-wide support services			
Support and development services	1,336	-	1,336
Special populations - support and development services	983	-	983
Financial and human resource services	57	-	57
Club and activity expenditures	-	1,038	1,038
Total	2,376	1,038	3,414
Non-programmed charges			
Other expenditures	1,092	-	1,092
Total expenditures	29,020	1,038	30,058
Excess of revenues over expenditures	-	453	453
Fund balance, beginning	-	562	562
Fund balance, ending	\$ -	\$ 1,015	\$ 1,015

Cardinal Charter, Inc.

**Schedules of Revenues, Expenditures and
Changes in Fund Balances**

Budget to Actual

Note to preparer: The preferred formats for budget to actual reports are illustrated in this section.

Cardinal Charter, Inc.

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Cardinal Charter, Inc.
General Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
State of North Carolina	\$ 17,000	\$ 17,500	\$ 500
Boards of Education			
Carolina County	74,000	75,000	1,000
Dogwood County	42,000	43,750	1,750
Old Pine County	6,000	6,250	250
U.S. Government	27,000	27,941	941
Contributions and donations	6,800	7,000	200
Investment earnings	100	325	225
Fines and forfeitures	3,100	3,021	(79)
Other revenues	11,901	11,975	74
Total revenues	<u>187,901</u>	<u>192,762</u>	<u>4,861</u>
Expenditures			
Current			
Instructional services			
Regular curricular services		50,024	
Special populations services		10,172	
Total instructional programs	<u>60,900</u>	<u>60,196</u>	<u>704</u>
System-wide support services			
Support and development services		37,374	
Financial and human resource services		22,068	
Total support services	<u>60,252</u>	<u>59,442</u>	<u>810</u>
Non-programmed charges			
Other non-programmed charges		4,574	
Total non-programmed charges	<u>5,000</u>	<u>4,574</u>	<u>426</u>
Capital outlay	<u>445,749</u>	<u>409,000</u>	<u>36,749</u>
Debt service			
Principal	34,939	31,439	3,500
Interest and other charges	6,061	5,561	500
Total debt service	<u>41,000</u>	<u>37,000</u>	<u>4,000</u>
Total expenditures	<u>612,901</u>	<u>570,212</u>	<u>42,689</u>

(continued)

The Cardinal Charter School, North Carolina
General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Final Budget	Actual	Favorable (Unfavorable) Variance
Other financing sources			
Capital lease obligations issued	400,000	400,000	
Note payable issued	25,000	25,000	
Excess of revenues and other financing sources over expenditures	\$ -	47,550	47,550
Fund balance, beginning		15,034	
Fund balance, ending		\$ 62,584	

Note to Preparer: Schools that adopt their budgets by fund should use the presentation illustrated here and on the subsequent budget schedules for the State Public School Fund, the Federal Grants Fund, etc. Schools that adopt a unit-wide budget should use the alternate presentation on the All Fund Types Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual that follows Statement 7.

Cardinal Charter, Inc.
State Public School Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
State of North Carolina	\$ 356,489	\$ 347,136	\$ (9,353)
Expenditures			
Current			
Instructional services			
Regular curricular services		160,273	
Special populations services		166,535	
Other instructional services		328	
Total instructional programs	<u>289,261</u>	<u>327,136</u>	<u>(37,875)</u>
System-wide support services			
Support and development services		8,778	
Special population support and development services		512	
Financial and human resource services		691	
Total supporting services	<u>57,209</u>	<u>9,981</u>	<u>47,228</u>
Non-programmed charges	<u>19</u>	<u>19</u>	
Total expenditures	<u>346,489</u>	<u>337,136</u>	<u>9,353</u>
Revenues over expenditures	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Other financing uses			
Transfer to Enterprise Fund	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Excess of revenues over expenditures and other financing uses	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

Note to Preparer: Under GASB Statement No. 54 any fund balance in this example would be classified as restricted since only revenue source restricts use of funds for specific purposes.

**The Cardinal Charter School
Federal Grants Fund
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
U. S. Government	\$ 32,707	\$ 29,020	\$ (3,687)
Total revenues	<u>32,707</u>	<u>29,020</u>	<u>3,687</u>
Expenditures			
Instructional services			
Regular curricular services		14,998	
Special populations services		10,225	
Other instructional services		329	
Total instructional programs	<u>25,947</u>	<u>25,552</u>	<u>395</u>
System-wide support services			
Support and development services		1,336	
Special population support and development services		983	
Financial and human resource services		57	
Total supporting services	<u>3,500</u>	<u>2,376</u>	<u>1,124</u>
Non-programmed charges	<u>3,260</u>	<u>1,092</u>	<u>2,168</u>
Total expenditures	<u>32,707</u>	<u>29,020</u>	<u>3,687</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

Note to Preparer: Under GASB Statement No. 54 any fund balance in this example would be classified as restricted since only revenue source restricts use of funds for specific purposes.

Cardinal Charter, Inc.
School Food Service Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues, food sales	\$ 49,957	\$ 50,223	\$ 266
Operating expenditures			
Food purchase	46,101	45,899	-
Salaries and benefits	10,284	10,216	-
Materials and supplies	232	153	-
Contracted services	24,030	23,970	-
Other operating expenditures	84	82	-
Total operating expenditures	80,731	80,320	411
Capital outlay	28,736	8,287	20,449
Total expenditures	109,467	88,607	20,860
Revenues under expenditures	(59,510)	(38,384)	21,126
Other financing sources			
Federal reimbursements	49,510	46,351	(3,159)
Transfers in	10,000	10,000	-
Total other financing sources	59,510	56,351	(3,159)
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	17,967	<u>\$ 17,967</u>
Reconciliation from budgetary basis (modified accrual) to full accrual			
Reconciling items			
Indirect costs		(113)	
Depreciation		(950)	
Capital outlay		8,287	
Increase in accrued salaries		(1,643)	
Change in net position (full accrual)		<u>\$ 23,548</u>	

Cardinal Charter, Inc.
Childcare Fund
Schedule of Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> Favorable (Unfavorable)
Revenues			
Childcare fees	\$ 12,628	\$ 18,446	\$ 5,818
Expenditures			
Salaries and benefits	11,273	11,727	(454)
Materials and supplies	500	517	(17)
Contracted services	634	1,093	(459)
Total operating expenditures	<u>12,407</u>	<u>13,337</u>	<u>(930)</u>
Capital outlay	1,021	827	194
Total expenditures	<u>13,428</u>	<u>14,164</u>	<u>(736)</u>
Revenues over (under) expenditures	(800)	4,282	5,082
Capital contributions	<u>800</u>	<u>934</u>	<u>134</u>
Excess of revenues and other financing sources over expenditures	<u>\$ -</u>	5,216	<u>\$ 5,216</u>
Reconciliation from budgetary basis (modified accrual) to full accrual			
Reconciling items			
Capital outlay		827	
Indirect costs		(144)	
Depreciation		(773)	
Change in net position (full accrual)		<u>\$ 5,126</u>	

Cardinal Charter, Inc.
All Fund Types
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> Favorable (Unfavorable)
Revenues			
State of North Carolina	\$ 373,489	\$ 364,636	\$ (8,853)
Boards of Education			
Carolina County	74,000	75,000	1,000
Dogwood County	42,000	43,750	1,750
Old Pine County	6,000	6,250	250
U.S. Government	59,707	56,961	(2,746)
Fines and forfeitures	3,100	3,021	(79)
Contributions and donations	6,800	7,725	925
Investment earnings	100	325	225
Other revenues	11,901	12,741	840
Food sales	49,957	50,223	266
Childcare revenue	12,628	18,446	5,818
Total	<u>639,682</u>	<u>639,078</u>	<u>(604)</u>
Expenditures			
Current			
Instructional services:			
Regular curricular services		223,279	
Special populations services		187,988	
Other instructional services		1,617	
Total instructional programs	<u>376,108</u>	<u>412,884</u>	<u>(36,776)</u>
System-wide support services			
Support and development services		48,205	
Operational support		1,495	
Financial and human resource services		23,137	
Total support services	<u>120,961</u>	<u>72,837</u>	<u>48,124</u>
Non-programmed charges	<u>8,279</u>	<u>5,685</u>	<u>2,594</u>
Food service expenditures			
Food purchases		45,899	
Salaries and benefits		10,216	
Materials and supplies		235	
Contracted services		23,970	
Total food service	<u>80,731</u>	<u>80,320</u>	<u>411</u>

(continued)

**The Cardinal Charter School
All Fund Types
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021**

	Final Budget	Actual	Variance Favorable (Unfavorable)
Childcare expenditures			
Salaries and benefits		11,727	
Materials and supplies		517	
Contracted services		1,093	
Total childcare	12,407	13,337	(930)
Capital outlay	475,506	418,114	57,392
Debt service	41,000	37,000	4,000
Total expenditures	1,114,992	1,040,177	74,815
Other financing sources (uses)			
Transfers out	(10,000)	(10,000)	-
Transfers in	10,000	10,000	-
Federal reimbursements	49,510	46,351	(3,159)
Capital lease obligations issued	400,000	400,000	-
Note payable issued	25,000	25,000	-
Total other financing sources (uses)	474,510	471,351	(3,159)
Capital contributions	800	934	134
Excess of revenues and other financing sources over expenditures and other financing uses	\$ -	\$ 71,186	\$ 71,186
Reconciliation from budgetary basis (modified accrual) to full accrual			
Reconciling items			
Capital outlay		428,192	
New debt issued		(400,000)	
Principal payments		6,439	
Depreciation		(72,954)	
Other reconciling items		(4,558)	
Change in net position - total primary government		\$ 28,305	

Note to Preparer: If the school adopts a unit-wide budget, the financial statements will present the combined budget as shown here. Including a reconciliation to the change in net position is recommended. If the school adopts separate budgets for each fund, use the individual budget-to-actual format as presented in Statements 3 through 7.

Cardinal Charter, Inc.
All Fund Types
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
State of North Carolina	\$ 373,489	\$ 364,636	\$ (8,853)
Boards of Education			
Carolina County	74,000	75,000	1,000
Dogwood County	42,000	43,750	1,750
Old Pine County	6,000	6,250	250
U.S. Government	59,707	56,961	(2,746)
Fines and forfeitures	3,100	3,021	(79)
Contributions and donations	6,800	7,725	925
Investment earnings	100	325	225
Other revenues	11,901	12,741	840
Food sales	49,957	50,223	266
Childcare revenue	12,628	18,446	5,818
Total	<u>639,682</u>	<u>639,078</u>	<u>(604)</u>
Expenditures			
Current			
Instructional services			
Regular curricular services		223,279	
Special populations services		187,988	
Other instructional services		1,617	
Total instructional programs	<u>376,108</u>	<u>412,884</u>	<u>(36,776)</u>
System-wide support services			
Support and development services		48,205	
Operational support		1,495	
Financial and human resource services		23,137	
Total support services	<u>120,961</u>	<u>72,837</u>	<u>48,124</u>
Non-programmed charges	<u>8,279</u>	<u>5,685</u>	<u>2,594</u>
Food service expenditures			
Food purchases		45,899	
Salaries and benefits		10,216	
Materials and supplies		235	
Contracted services		23,970	
Total food service	<u>80,731</u>	<u>80,320</u>	<u>411</u>

(continued)

The Cardinal Charter School
All Fund Types
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Childcare expenditures			
Salaries and benefits		11,727	
Materials and supplies		517	
Contracted services		1,093	
Total childcare	<u>12,407</u>	<u>13,337</u>	<u>(930)</u>
Capital outlay	<u>475,506</u>	<u>418,114</u>	<u>57,392</u>
Debt service			
Principal		31,439	
Interest and other charges		5,561	
Total debt service	<u>41,000</u>	<u>37,000</u>	<u>-</u>
Total expenditures	<u>1,114,992</u>	<u>1,040,177</u>	<u>74,815</u>
Other financing sources (uses)			
Transfers out	(10,000)	(10,000)	-
Transfers in	10,000	10,000	-
Federal reimbursements	49,510	46,351	(3,159)
Capital lease obligations issued	400,000	400,000	-
Note payable issued	25,000	25,000	-
Total other financing sources (uses)	<u>474,510</u>	<u>471,351</u>	<u>(3,159)</u>
Capital contributions	<u>800</u>	<u>934</u>	<u>134</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>\$ -</u>	<u>\$ 71,186</u>	<u>\$ 71,186</u>

Note to Preparer: If the school adopts a unit-wide budget, the financial statements will present the combined budget as shown here. If the school adopts separate budgets for each fund, use the individual budget-to-actual format as presented in Statements 3 through 7.

Cardinal Charter, Inc.

Compliance Section

Note to preparer: Samples of various compliance opinions are available [here](#).

Cardinal Charter, Inc.

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Cardinal Charter, Inc.
GASB 34 - Calculation of Major Funds
For the Year Ended June 30, 2021

Type of Fund	Assets and Deferred Outflows of Resources	Computes "X" if Meets		Liabilities and Deferred Inflows of Resources	Computes "X" if Meets		Revenue	Computes "X" if Meets		Expenditures - Expenses	Computes "X" if Meets		Computes "MAJOR" if Fund is Major If a "Category" Has an "X" in Both Columns. Then Fund is a Major Fund
		10% Rule	5% Rule		10% Rule	5% Rule		10% Rule	5% Rule		10% Rule	5% Rule	
General Fund	\$ 104,816	N/A	N/A	\$ 42,232	N/A	N/A	\$ 192,762	N/A	N/A	\$ 570,212	N/A	N/A	YES, ALWAYS MAJOR
Special Revenue Funds:													
State Public School Fund	93,724	X	X	93,724	X	X	347,136	X	X	337,136	X	X	MAJOR
Federal Grants Fund	3,696	-	-	3,696	-	-	29,020	-	-	29,020	-	-	-
Club and Activity Fund	1,015	-	-	-	-	-	1,491	-	-	1,038	-	-	-
Total Governmental Funds	<u>203,251</u>			<u>139,652</u>			<u>570,409</u>			<u>937,406</u>			
10 % of Total Governmental Funds	<u>20,325</u>			<u>13,965</u>			<u>57,041</u>			<u>93,741</u>			
Enterprise Funds:													
School Food Service Fund	51,064	X	X	7,035	X	-	50,223	X	X	83,026	X	X	MAJOR
Childcare Fund	6,655	X	-	721	-	-	18,446	X	-	14,254	X	-	-
Total Enterprise Funds	<u>57,719</u>			<u>7,756</u>			<u>68,669</u>			<u>97,280</u>			
10% of Total Enterprise Funds	<u>5,772</u>			<u>776</u>			<u>6,867</u>			<u>9,728</u>			
Total Governmental and Enterprise Funds	<u>260,970</u>			<u>147,408</u>			<u>639,078</u>			<u>1,034,686</u>			
5% of Total Governmental and Enterprise Funds	<u>13,049</u>			<u>7,370</u>			<u>31,954</u>			<u>51,734</u>			

Cardinal Charter, Inc.

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