



Research Triangle High School

## Special Board Meeting - Interim Finance Chair & Financial Audit Approval

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### Date and Time

Monday November 14, 2022 at 3:00 PM EST

### Location

Zoom

<https://rthighschool.zoom.us/j/94574263353>

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### Agenda

	Purpose	Presenter	Time
<b>I. Opening Items</b>			<b>3:00 PM</b>
<b>A.</b> Record Attendance		Ailette Tobien	3 m
<b>B.</b> Call the Meeting to Order		Carolyn Coia	1 m
<b>C.</b> Approve Minutes	Approve Minutes	Carolyn Coia	3 m
Approve minutes for Monthly RTHS Board Meeting on October 19, 2022			
<b>II. Interim Finance Chair</b>			<b>3:07 PM</b>
<b>A.</b> Vote for Interim Finance Chair	Vote	Carolyn Coia	5 m
<b>III. Final Audit Documents</b>			<b>3:12 PM</b>

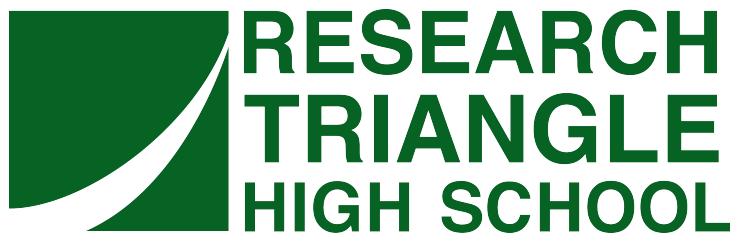
	Purpose	Presenter	Time
<b>A.</b> Approve Final Audit	Vote	Chris Elliott	5 m
<b>IV. Public Comment</b>			
<b>V. Closing Items</b>			<b>3:17 PM</b>
<b>A.</b> Adjourn Meeting	Vote	Carolyn Coia	3 m

# Coversheet

## Approve Minutes

<b>Section:</b>	I. Opening Items
<b>Item:</b>	C. Approve Minutes
<b>Purpose:</b>	Approve Minutes
<b>Submitted by:</b>	
<b>Related Material:</b>	Minutes for Monthly RTHS Board Meeting on October 19, 2022

APPROVED



## Research Triangle High School

### Minutes

#### Monthly RTHS Board Meeting

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##### **Date and Time**

Wednesday October 19, 2022 at 5:30 PM

##### **Location**

In Person at RTHS - 3106 East, NC-54, Durham, NC 27709

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##### **Directors Present**

A. Quigley (remote), A. Tobien (remote), C. Coia, C. Mugge (remote), E. Cunningham (remote), G. Rodgers, J. Corn (remote), M. Johnson (remote), S. Carty Vetere (remote), S. Hunter (remote), S. Rivers-Kobler (remote)

##### **Directors Absent**

D. Requena

##### **Directors who arrived after the meeting opened**

J. Corn, S. Rivers-Kobler

##### **Directors who left before the meeting adjourned**

A. Quigley, S. Rivers-Kobler

##### **Guests Present**

Angela Soulas (remote), C. Elliott, Ian (remote), J. Webb (remote), John-Paul Schick (remote), Judie (remote), KEC (remote), Kathleen Mason (remote), Kurt Merriweather (remote), Lindsey Arledge (remote), Lindsey Arledge (remote), Maddie (remote), Maddie Carr (remote), Mark Stevenson (remote), Maureen Churchill (remote), Preeti T (remote), Rich Sawin (remote), Sabina (remote), Sakthi (remote), Sarah (remote), Stacey Kaufman (remote)

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## I. Opening Items

### A. Record Attendance

### B. Call the Meeting to Order

C. Coia called a meeting of the board of directors of Research Triangle High School to order on Wednesday Oct 19, 2022 at 5:41 PM.

## II. Approve Board Minutes

### A. Board Meeting Minutes - 9/21/2022

S. Carty Vetere made a motion to approve the minutes from Monthly RTHS Board Meeting on 09-21-22.

S. Rivers-Kobler seconded the motion.

The board **VOTED** to approve the motion.

#### Roll Call

S. Rivers-Kobler	Aye
D. Requena	Absent
J. Corn	Absent
A. Quigley	Aye
S. Carty Vetere	Aye
S. Hunter	Aye
A. Tobien	Aye
C. Mugge	Aye
C. Coia	Aye
G. Rodgers	Aye
E. Cunningham	Aye
M. Johnson	Abstain

## III. Public Comments

### A. Open to all stakeholders (parents, staff, other)

None

## IV. Director Report

### A. Finance Update

Mr. Elliot provided an update on finance: some swings, decrease in enrollment, in general doing better than expected, service to debt ratio expected to be met.

J. Corn arrived.

## V. Development Committee

### A. Committee Update

Mr. Elliot provided an update on development: upcoming main event is Giving Tuesday.

## VI. Academic Excellence

### A. Committee Update

Mr. Elliot provided an update on academics:

- learning about Summit and success - mastery base learning.
- Data collated on end of grade testing, to determine students that need support, for example Biology.
- Growth: RTHS growth as a school is high, EVAAS tool, school assessment to find subgroups
- Priority - Math 1

## VII. Governance

### A. Committee Update - New Board Member

S. Carty presented on new board member updates.

- Debra Milne-James, finance background, engaged during the interview, passionate about education

Mr. Elliot presented Board Retreat on 8Nov22 and a general outline of what is expected

S. Carty Vetere made a motion to to invite Debra Milne-James to join the board.

C. Mugge seconded the motion.

The board **VOTED** to approve the motion.

#### Roll Call

C. Mugge	Aye
M. Johnson	Aye
C. Coia	Aye
G. Rodgers	Aye
E. Cunningham	Aye
D. Requena	Absent
S. Rivers-Kobler	Aye
S. Hunter	Aye
S. Carty Vetere	Aye
A. Tobien	Aye
J. Corn	Aye

**Roll Call**

A. Quigley            Aye

**VIII. Charter Amendment**

**A. Amendment**

Proposal to update the RTHS school charter to align with the NC state minimum requirement 185 days or 1025 hours.

S. Rivers-Kobler left.

C. Coia made a motion to approve proposed charter change.

G. Rodgers seconded the motion.

The board **VOTED** to approve the motion.

**Roll Call**

A. Tobien            Aye

C. Mugge            Aye

A. Quigley           Aye

M. Johnson          Aye

S. Carty Vetere      Aye

D. Requena          Absent

J. Corn               Aye

G. Rodgers           Aye

S. Rivers-Kobler    Absent

E. Cunningham     Aye

C. Coia               Aye

S. Hunter            Aye

C. Coia made a motion to go into execute session for personnel matter.

S. Hunter seconded the motion.

The board **VOTED** to approve the motion.

**Roll Call**

G. Rodgers           Aye

A. Tobien            Aye

E. Cunningham     Aye

C. Coia               Aye

D. Requena          Absent

C. Mugge            Aye

S. Carty Vetere      Aye

J. Corn               Aye

S. Hunter            Aye

S. Rivers-Kobler    Absent

A. Quigley           Aye

M. Johnson          Aye

A. Quigley left.

C. Mugge made a motion to exit executive session.

G. Rodgers seconded the motion.

The board **VOTED** unanimously to approve the motion.

S. Rivers-Kobler arrived.

Mr. Webb provided an update on WTHS.

C. Mugge made a motion to adjourn the meeting.

S. Hunter seconded the motion.

The board **VOTED** unanimously to approve the motion.

## **IX. Closing Items**

### **A. Adjourn Meeting**

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 6:43 PM.

Respectfully Submitted,

A. Tobien



# Coversheet

## Approve Final Audit

<b>Section:</b>	III. Final Audit Documents
<b>Item:</b>	A. Approve Final Audit
<b>Purpose:</b>	Vote
<b>Submitted by:</b>	
<b>Related Material:</b>	RTHS_6 30 2022 DRAFT audited financial statements 11.8.22.pdf Required Communications Letter 2022.pdf

**CONTEMPORARY SCIENCE CENTER, INC.**

Financial Statements  
Year Ended June 30, 2022

DRAFT

**CONTEMPORARY SCIENCE CENTER, INC.**  
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**As of June 30, 2022**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Contemporary Science Center, Inc.  
Research Triangle Park, North Carolina

### **Report on the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Contemporary Science Center, Inc., as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise Contemporary Science Center, Inc.'s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Contemporary Science Center, Inc. as of June 30, 2022, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Contemporary Science Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Audit of the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about Contemporary Science Center, Inc.'s ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards* we

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information is the responsibility of management, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2022 on our consideration of Contemporary Science Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Contemporary Science Center, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Contemporary Science Center, Inc.'s internal control over financial reporting and compliance.

Raleigh, North Carolina  
November 8, 2022

**CONTEMPORARY SCIENCE CENTER, INC.**  
**Statement of Net Position**  
**June 30, 2022**

**Exhibit 1**

	Primary Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,157,088
Cash and cash equivalents - restricted	1,390,351
Accounts receivable	30,081
Capital assets (Note 1):	
Land	1,450,000
Construction in progress	29,672
Other capital assets, net of depreciation	7,232,297
Total capital assets	8,711,969
Total assets	12,289,489
<b>LIABILITIES</b>	
Accounts payable	1,535
Accrued interest	273,541
Long-term liabilities:	
Due within one year	220,000
Due in more than one year	9,591,013
Total liabilities	10,086,089
<b>NET POSITION</b>	
Net investment in capital assets	291,307
Unrestricted	1,912,093
Total net position	\$ 2,203,400

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

**CONTEMPORARY SCIENCE CENTER, INC.**  
**Statement of Activities**  
**For the Year Ended June 30, 2022**

**Exhibit 2**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Primary Government	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Total
<b>Primary government:</b>					
Governmental activities:					
Instructional programs	\$ 4,900,821	\$ -	\$ 473,263	\$ (4,427,558)	\$ (4,427,558)
Support services	945,439	-	7,867	(937,572)	(937,572)
Interest on long-term debt	558,950	-	-	(558,950)	(558,950)
Clubs and activities	173,520	-	-	(173,520)	(173,520)
Total governmental activities	6,578,730	-	481,130	(6,097,600)	(6,097,600)
Total primary government	\$ 6,578,730	\$ -	\$ 481,130	(6,097,600)	(6,097,600)
General revenues:					
Unrestricted county appropriations				2,078,320	2,078,320
Unrestricted State appropriations				3,946,925	3,946,925
Clubs and activities				169,912	169,912
Sales tax				30,933	30,933
Donations - general				53,032	53,032
Miscellaneous				18,335	18,335
Unrestricted investment earnings				2,030	2,030
Total general revenues and transfers				6,299,487	6,299,487
Change in net position				201,887	201,887
Net position-beginning				2,001,513	2,001,513
Net position-ending				\$ 2,203,400	\$ 2,203,400

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



**CONTEMPORARY SCIENCE CENTER, INC.**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2022**

**Exhibit 3**

	Major Funds		Non-major Funds		Total Governmental Funds
	General	State Public School	Federal Grant Fund	Clubs and Activity Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,041,008	\$ -	\$ -	\$ 116,080	\$ 2,157,088
Cash and cash equivalents - restricted	1,390,351	-	-	-	1,390,351
Accounts receivable	30,081	-	-	-	30,081
<b>Total assets</b>	<b>\$ 3,461,440</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 116,080</b>	<b>\$ 3,577,520</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 1,535	\$ -	\$ -	\$ -	\$ 1,535
Accrued interest	273,541	-	-	-	273,541
<b>Total liabilities</b>	<b>275,076</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>275,076</b>
Fund balances:					
Restricted for debt service and repairs and maintenance	1,390,351	-	-	-	1,390,351
Assigned:					
Clubs and activities	-	-	-	116,080	116,080
Unassigned	1,796,013	-	-	-	1,796,013
<b>Total fund balances</b>	<b>3,186,364</b>	<b>-</b>	<b>-</b>	<b>116,080</b>	<b>3,302,444</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,461,440</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 116,080</b>	

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.

8,711,969

Some liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds (Note 2).

(9,811,013)

Net position of governmental activities

\$ 2,203,400

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

**CONTEMPORARY SCIENCE CENTER, INC.**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2022**

Exhibit 4

	Major Funds		Non-major Funds		Total Governmental Funds
	General	State Public School	Federal Grant Fund	Clubs and Activity Fund	
<b>REVENUES</b>					
State of North Carolina	\$ -	\$ 3,946,925	\$ -	\$ -	\$ 3,946,925
Boards of Education	2,078,320	-	-	-	2,078,320
U.S. Government	-	-	481,130	-	481,130
Contributions and donations	53,032	-	-	-	53,032
Clubs and activities	-	-	-	169,912	169,912
Sales tax	30,933	-	-	-	30,933
Miscellaneous	18,335	-	-	-	18,335
Investment earnings	2,030	-	-	-	2,030
Total revenues	2,182,650	3,946,925	481,130	169,912	6,780,617
<b>EXPENDITURES</b>					
<b>Current:</b>					
Instructional programs	616,339	3,626,576	473,263	-	4,716,178
Support services	497,144	320,349	7,867	-	825,360
Clubs and activities	-	-	-	173,520	173,520
<b>Capital outlay:</b>	61,039	-	-	-	61,039
<b>Debt service:</b>					
Interest	547,081	-	-	-	547,081
Principal	215,000	-	-	-	215,000
Total expenditures	1,936,603	3,946,925	481,130	173,520	6,538,178
Excess (deficiency) of revenues over (under) expenditures	246,047	-	-	(3,608)	242,439
Net change in fund balance	246,047	-	-	(3,608)	242,439
Fund balances-beginning	2,940,317	-	-	119,688	3,060,005
Fund balances-ending	\$ 3,186,364	\$ -	\$ -	\$ 116,080	\$ 3,302,444

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

**CONTEMPORARY SCIENCE CENTER, INC.**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balance of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2022**

**Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$ 242,439
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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 depreciation exceeded capital outlays in the current period.	(243,683)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>203,131</u>
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Total changes in net position of governmental activities	<u><u>\$ 201,887</u></u>
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The notes to the financial statements are an integral part of this statement.

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2022

1. Summary of Significant Accounting Policies

The accounting policies of Contemporary Science Center, Inc. (the "School") conform to generally accepted accounting principles ("GAAP") as applicable to governments. Charter schools are established by non-profit entities, such as the School. Because of the authority of the State Board of Education (the "SBE") to terminate, not renew or seek applicants to assume a charter on grounds 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. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The School is a North Carolina non-profit corporation incorporated in 2002. Pursuant to the provisions of the Charter School Act of 1996 as amended (the "Act"), Contemporary Science Center, Inc. has been approved to operate Research Triangle High School, a public school serving approximately 570 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, 2032, 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.

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

*Blended Component Unit:* Raptorium, LLC ("LLC") was formed in March 2015 as a North Carolina non-profit corporation. The LLC was created primarily as a vehicle to finance and own real estate and school facilities utilized by the School. GASB Statement No. 14 as amended, The Financial Reporting Entity, requires blending when 1) a component unit's governing body is substantively the same as the governing body of the primary government, 2) a component unit provides services entirely, or almost entirely, to the primary government, 3) a component unit's total debt outstanding, including leases, is expected to be repaid entirely, or almost entirely, with resources of the primary government, or 4) the primary government is the sole corporate member of the component unit. The LLC provides services almost entirely to the School, including owning real property to be leased to the School. Additionally, the School is the sole member of the LLC. Therefore, the LLC is reported as blended component unit included in the general fund in the School's financial statements. The LLC did not issue separate financial statements.

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2022

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

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

*Government-wide Statements:* The statement of net position and the statement of activities display information about the School. These statements include the financial activities of the overall entity. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the School. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The School has no business-type activities.

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

*Fund Financial Statements:* The fund financial statements provide information about the School’s funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental 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 nonexchange transactions or ancillary activities.

The School reports the following major governmental funds:

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

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

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For the Fiscal Year Ended June 30, 2022

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The School reports two non-major funds, the Federal Grant Fund and the Clubs and Activity Fund.

The School reports no proprietary funds.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgetary Data

Annual budgets are adopted for all funds, except for the activity within the clubs and activities, on a school-wide basis. All budgets are prepared using the modified accrual basis of accounting.

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

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2022

1. Summary of Significant Accounting Policies (Continued)

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

1. Deposits and Investments

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

2. Cash and Cash Equivalents

The School pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash held with original maturities of three months or less are considered cash and cash equivalents. The School has \$1,390,351 of cash equivalents as of June 30, 2022.

3. Restricted Cash and Cash Equivalents

The unexpended loan proceeds of the School's loan agreement and amounts restricted for repairs and replacements are classified as restricted cash and cash equivalents within the School's general fund because its use is completely restricted to the purpose for which the bonds were originally issued, and for future repairs and replacements as authorized by the loan agreement.

4. Accounts Receivable

Accounts receivable consists of amounts owed to the School from sales tax and local school administrative units. The School has reviewed the receivable balances and determined the amounts to be fully collectible.

5. Capital Assets

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

It is the policy of the School to capitalize all capital assets costing more than \$2,500 with an estimated useful life of two or more years. In addition, other items which are purchased and used in large quantities such as student desks and office furniture are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over their useful lives on a straight-line basis as follows:

	<u>Years</u>
School equipment	5
Building improvements	15-40
Building	40

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2022

1. Summary of Significant Accounting Policies (Continued)

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

6. Deferred Outflows/Inflows of Resources

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

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Compensated Absences

Employees are granted ten personal leave days each year, which include vacation and sick days. An unlimited amount of personal leave days may be carried over to the following year or employees may be paid out up to 10 days. Employees who leave or are terminated do not have the right to be paid unused leave, thus no accrual is provided for compensated absences.

9. Net Position and Fund Balances

Net Position

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



**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2022

1. Summary of Significant Accounting Policies (Continued)

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

9. Net Position and Fund Balances (Continued)

Fund Balance

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

The governmental fund types classify fund balances as follows:

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

Assigned – The amount of fund balance that the School intends to use for specific purposes.

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.

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

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2022

1. Summary of Significant Accounting Policies (Continued)

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

10. Reconciliation of Government-Wide and Fund Statements

The governmental fund balance sheet includes a reconciliation between governmental funds' total fund balance and governmental activities' net position as reported in the government-wide statement of net position. The net adjustment of (\$1,099,044) represents the amount that the total fund balances of governmental funds exceeds the net position of governmental activities and consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and therefore not reported in the fund (total capital assets on government-wide statement in governmental activities column).	\$ 10,441,154
Less accumulated depreciation	(1,729,185)
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:	
Bond payable	(10,085,000)
Discounts on bond issuance	355,093
Accumulated amortization of discounts on bond issuance	<u>(81,106)</u>
Total adjustment	<u><u>\$(1,099,044)</u></u>

F. Revenues, Expenditures, and Expenses

1. Funding

The School 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. Wake County Board of Education) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs (G.S. 115C-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)).

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2022

1. Summary of Significant Accounting Policies (Continued)

F. Revenues, Expenditures, and Expenses (Continued)

1. Funding (Continued)

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

For the fiscal year ended June 30, 2022, the School received funding from the Boards of Education for Wake County (\$851,833), Granville County (\$14,426), Town of Chapel Hill (\$43,290), Durham County (\$1,038,648), Chatham County (\$57,722), Franklin County (\$4,342), Orange County (\$64,647), Harnett County (\$1,202), Johnston County (\$451), and Alamance County (\$1,759).

Furthermore, the School has received donations of cash and/or equipment from private organizations. The cash is available to be used throughout the year for the School's various programs and activities.

2. Reconciliation 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 (\$40,552) between the two amounts represents the amount that the change in fund balances of governmental funds exceed the change in net position of governmental activities and consists of the following elements:

Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 61,039
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(304,722)
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.	215,000

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For the Fiscal Year Ended June 30, 2022

1. Summary of Significant Accounting Policies (Continued)

F. Revenues, Expenditures, and Expenses (Continued)

2. Reconciliation Between Government Wide and Fund Statements (Continued)

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.

Amortization of bond issuance costs to interest expense	(11,869)
	\$ (40,552)

G. Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

H. New Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) issued Statement No. 87, Leases, in June 2017. This statement was originally effective for reporting periods beginning after December 15, 2019; however, the GASB postponed the implementation of GASB 87 and the related Implementation Guide 2019-3 for 18 months because of the COVID-19 pandemic. For most NC local governments and public authorities in North Carolina, this statement is now effective for the fiscal year beginning July 1, 2021.

GASB Statement No. 87 eliminates existing lease accounting and reporting guidance, including the “capital” versus “operating” lease criteria, that have been used to categorize leases for decades. Under the new guidance, a lease is defined as “a contract that conveys control of the “right to use” another entity’s nonfinancial asset for a period of time in an exchange or exchange-like transaction”. The underlying assumption of the statement is that a lease is really a financing transaction. Lease contracts convey the “right to use” which is an underlying nonfinancial intangible asset, rather than the actual asset itself, to the lessee. That is, the lessee is procuring an intangible asset that is a “right to use” asset, not the physical asset itself. For the lessor, the right to receive payments in exchange for a lessee’s “right to use” is a resource that can be drawn upon going forward. Nonfinancial assets are items such as land, buildings, vehicles, and equipment. A contract that meets the definition of a lease should be accounted for using the lease accounting standard, even though the parties involved or the agreement itself may not refer to the arrangement as a lease.

The lease reporting exceptions allowed in the statement are minimal. Short term leases with a maximum possible term of 12 months (including any options to extend) may be accounted for by the lessee as expenditures/expenses or revenues by the lessor based on the provisions of the contract. In addition, a contract that transfers ownership at the end of the contract is a financed purchase, not a lease.

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2022

1. Summary of Significant Accounting Policies (Continued)

H. New Accounting Pronouncement (Continued)

Some types of leases specifically excluded from the scope of Statement No. 87 are: service contracts (unless it includes both a lease and a service component), leases for intangible and biological assets, inventory, service concession arrangements (see GASB Statement 60 for these), certain conduit debt financed assets, and supply contracts such as power purchases.

2. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2022, the School had deposits with banks and savings and loans with a carrying amount of \$3,547,439. The bank balance with the financial institutions was \$3,596,131, of which \$3,228,495 was uninsured. The School does not have a deposit policy for custodial credit risk.

2. Capital Assets

Capital asset activity related to governmental activities for the year ended June 30, 2022, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,450,000	\$ -	\$ -	\$ 1,450,000
Construction in progress	15,047	14,625	-	29,672
Total capital assets not being depreciated:	<u>1,465,047</u>	<u>14,625</u>	<u>-</u>	<u>1,479,672</u>
Capital assets being depreciated:				
Building	4,869,183	-	-	4,869,183
Building improvements	3,421,353	8,950	-	3,430,303
School equipment	657,206	37,464	(32,674)	661,996
Total capital assets being depreciated:	<u>8,947,742</u>	<u>46,414</u>	<u>(32,674)</u>	<u>8,961,482</u>
Less accumulated depreciation:				
Building	770,955	121,730	-	892,685
Building improvements	385,989	86,573	-	472,562
School equipment	300,193	96,419	(32,674)	363,938
Total accumulated depreciation	<u>1,457,137</u>	<u>\$ 304,722</u>	<u>\$ (32,674)</u>	<u>1,729,185</u>
Total capital assets being depreciated, net	<u>7,490,605</u>			<u>7,232,297</u>
Total governmental activities capital assets, net	<u>\$ 8,955,652</u>			<u>\$ 8,711,969</u>

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2022

2. Detail Notes on All Funds (Continued)

A. Assets (Continued)

2. Capital Assets (Continued)

Depreciation expense charged to governmental functions for the year ended June 30, 2022 is summarized as follows:

Instructional programs	\$ 152,361
Supporting services	<u>152,361</u>
	<u>\$ 304,722</u>

B. Liabilities

1. Retirement Plan

The School does not participate in the North Carolina Teachers' and State Employees' Retirement System.

The School offers a 457(b) retirement plan to its employees. Under the plan, the School contributes an amount equal to the employees' contributions up to a limit of 3% of the employees' compensation for the calendar year. 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.

During the fiscal years ended June 30, 2022, 2021, and 2020, the School contributed a total of \$62,726, \$62,708, and \$72,370, respectively, under the 457(b) retirement plan.

2. Risk Management

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

As authorized by G.S. 115C-218.90(a)(4), the School also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan (the "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.

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

The School has elected not to carry flood insurance because the School is not in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2022

2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

3. Long-Term Obligations

a. Bonds Payable

In August 2015, the School entered into a loan agreement associated with the issuance of revenue bonds in the aggregate of \$11,060,000. The bonds were issued at an aggregate discount of \$355,093. Proceeds of the bonds were used to repay the bridge loan used to originally finance the purchase of a building, as well as to provide renovations to the building. Additional proceeds were used to fund reserve funds as required by the agreement. Interest during the term ranges from 4.375% - 6.125%. Principal payments began in July 2017 and continue through maturity in July 2045. The real estate has been pledged as collateral for the debt. In the event of a default as defined in the loan agreement, the lender may declare any remaining principal and interest payments due to be immediately payable by the School. The balance outstanding net of discounts at June 30, 2022 totaled \$9,811,013.

Future minimum payments are as follows:

	<u>Cash Paid</u> <u>Interest</u>	<u>Amortization</u> <u>Bond Discount</u>	<u>Total</u> <u>Interest</u>	<u>Principal</u>
Year Ending June 30, 2023	\$ 542,269	\$ 11,869	\$ 554,138	\$ 220,000
Year Ending June 30, 2024	532,425	11,869	544,294	230,000
Year Ending June 30, 2025	522,144	11,869	534,013	240,000
Year Ending June 30, 2026	511,425	11,869	523,294	250,000
Year Ending June 30, 2027	498,834	11,869	510,704	265,000
Years Ending June 30, 2028-2032	2,258,209	59,347	2,317,557	1,555,000
Years Ending June 30, 2033-2037	1,781,966	59,347	1,841,313	2,005,000
Years Ending June 30, 2038-2042	1,142,719	59,347	1,202,066	2,630,000
Years Ending June 30, 2043-2046	<u>313,031</u>	<u>36,598</u>	<u>349,630</u>	<u>2,690,000</u>
	<u>\$ 8,103,022</u>	<u>\$ 273,987</u>	<u>\$ 8,377,009</u>	<u>\$10,085,000</u>

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2022

2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

3. Long-Term Obligations (Continued)

a. Bonds Payable (Continued)

Under the terms of the bond agreement, the School is obligated under certain debt covenants to maintain days cash on hand of 45 days for the year ending June 30, 2022. The calculation of this covenant for the year ended June 30, 2022 is as follows:

Total operating expenses	\$ 6,262,139
Divided by 365 days	<u>365</u>
Operating expense per day	17,157
Multiplied by 45 days	<u>45</u>
Minimum balance required for Unrestricted cash and investments	<u>\$ 772,065</u>
Total unrestricted cash and cash equivalents	<u>\$ 2,157,088</u>

Under the terms of the bond agreement, the School is obligated under certain debt covenants to maintain debt service coverage ratio at or above 1.00 to 1 for the year ended June 30, 2017 and 1.20 to 1 for each subsequent year. The calculation of this covenant for the year ended June 30, 2022 is as follows:

Change in net assets for year ended June 30, 2022	\$ 201,887
Add: interest expense	558,950
Add: depreciation and amortization expense	<u>304,722</u>
Net income available for debt service	1,065,559
Maximum annual debt service	<u>\$ 762,269</u>
Cash flow coverage ratio	<u>1.40</u>

Additionally, the School must maintain minimum enrollment of 490. The School's actual enrollment was 570 as of June 30, 2022.



**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2022

2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

3. Long-Term Obligations (Continued)

b. Changes in General Long-Term Obligations

The following is a summary of changes in the School's long-term obligations for the fiscal year ended June 30, 2022:

	<u>Balance June 30, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>	<u>Current Portion</u>
Bond Payable	\$ 10,300,000	\$ -	\$ (215,000)	\$ 10,085,000	\$ 220,000
Discounts on Debt Issuance	(285,856)	-	11,869	(273,987)	-
Total Long-Term Liabilities	<u>\$ 10,014,144</u>	<u>\$ -</u>	<u>\$ (203,131)</u>	<u>\$ 9,811,013</u>	<u>\$ 220,000</u>

C. Fund Balance

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

The following schedule provides management and the School with information on the portion of general fund balance that is available for appropriation as of June 30, 2022:

Total fund balance	\$ 3,186,364
Less:	
Restricted for debt service	<u>(1,390,351)</u>
Remaining fund balance	<u>\$ 1,796,013</u>

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2022

3. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

4. Uncertainties

As a result of the COVID-19 outbreak in the United States, economic uncertainties have arisen which may have a negative impact of the School's financial results in the future. The extent of the impact of COVID-19 on the operational and financial performance will depend on certain developments, including duration and spread of the outbreak, impact on students, employees and vendors, all of which are uncertain at this time. The extent to which COVID-19 may impact the School's financial condition or results in the future is uncertain.

5. Significant Effects of Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 8, 2022 which is the date the financial statements were available to be issued.

**CONTEMPORARY SCIENCE CENTER, INC.**  
**General, State Public School, and Federal Grant Funds**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Fiscal Year Ended June 30, 2022**

Statement 1

	2022		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
State of North Carolina	\$ 3,946,925	\$ 3,946,925	\$ -
Boards of education:			
Wake County	851,760	851,833	73
Town of Chapel Hill	43,290	43,290	-
Granville County	14,230	14,426	196.00
Durham County	1,030,000	1,038,648	8,648
Chatham County	53,000	57,722	4,722
Franklin County	4,344	4,342	(2)
Johnston County	451	451	-
Orange County	64,530	64,647	117
Harnett County	1,200	1,202	2
Alamance County	1,759	1,759	-
U.S. Government	486,368	481,130	(5,238)
Miscellaneous	7,050	18,335	11,285
Contributions and donations	48,000	53,032	5,032
Sales tax	31,171	30,933	(238)
Investment earnings	1,975	2,030	55
Total revenues	6,586,053	6,610,705	24,652
Expenditures:			
Current:			
Instructional programs:			
Regular programs	4,790,277	3,219,061	1,571,216
Special programs	217,632	284,379	(66,747)
Other	123,066	1,212,738	(1,089,672)
Total instructional programs	5,130,975	4,716,178	414,797
Support services:			
Administrative services	-	216,452	(216,452)
Business support	327,000	445,337	(118,337)
Other support	217,305	163,571	53,734
Total support services	544,305	825,360	(281,055)
Capital outlay	61,039	61,039	-

**CONTEMPORARY SCIENCE CENTER, INC.**  
**General, State Public School, and Federal Grant Funds**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual (Continued)**  
**For the Fiscal Year Ended June 30, 2022**

Statement 1

	2022		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Debt service:			
Interest	\$ 547,027	\$ 547,081	\$ (54)
Principal	220,000	215,000	5,000
Total debt service	767,027	762,081	4,946
Total expenditures	6,503,346	6,364,658	138,688
Other financing sources (uses):			
Fund balance appropriated	(82,707)	-	82,707
Total other financing sources (uses)	(82,707)	-	82,707
Excess of revenues over expenditures	\$ -	\$ 246,047	\$ 246,047

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Contemporary Science Center, Inc.  
Research Triangle Park, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Contemporary Science Center, Inc. (the "School"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Contemporary Science Center, Inc.'s basic financial statements, and have issued our report thereon dated November 8, 2022.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Contemporary Science Center, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Contemporary Science Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Contemporary Science Center, Inc.'s internal control.

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

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

### ***Report on Compliance and Other Matters***

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

### ***Purpose of this Report***

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

Raleigh, North Carolina  
November 8, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT**

To the Board of Directors  
Contemporary Science Center, Inc.  
Research Triangle Park, North Carolina

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

***Opinion on Each Major State Program***

We have audited Contemporary Science Center, Inc.'s (the "School") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Contemporary Science Center, Inc.'s major State programs for the year ended June 30, 2022. Contemporary Science Center, Inc.'s major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Contemporary Science Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report. We are required to be independent of Contemporary Science Center, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of Contemporary Science Center, Inc.'s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

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

## Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Contemporary Science Center, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Contemporary Science Center, Inc.'s compliance with the requirements of each major State program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Contemporary Science Center, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Contemporary Science Center, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Contemporary Science Center, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies or material weaknesses in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



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

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

Raleigh, North Carolina  
November 8, 2022

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**CONTEMPORARY SCIENCE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Fiscal Year Ended June 30, 2022

**SECTION I – SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

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

Internal control over financial reporting:

- Material weakness (es) identified? \_\_\_\_\_ Yes   X   No
- Significant Deficiency(s) identified? \_\_\_\_\_ Yes   X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**State Awards**

Internal control over major State programs:

- Material weakness identified? \_\_\_\_\_ Yes   X   No
- Significant Deficiency(s) identified? \_\_\_\_\_ Yes   X   None Reported

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

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act? \_\_\_\_\_ Yes   X   No

Identification of major State programs:

Program Name  
State Public School Fund

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None.

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

None.

**CONTEMPORARY SCIENCE CENTER, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Fiscal Year Ended June 30, 2022

None.

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**CONTEMPORARY SCIENCE CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
For the Year Ended June 30, 2022

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Expendi- tures</u>
<b>Federal Grants:</b>			
<b>Cash Assistance:</b>			
<u>U.S. Department of Education</u>			
Direct Grant:			
Rural Education Achievement Program	84.358A	XXXX	\$ 49,471
Passed-through the N.C. Department of Public Instruction:			
Title VI-B Cluster:			
Title VI-B Handicapped	84.027A	PRC 060	95,507
IDEA Special Needs Targeted Assistance	84.027A	PRC 118	843
COVID-19 - ARP - Grants to States - IDEA, part B	84.027X	PRC 185	21,453
Total VI-B Cluster:			117,803
COVID-19 - Education Stabilization Fund:			
CARES Act:			
Cares Act: K-12 Emergency Relief Fund - ESSER I	84.425D	PRC 163	708
Cares Act: Specialized Instructional Support Personnel - GEER I	84.425D	PRC 169	11,509
CRRSA:			
CRRSA: Public School Unit Supplemental Funding - ESSER II	84.425D	PRC 172	105,840
ARP:			
ARP: Public School Unit Supplemental Funding - ESSER III	84.425U	PRC 182	144,872
ARP: Teacher Bonuses - ESSER III	84.425U	PRC 203	45,213
Total COVID-19 - Education Stabilization Fund:	84.425		308,142
Title II Improving Teacher Quality	84.367A	PRC 103	5,714
Total U.S. Department of Education			481,130
Total Federal Assistance			481,130
<b>State Grants:</b>			
<b>Cash Assistance:</b>			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund	xxxxx	PRC 036	3,845,088
Principal and Teacher Performance Bonuses	xxxxx	PRC 048	15,448
State Fiscal Recovery Funds - Premium Pay Bonus	xxxxx	PRC 141	86,389
Total State Assistance			3,946,925
Total Federal and State Assistance			\$ 4,428,055

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the School under the programs of the federal government and the State of North Carolina for the year ended June 30, 2022. The information in this SEFSA is presented in accordance with the requirements of Title 2 of US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited.

Note 3: Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

November 8, 2022

To the Board of Directors  
Contemporary Science Center, Inc.

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Contemporary Science Center, Inc. (the "School") for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 6, 2022. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Contemporary Science Center, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by Contemporary Science Center, Inc. during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the School's financial statements.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

##### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

November 8, 2022  
Page 2 of 3

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 8, 2022.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to Contemporary Science Center, Inc.’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Contemporary Science Center, Inc.’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to Management’s Discussion and Analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for all governmental funds and the schedule of expenditures of federal and State awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

November 8, 2022

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Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of Contemporary Science Center, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Thomas Judy & Tucker, P.A.  
Raleigh, North Carolina

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