



Research Triangle High School

## Special-Called Finance Meeting

Annual Audit Presentation

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### Date and Time

Monday October 30, 2023 at 9:30 AM EDT

### Location

Topic: Special-Called Finance Committee Meeting

Time: 0930-1030 AM EDT

Join Zoom Meeting

<https://rthighschool.zoom.us/j/93566460638>

Meeting ID: 935 6646 0638

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One tap mobile

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Dial by your location

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• +1 929 436 2866 US (New York)

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• +1 309 205 3325 US

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- +1 346 248 7799 US (Houston)
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**Date and Time:**

Monday October 30, 2023; 0930 AM EDT

**Location:**

RTHS Board of Directors is inviting you to a scheduled Zoom meeting.

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The RTHS Board of Directors Finance Committee meets monthly on the second Tuesday of each month, except for December and July. Meetings are held virtually.

## Agenda

	Purpose	Presenter	Time
<b>I. Opening Items</b>			<b>9:30 AM</b>
<b>A.</b> Record Attendance		Mitch Babb	1 m
<b>B.</b> Call the Meeting to Order		Mitch Babb	1 m
<b>II. RTHS Annual Audit</b>			<b>9:32 AM</b>
<b>A.</b> Presentation of the RTHS Audit	Vote	Auditors, Brandon Mitchell, Mitch Babb	45 m
<p>Auditors will present and respond to questions related to the RTHS audit for the year ending June, 30, 2023.</p>			
<b>III. Other Business</b>			<b>10:17 AM</b>
<b>A.</b> Presentation to RTHS Board of Directors	Discuss	Mitch Babb	3 m
<p>Presentation of the RTHS audit at the November 15, 2023 meeting of the Board of Directors.</p>			
<b>IV. Closing Items</b>			<b>10:20 AM</b>
<b>A.</b> Adjourn Meeting	Vote	Mitch Babb	1 m

# Coversheet

## Presentation of the RTHS Audit

**Section:** II. RTHS Annual Audit  
**Item:** A. Presentation of the RTHS Audit  
**Purpose:** Vote  
**Submitted by:**  
**Related Material:** RTHS\_Corrective action plan FY23.pdf  
A05.03 ALG-CL-3\_1 Management Rep Ltr 2023 - Published.pdf  
RTHS\_revised draft\_6 30 2023.pdf

Research Triangle High School  
PO Box 13453, 3016 East NC Hwy 54  
Durham, NC 27709

Office: 919-998-6757  
Fax: 919-998-3402  
www.researchtrianglehighschool.org



**CORRECTIVE ACTION PLAN**  
For the Year Ended June 30, 2023

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

- Finding:** 2023 – 1
- Name of Contact Persons:** Akiba Griffin, Interim Executive Director
- Corrective Action:** Following the guidelines of North Carolina GS Chapter 115C, Article 14A, and Article 31, RTHS will implement a procedure to guarantee that the School maintains the mandatory 50% of certified teachers, as stipulated by the statute. As of July 2023, the School is in compliance with this statutory requirement.
- Proposed Completion Date:** November 1, 2023
- 
- Finding:** 2023 – 2
- Name of Contact Persons:** Akiba Griffin, Interim Executive Director
- Corrective Action:** In accordance with North Carolina SS 2015-241, Section 6.26, RTHS will establish a policy to ensure that the annual salary of any individual employee of a nonprofit organization receiving State funds does not exceed one hundred twenty thousand dollars (\$120,000). Salaries exceeding the cap of \$120,000 will be categorized as either general funds or non-state funding sources.
- Proposed Completion Date:** November 1, 2023
- 
- Finding:** 2023 – 3
- Name of Contact Persons:** Akiba Griffin, Interim Executive Director
- Corrective Action:** RTHS was found to be non-compliant in obtaining consent forms from parents before providing services. These actions were carried out during the tenure of the previous EC Director. RTHS has since appointed a new

EC Director and implemented a comprehensive procedure with a checklist to guarantee the acquisition of all necessary documents.

Proposed Completion Date: November 1, 2023

Finding: 2023 – 4

Name of Contact Persons: Akiba Griffin, Interim Executive Director

Corrective Action: In compliance with North Carolina General Statutes, particularly Chapter 115C, Article 14A and Article 31, it is mandated that all exceptional staff possess an active license certified in exceptional education. In FY23, RTHS had an expired EC teacher's license due to a leadership change at the start of the fiscal year, resulting in delayed paperwork processing. The school is committed to implementing procedures to ensure that EC teachers remain in compliance with North Carolina General Statutes. Presently, all EC staff members hold valid licenses in accordance with North Carolina GS licensing requirements.

Proposed Completion Date: November 1, 2013

Finding: 2023 – 5

Name of Contact Persons: Akiba Griffin, Interim Executive Director

Corrective Action: RTHS firmly holds the belief that the contract with Joey Webb, an independent contractor responsible for WTHS (80%) and RTHS executive director support (20%), should be the financial responsibility of RTHS, and this arrangement has been made in good faith. Approximately one month into the contract, the situation demanded that RTHS and WTHS undergo a division and amend the scope of work within the contract. RTHS acknowledges that, in hindsight, a contract amendment should have been initiated to reflect the updated scope of work. The Board is actively developing a procedure to oversee and review all Board contracts, ensuring that proper contract procedures are meticulously followed.

Proposed Completion Date: January 1, 2024

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October 23, 2023

Thomas Judy & Tucker, P.A.  
4700 Falls of Neuse Road, Suite 400  
Raleigh, NC 27609

This representation letter is provided in connection with your audit of the financial statements of Contemporary Science Center, Inc. (the "School"), which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 23, 2023, the following representations made to you during your audit.

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 7, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

October 23, 2023  
Page 2 of 6

- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements or in the schedule of findings and questioned costs.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter. In addition, we agree with the adjusting journal entries you have proposed, and they have been posted to the accounts.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the School is contingently liable, if any, have been properly recorded or disclosed.
- 11) We have properly disclosed the loan agreement as not qualifying as a direct borrowing or direct placement agreement in accordance with Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, including Debt Borrowings and Direct Placements*.

### **Information Provided**

- 12) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the School from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal and state awards.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 15) We have no knowledge of any fraud or suspected fraud that affects the School and involves—
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the School's financial statements communicated by employees, former employees, regulators, or others.
- 17) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 18) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 19) We have disclosed to you the names of the School's related parties and all the related party relationships and transactions, including any side agreements.

### **Government-specific**

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have a process to track the status of audit findings and recommendations.



October 23, 2023  
Page 3 of 6

- 21) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 22) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 23) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 24) The School has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 26) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements or other financial data significant to the audit objectives.
- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 28) As part of your audit, you assisted with preparation of the financial statements and disclosures and schedule of expenditures of federal and state awards. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures and schedule of expenditures of federal and state awards.
- 29) The School has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as made known to you and disclosed to you in the financial statements.
- 30) The School has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 31) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 32) The financial statements properly classify all funds and activities in accordance with GASBS No. 34, as amended.
- 33) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 37) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

October 23, 2023  
 Page 4 of 6

- 39) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
- 40) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 41) We have appropriately disclosed the School's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 42) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 43) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 44) With respect to the supplementary information:
  - a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.
- 45) With respect to federal award programs:
  - a) We are responsible for understanding and complying with and have complied with, the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal and State Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal and state awards.
  - b) We acknowledge our responsibility for preparing and presenting the schedule of expenditures of federal and state awards (SEFA) and related disclosures in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
  - c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditors' report thereon.
  - d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal and state awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
  - e) We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal and state awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal and state awards that are considered to have a direct and material effect on each major program.

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Page 5 of 6

- f) We are responsible for establishing, designing, implementing, and maintaining, and have established, designed, implemented, and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal and state awards in compliance with federal statutes, regulations, and the terms and conditions of federal and state awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all federal and state awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement* relating to federal and state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal and state awards.
- j) We have disclosed any communications from federal and state awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditors' report.
- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t) We have charged costs to federal and state awards in accordance with applicable cost principles.
- u) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.

October 23, 2023

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- v) We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
  - w) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
  - x) We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
  - y) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.
46. The School is not in default regarding the rating covenants in relation to its debt agreement for the year ended June 30, 2023.
47. The School's loan agreement is not considered a direct borrowing or direct placement agreement in accordance with GASB Statement No. 88, *Certain Disclosures Related to Debt, including Debt Borrowings and Direct Placements*.
48. The School's expenses incurred in relation to the formation and replication of a new charter school are in compliance with applicable laws and regulations and are deemed appropriate.

Signature: Brandon Mitchell

Title: Director of Operations

**CONTEMPORARY SCIENCE CENTER, INC.**

Financial Statements  
Year Ended June 30, 2023

DRAFT

**CONTEMPORARY SCIENCE CENTER, INC.**  
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**As of June 30, 2023**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of 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, 2023 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Contemporary Science Center, Inc. as of June 30, 2023, and the respective changes in financial position 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:

- Exercise 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 responsible 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 11 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 budgetary 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 23, 2023 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  
October 23, 2023

**CONTEMPORARY SCIENCE CENTER, INC.**  
**Statement of Net Position**  
**June 30, 2023**

**Exhibit 1**

	Primary Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,294,443
Cash and cash equivalents - restricted	1,481,374
Accounts receivable	9,679
Capital assets (Note 1):	
Land	1,450,000
Construction in progress	37,422
Other capital assets, net of depreciation	6,982,486
Total capital assets	8,469,908
Total assets	12,255,404
<b>LIABILITIES</b>	
Accounts payable	6,040
Accrued interest	268,728
Accrued expenses	27,276
Long-term liabilities:	
Due within one year	230,000
Due in more than one year	9,372,882
Total liabilities	9,904,926
<b>NET POSITION</b>	
Net investment in capital assets	348,400
Unrestricted	2,002,078
Total net position	\$ 2,350,478

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, 2023**

**Exhibit 2**

<b>Functions/Programs</b>	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Total
<b>Primary government:</b>					
Governmental activities:					
Instructional programs	\$ 5,054,695	\$ -	\$ 268,159	\$ (4,786,536)	\$ (4,786,536)
Support services	877,356	-	6,103	(871,253)	(871,253)
Interest on long-term debt	549,325	-	-	(549,325)	(549,325)
Clubs and activities	171,360	-	-	(171,360)	(171,360)
Total governmental activities	6,652,736	-	274,262	(6,378,474)	(6,378,474)
Total primary government	\$ 6,652,736	\$ -	\$ 274,262	(6,378,474)	(6,378,474)
General revenues:					
Unrestricted county appropriations				2,418,249	2,418,249
Unrestricted State appropriations				3,866,399	3,866,399
Clubs and activities				191,627	191,627
Sales tax				24,052	24,052
Donations - general				21,622	21,622
Miscellaneous				7,871	7,871
Loss on disposal of capital assets				(6,465)	(6,465)
Unrestricted investment earnings				2,197	2,197
Total general revenues and transfers				6,525,552	6,525,552
Change in net position				147,078	147,078
Net position-beginning				2,203,400	2,203,400
Net position-ending				\$ 2,350,478	\$ 2,350,478

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

**CONTEMPORARY SCIENCE CENTER, INC.**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

**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	\$ 2,158,096	\$ -	\$ -	\$ 136,347	\$ 2,294,443
Cash and cash equivalents - restricted	1,481,374	-	-	-	1,481,374
Accounts receivable	9,679	-	-	-	9,679
<b>Total assets</b>	<b>\$ 3,649,149</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 136,347</b>	<b>\$ 3,785,496</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 6,040	\$ -	\$ -	\$ -	\$ 6,040
Accrued interest	268,728	-	-	-	268,728
Accrued expenses	27,276	-	-	-	27,276
<b>Total liabilities</b>	<b>302,044</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>302,044</b>
Fund balances:					
Restricted for debt service and repairs and maintenance	1,481,374	-	-	-	1,481,374
Assigned:					
Clubs and activities	-	-	-	136,347	136,347
Unassigned	1,865,731	-	-	-	1,865,731
<b>Total fund balances</b>	<b>3,347,105</b>	<b>-</b>	<b>-</b>	<b>136,347</b>	<b>3,483,452</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,649,149</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 136,347</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.

8,469,908

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

(9,602,882)

Net position of governmental activities

\$ 2,350,478

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, 2023**

**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	\$ -	\$ 3,866,399	\$ -	\$ -	\$ 3,866,399
Boards of Education	2,418,249	-	-	-	2,418,249
U.S. Government	-	-	274,262	-	274,262
Contributions and donations	21,622	-	-	-	21,622
Clubs and activities	-	-	-	191,627	191,627
Sales tax	24,052	-	-	-	24,052
Miscellaneous	7,867	-	-	-	7,867
Investment earnings	2,197	-	-	-	2,197
Total revenues	2,473,987	3,866,399	274,262	191,627	6,806,275
<b>EXPENDITURES</b>					
<b>Current:</b>					
Instructional programs	847,920	3,768,491	268,159	-	4,884,570
Support services	695,233	46,675	6,103	-	748,011
Clubs and activities	-	-	-	171,360	171,360
<b>Capital outlay:</b>	12,637	51,233	-	-	63,870
<b>Debt service:</b>					
Interest	537,456	-	-	-	537,456
Principal	220,000	-	-	-	220,000
Total expenditures	2,313,246	3,866,399	274,262	171,360	6,625,267
Excess (deficiency) of revenues over (under) expenditures	160,741	-	-	20,267	181,008
Net change in fund balance	160,741	-	-	20,267	181,008
Fund balances-beginning	3,186,364	-	-	116,080	3,302,444
Fund balances-ending	\$ 3,347,105	\$ -	\$ -	\$ 136,347	\$ 3,483,452

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, 2023**

**Exhibit 5**

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

Net changes in fund balances - total governmental funds	\$	181,008
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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.		(235,596)
---	--	-----------

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.		208,131
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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 the governmental funds.

Loss on disposal of capital assets		<u>(6,465)</u>
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Total changes in net position of governmental activities	\$	<u><u>147,078</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, 2023

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 573 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.

*West Triangle High School:* During the year ended June 30, 2023 the School was approved to open West Triangle High School ("West Triangle") through the replication process in accordance with the State of North Carolina requirements. However, management determined that the replication of West Triangle was not feasible. Accordingly, a separate legal entity was created and the Office of Charter Schools approved the transfer of West Triangle to be created under the separate legal entity. See Note 3.

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2023

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, 2023

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, 2023. All appropriations lapse at year end.

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For the Fiscal Year Ended June 30, 2023

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 \$1,481,374 of cash equivalents as of June 30, 2023.

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:

	Years
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, 2023

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, 2023

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 three 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, 2023

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 (\$1,132,974) 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).	\$ 10,440,161
Less accumulated depreciation	(1,970,253)
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	(9,865,000)
Discounts on bond issuance	355,093
Accumulated amortization of discounts on bond issuance	<u>(92,975)</u>
Total adjustment	<u><u>\$ (1,132,974)</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, 2023

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, 2023, the School received funding from the Boards of Education for Wake County (\$901,214), Granville County (\$6,406), Town of Chapel Hill (\$48,670), Durham County (\$1,359,844), Chatham County (\$34,885), Franklin County (\$2,122), Orange County (\$61,503), Cumberland County (\$1,702), and Alamance County (\$1,903).

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 (\$33,930) 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.	\$ 63,870
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(299,466)
Loss on disposal of capital assets that is recorded on the statement of activities but not in the fund statements.	(6,465)
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.	220,000

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For the Fiscal Year Ended June 30, 2023

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)
	\$ (33,930)

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.

2. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2023, the School had deposits with banks and savings and loans with a carrying amount of \$3,775,817. The bank balance with the financial institutions was \$3,959,552, of which \$3,573,141 was uninsured. The School does not have a deposit policy for custodial credit risk.

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For the Fiscal Year Ended June 30, 2023

2. Detail Notes on All Funds (Continued)

A. Assets (Continued)

2. Capital Assets

Capital asset activity related to governmental activities for the year ended June 30, 2023, 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	<u>29,672</u>	<u>7,750</u>	<u>-</u>	<u>37,422</u>
Total capital assets not being depreciated	<u>1,479,672</u>	<u>7,750</u>	<u>-</u>	<u>1,487,422</u>
Capital assets being depreciated:				
Building	4,869,183	-	-	4,869,183
Building improvements	3,430,303	51,233	-	3,481,536
School equipment	<u>661,996</u>	<u>4,887</u>	<u>(64,863)</u>	<u>602,020</u>
Total capital assets being depreciated	<u>8,961,482</u>	<u>56,120</u>	<u>(64,863)</u>	<u>8,952,739</u>
Less accumulated depreciation:				
Building	892,685	121,730	-	1,014,415
Building improvements	472,562	87,013	-	559,575
School equipment	<u>363,938</u>	<u>90,723</u>	<u>(58,398)</u>	<u>396,263</u>
Total accumulated depreciation	<u>1,729,185</u>	<u>\$ 299,466</u>	<u>\$ (58,398)</u>	<u>1,970,253</u>
Total capital assets being depreciated, net	<u>7,232,297</u>			<u>6,982,486</u>
Total governmental activities capital assets, net	<u>\$ 8,711,969</u>			<u>\$ 8,469,908</u>

Depreciation expense charged to governmental functions for the year ended June 30, 2023 is summarized as follows:

Instructional programs	\$ 149,733
Supporting services	<u>149,733</u>
	<u>\$ 299,466</u>



**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2023

2. Detail Notes on All Funds (Continued)

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, 2023, 2022, and 2021, the School contributed a total of \$52,864, \$62,726, and \$62,708, 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, 2023

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, 2023 totaled \$9,602,882.

Future minimum payments are as follows:

	<u>Cash Paid Interest</u>	<u>Amortization Bond Discount</u>	<u>Total Interest</u>	<u>Principal</u>
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	510,703	265,000
Year Ending June 30, 2028	484,188	11,869	496,057	280,000
Years Ending June 30, 2029-2033	2,172,478	59,347	2,231,825	1,635,000
Years Ending June 30, 2034-2038	1,669,541	59,347	1,728,888	2,115,000
Years Ending June 30, 2039-2043	990,563	59,347	1,049,910	2,780,000
Years Ending June 30, 2044-2046	<u>179,156</u>	<u>24,729</u>	<u>203,885</u>	<u>2,070,000</u>
	<u>\$ 7,560,753</u>	<u>\$ 262,118</u>	<u>\$ 7,822,871</u>	<u>\$ 9,865,000</u>

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For the Fiscal Year Ended June 30, 2023

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, 2023. The calculation of this covenant for the year ended June 30, 2023 is as follows:

Total operating expenses	\$ 6,625,267
Divided by 365 days	<u>365</u>
Operating expense per day	18,151
Multiplied by 45 days	<u>45</u>
Minimum balance required for Unrestricted cash and investments	<u>\$ 816,795</u>
Total unrestricted cash and cash equivalents	<u>\$ 2,294,443</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, 2023 is as follows:

Change in net assets for year ended June 30, 2023	\$ 147,078
Add: interest expense	549,325
Add: depreciation and amortization expense	299,466
Add: loss on disposal of capital assets	<u>6,465</u>
Net income available for debt service	1,002,334
Maximum annual debt service	<u>\$ 762,425</u>
Cash flow coverage ratio	<u>1.31</u>

Additionally, the School must maintain minimum enrollment of 490. The School's actual enrollment was 573 as of June 30, 2023.

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 For the Fiscal Year Ended June 30, 2023

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, 2023:

	<u>Balance</u> <u>June 30, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Current</u> <u>Portion</u>
Bond Payable	\$ 10,085,000	\$ -	\$ (220,000)	\$ 9,865,000	\$ 230,000
Discounts on Debt Issuance	<u>(273,987)</u>	<u>-</u>	<u>11,869</u>	<u>(262,118)</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 9,811,013</u>	<u>\$ -</u>	<u>\$ (208,131)</u>	<u>\$ 9,602,882</u>	<u>\$ 230,000</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, 2023:

Total fund balance	\$ 3,483,452
Less:	
Restricted for debt service	<u>(1,481,374)</u>
Remaining fund balance	<u>\$ 2,002,078</u>

**CONTEMPORARY SCIENCE CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2023

3. Related Party Transactions

During the year ended June 30, 2023, the School began a project to assist with replicating the School by creating West Triangle. In September 2022, the replication was not deemed feasible. The School paid \$4,775 in legal expenses on behalf of the new charter school being formed. See Note 1.

During the year ended June 30, 2023, the School paid a former board member \$65,000 in consulting fees.

4. 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.

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 October 23, 2023 which is the date the financial statements were available to be issued.

**CONTEMPORARY SCIENCE CENTER, INC.**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**General, State Public School, and Federal Grant Funds**  
**For the Fiscal Year Ended June 30, 2023**

**Statement 1**

	2023		
	Final Budget	Actual	Favorable (Unfavorable) Variance
<b>Revenues:</b>			
State of North Carolina	\$ 3,866,399	\$ 3,866,399	\$ -
Boards of education:			
Wake County	900,779	901,214	435
Town of Chapel Hill	48,670	48,670	-
Granville County	6,300	6,406	106
Durham County	1,357,292	1,359,844	2,552
Chatham County	34,885	34,885	-
Franklin County	2,110	2,122	12
Orange County	61,425	61,503	78
Cumberland County	1,638	1,702	64
Alamance County	1,903	1,903	-
U.S. Government	221,263	274,262	52,999
Miscellaneous	60,300	7,867	(52,433)
Contributions and donations	25,000	21,622	(3,378)
Sales tax	25,000	24,052	(948)
Investment earnings	2,000	2,197	197
<b>Total revenues</b>	<b>6,614,964</b>	<b>6,614,648</b>	<b>(316)</b>
<b>Expenditures:</b>			
Current:			
Instructional programs:			
Regular programs	4,858,523	3,162,405	1,696,118
Special programs	255,000	313,072	(58,072)
Other	126,562	1,409,093	(1,282,531)
<b>Total instructional programs</b>	<b>5,240,085</b>	<b>4,884,570</b>	<b>355,515</b>
Support services:			
Administrative services	-	12,673	(12,673)
Business support	-	548,163	(548,163)
Other support	535,704	187,175	348,529
<b>Total support services</b>	<b>535,704</b>	<b>748,011</b>	<b>(212,307)</b>
Capital outlay	-	63,870	(63,870)

**CONTEMPORARY SCIENCE CENTER, INC.**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual (Continued)**  
**General, State Public School, and Federal Grant Funds**  
**For the Fiscal Year Ended June 30, 2023**

**Statement 1**

	2023		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Debt service:			
Interest	\$ 542,269	\$ 537,456	\$ 4,813
Principal	230,000	220,000	10,000
Total debt service	772,269	757,456	14,813
Total expenditures	6,548,058	6,453,907	94,151
Other financing sources (uses):			
Fund balance appropriated	(66,906)	-	66,906
Total other financing sources (uses)	(66,906)	-	66,906
Excess of revenues over expenditures	\$ -	\$ 160,741	\$ 160,741

DRAFT

**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, 2023, 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 October 23, 2023.

***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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-5 that we consider to be a significant deficiency.



### ***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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-1, 2023-2, 2023-3, and 2023-4.

### ***Contemporary Science Center, Inc.'s Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on Contemporary Science Center, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Contemporary Science Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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  
October 23, 2023

**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, 2023. 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, 2023.

***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.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-1, 2023-2, 2023-3, and 2023-4. Our opinion on each major State program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Contemporary Science Center, Inc.'s response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Contemporary Science Center, Inc.'s response

was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 OMB Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Raleigh, North Carolina  
October 23, 2023

**CONTEMPORARY SCIENCE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 For the Fiscal Year Ended June 30, 2023

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  No
- Significant Deficiency(s) identified?  Yes  None Reported
- Noncompliance material to financial statements noted?  Yes  No

State Awards

Internal control over major State programs:

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

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

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

Identification of major State programs:

Program Name  
 State Public School Fund

**CONTEMPORARY SCIENCE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Fiscal Year Ended June 30, 2023  
(Continued)

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Finding 2023-5**

**Contract**

**Criteria:** In accordance with generally accepted accounting principles, all expenses of the School should be supported by proper documentation.

**Condition:** The School signed a contract with a former board member during the year ended June 30, 2023. The terms of the contract specified that 80% of the agreement would be for work relating to West Triangle High School, a new charter school that Research Triangle High School had received approval to replicate from the Office of Charter Schools. The remaining 20% of the agreement would be for work relating to Research Triangle High School. In September 2022, management determined that the replication would not be feasible. Accordingly, a separate legal entity was created and the Office of Charter Schools approved the transfer of West Triangle to be created under the separate legal entity. However, 80% of the costs of the contract were not transferred to West Triangle. Management determined that 100% of the consultant's work was for the sole purpose of the School. However, the contract was not amended to reflect this.

**Effect:** Without an amendment to the existing contract, there is no credible evidence that the work performed by the consultant was for the sole purpose of the Research Triangle High School and no work performed by the consultant for West Triangle High School.

**Cause:** Proper evidence does not exist to support that the consulting expenses incurred by the School were solely for Research Triangle High School.

**Questioned Costs:** \$52,000. The total amount paid to the consultant was \$65,000. In accordance with the executed contract, 20% was for Research Triangle High School and 80% was for West Triangle High School. \$52,000 represents 80% of the \$65,000 paid to the consultant.

**Recommendation:** We recommend that the School ensure that all amounts paid by the School are in accordance with executed contracts or amendments thereof, and that amendments to contracts due to scope of work changes are executed prior to payments for those contracts.

**Views of responsible officials and planned corrective actions:** The School agrees with this finding and will implement the recommendation.

**CONTEMPORARY SCIENCE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Fiscal Year Ended June 30, 2023  
(Continued)

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

**Finding 2023-1**

**Teacher Certification Testing**

Criteria: The charter school must comply with applicable North Carolina General Statutes, specifically Chapter 115C, Article 14A and Article 31. North Carolina General Statutes require that 50% of the School's teachers hold current certifications.

Condition: The School maintained documentation for teacher certifications, however only \_\_\_\_% were certified, which is less than the 50% minimum requirement.

Effect: Without the required number of certified teachers, the School may not be able to provide the level of education that it is required to uphold by having at least 50% of its teachers certified.

Cause: The School does not have the proper internal control procedures in place to ensure that the requirement was met and the related documentation was maintained as evidence of meeting the requirement.

Questioned Costs: None

Recommendation: We recommend that the School have policies and procedures in place and effectively operating to ensure that it is properly monitoring teacher licenses to ensure that at least 50% of its teachers are certified.

Views of responsible officials and planned corrective actions: The School agrees with this finding and will implement the recommendation.

**Finding 2023-2**

**Salary Cap for State Funded Salaries**

Criteria: The charter school must comply with applicable North Carolina General Assembly Session Law 2015-241, Section 6.26, *Cap State Funded Portion of Nonprofit Salaries*, which requires that no more than one hundred twenty thousand dollars in State funds be used for the annual salary of an individual employee of a nonprofit organization receiving State funds.

Condition: The School paid an individual employee \$17,500 in excess of the one hundred twenty thousand dollar annual salary cap.

Effect: The School was out of compliance with the requirement that no more than one hundred twenty thousand dollars in State funds may be used for the annual salary of an individual employee of a nonprofit organization receiving State funds.

**CONTEMPORARY SCIENCE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Fiscal Year Ended June 30, 2023  
(Continued)

Cause: The School does not have the proper internal control procedures in place to ensure that salaries for individual employees used by State funds do not exceed the cap of \$120,000 per individual employee on an annual basis.

Questioned Costs: None

Recommendation: We recommend that the School implement policies and procedures to ensure that no individual is paid with State funds over the annual salary threshold.

Views of responsible officials and planned corrective actions: The School agrees with this finding and will implement the recommendation.

**Finding 2023-3**

Exceptional Student Education – Consent Forms

Criteria: The charter school should be in compliance with documentation requirements that support each child that is determined to have a need for exceptional student education.

Condition: The School maintained documentation for all students selected for testing, however three out of five students selected for testing did not have the required signed parental consent form.

Effect: Without parental consent, there is a possibility that the child did not qualify for exceptional student education services.

Cause: The School was not able to obtain the signed parental consent forms during the fiscal year ended June 30, 2023.

Questioned Costs: None

Recommendation: We recommend that the School have proper follow up procedures in place to obtain required parental consent forms.

Views of responsible officials and planned corrective actions: The School agrees with this finding and will implement the recommendation.



**CONTEMPORARY SCIENCE CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Fiscal Year Ended June 30, 2023  
(Continued)

**Finding 2023-4**

Exceptional Student Education – Teacher Certification

Criteria: The charter school must comply with applicable North Carolina General Statutes, specifically Chapter 115C, Article 14A and Article 31. North Carolina General Statutes require that all exceptional staff should have an active license certified in exceptional education.

Condition: The School maintained documentation for teacher certifications, however one exceptional child teacher was unable to provide a current license. A license that expired on June 30, 2021 was the only evidence that was able to be provided.

Effect: Without having a teacher certified in exceptional children, the School may not be able to provide the level of education that it is required to teach students that are classified within the exceptional child category.

Cause: The School does not have the proper internal control procedures in place to ensure that the requirement was met and the related documentation was maintained as evidence of meeting the requirement.

Questioned Costs: None

Recommendation: We recommend that the School have policies and procedures in place and effectively operating to ensure that it is properly monitoring teacher licenses to ensure that at least 50% of its teachers are certified.

Views of responsible officials and planned corrective actions: The School agrees with this finding and will implement the recommendation.

**ON SCHOOL LETTERHEAD**

**CORRECTIVE ACTION PLAN  
For the Year Ended June 30, 2023**

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

Finding: 2023 – 1  
Name of Contact Persons: Brandon Mitchell, Director of Operations  
Corrective Action: \_\_\_\_\_  
Proposed Completion Date: \_\_\_\_\_

Finding: 2023 – 2  
Name of Contact Persons: Brandon Mitchell, Director of Operations  
Corrective Action: \_\_\_\_\_  
Proposed Completion Date: \_\_\_\_\_

Finding: 2023 – 3  
Name of Contact Persons: Brandon Mitchell, Director of Operations  
Corrective Action: \_\_\_\_\_  
Proposed Completion Date: \_\_\_\_\_

Finding: 2023 – 4  
Name of Contact Persons: Brandon Mitchell, Director of Operations  
Corrective Action: \_\_\_\_\_  
Proposed Completion Date: \_\_\_\_\_

Finding: 2023 – 4  
Name of Contact Persons: Brandon Mitchell, Director of Operations  
Corrective Action: \_\_\_\_\_  
Proposed Completion Date: \_\_\_\_\_

**CONTEMPORARY SCIENCE CENTER, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
For the Fiscal Year Ended June 30, 2023

None.

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**CONTEMPORARY SCIENCE CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
 For the Year Ended June 30, 2023

<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	\$ 53,000
Passed-through the N.C. Department of Public Instruction:			
Title VI-B Cluster:			
Title VI-B Handicapped	84.027A	PRC 060	<u>100,772</u>
Total VI-B Cluster:			<u>100,772</u>
COVID-19 - Education Stabilization Fund:			
CARES Act:			
Cares Act: Specialized Instructional Support Personnel - GEER I	84.425D	PRC 169	3,011
CRRSA:			
CRRSA: Instructional Support Contract - ESSER II	84.425D	PRC 173	3,756
CRRSA: Learning Loss Funding - ESSER II	84.425D	PRC 176	17,292
ARP:			
ARP: Public School Unit Supplemental Funding - ESSER III	84.425U	PRC 182	<u>90,328</u>
Total COVID-19 - Education Stabilization Fund:			<u>114,387</u>
Title II Improving Teacher Quality	84.367A	PRC 103	<u>6,103</u>
Total U.S. Department of Education			<u>274,262</u>
Total Federal Assistance			<u>274,262</u>
<b>State Grants:</b>			
<b>Cash Assistance:</b>			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund	xxxxx	PRC 036	3,843,047
Principal and Teacher Performance Bonuses	xxxxx	PRC 048	<u>23,352</u>
Total State Assistance			<u>3,866,399</u>
Total Federal and State Assistance			<u>\$ 4,140,661</u>

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, 2023. 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.