

THE EXPLORIS SCHOOL

Financial Statements
Year Ended June 30, 2020

THE EXPLORIS SCHOOL
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As of June 30, 2020

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Certified Public Accountants
INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Exploris School
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Exploris School as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise The Exploris School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Exploris School as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The budgetary schedules and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying budgetary schedules and the Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2021, on our consideration of The Exploris School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 The Exploris School's internal control over financial reporting and compliance.

Thomas, Judy & Tucker, P.A.

Raleigh, North Carolina
January 27, 2021

**The Exploris School
Management's Discussion and Analysis
For the Year Ended June 30, 2020**

As management of The Exploris School, we offer readers of The Exploris School's audited financial statements this narrative overview and analysis of the financial position of The Exploris School for the fiscal year ended June 30, 2020 and its operation for the year then ended. We encourage readers to read the information presented herein in conjunction with additional information that we have furnished in the School's financial statements and notes which follow this section.

Financial Highlights

- The assets of The Exploris School exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,212,111 (*net position*).
- The School's total net position increased by \$104,151, primarily due to an increase in the net position of the governmental activities.
- As of the close of the current fiscal year, The Exploris School's governmental funds reported combined ending fund balances of \$1,789,585, an increase of \$631,447 in comparison with the prior year.
- Enrollment has increased at the School. In 2017-2018 the allotted Average Daily Membership (ADM) was 420. In 2018-2019 it was 448, and in 2019-2020 it was 447.
- There is no long term debt this year just as the last year. The total liability increased by \$65,558 to \$77,524. The key factor in this increase was the accounts payable which is \$63,747 this fiscal year.

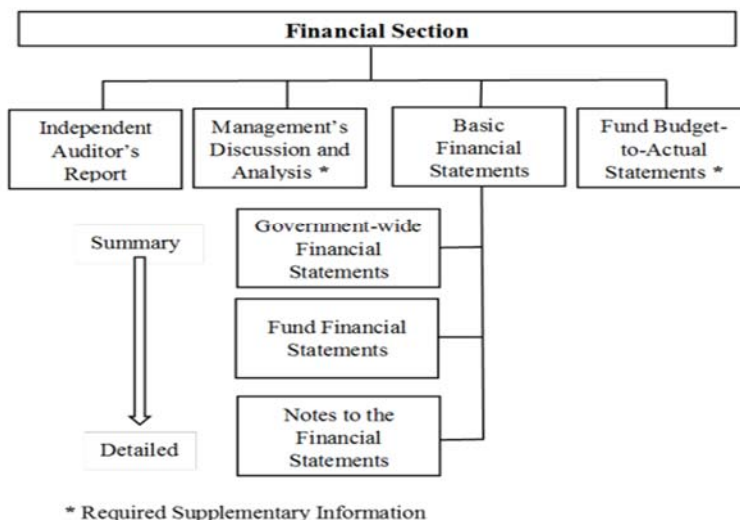
Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to The Exploris School's basic financial statements. The School's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two distinct financial perspectives of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, the annual financial report contains the independent auditor's report, certain required supplementary information and other required schedules that provide additional information to enhance the reader's understanding of the financial position and activities of The Exploris School.

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

Components of Annual Financial Report

Figure 1



Basic Financial Statements

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

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

Immediately following the fund financial statements are the **Notes to the Financial Statements** (i.e. "Notes"). The Notes offer a detailed explanation for some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the School's individual funds. Budgetary information for the School can also be found in this section of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to the financial statements of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status, as a whole.

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the School's basic functions such as instructional services and business services. These functions are funded almost entirely through state, county, and federal educational funds. The business-type activities are those services for which the School charges its students and other customers to provide. These include the Before and After School Care program carried out by The Exploris School.

Management's Discussion and Analysis
The Exploris School
June 30, 2020

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

Fund Financial Statements

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

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

Although not compelled or required to do so by federal, state, or local law, The Exploris School has elected to adopt an annual budget for each of its funds. Since the budget is not required by law, the budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedules following the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the School and specifies which activities will be pursued and which services the School will provide during the year. It also authorizes the School to obtain funds from identified sources to finance current period activities. The budgetary statement provided for each of the funds demonstrates how well the School has complied with the budget ordinance and whether or not the School has succeeded in providing the services as originally planned when the budget was adopted.

Proprietary Funds – The Exploris School has two proprietary funds, which are enterprise funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Exploris School uses enterprise funds to account for the net position, the change in net position, and the cash flows for the School's childcare services.

Notes to the Financial Statements – The notes provide additional information essential to facilitating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 19 of this report.

Government-Wide Financial Analysis

The financial analysis reveals that as of June 30, 2020, cash and cash equivalents, and other current assets, primarily amounts from receivables, accounted for 82.78% and 14.2% of total government-wide assets, respectively. These relationships were little changed from the prior year. During the 2020 fiscal year, the school purchases more electronic equipment and leasehold improvements capital assets and therefore incurred more accounts payable. The increase in capital assets and accounts payable are \$19,249 or 1.9% and \$65,558 or 547% respectively. Capital assets, net of accumulated depreciation, accounted for 3.02% of total assets. There are no long-term liabilities in this fiscal year just as the prior year.

Management's Discussion and Analysis
The Exploris School
June 30, 2020

As noted earlier, net assets may serve over time as one useful indicator of a school's financial condition. The assets of The Exploris School exceeded liabilities plus deferred inflows of resources by \$2,212,111 as of June 30, 2020. As of June 30, 2019, the net position of The Exploris School stood at \$2,107,960. The School's net position increased by \$104,151 for the fiscal year ended June 30, 2020, compared to an increase of \$95,356 in 2019. The amount of \$69,201 reflects the School's investment in capital assets (e.g., leasehold improvements, furniture, and electronic equipment), less any related debt still outstanding that was issued to acquire those items and it represent 3.02% of the total assets. The Exploris School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although The Exploris School's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The School has restricted net assets of 591,665 and the remaining net asset amount of \$1,551,245 is unrestricted. In 2019, the net investment in capital assets was \$99,588, with unrestricted net position standing at \$2,008,372.

A condensed statement of net position which summarizes the assets, liabilities, deferred inflows of resources and net position as of June 30, 2020 and 2019 is as follows:

Figure 2
The Exploris School's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 1,866,693	\$ 1,688,287	\$ 356,181	\$ 337,051	\$ 2,222,874	\$ 2,025,338
Capital assets, net of depreciation	69,201	99,588	-	-	69,201	99,588
Total assets	1,935,894	1,787,875	356,181	337,051	2,292,075	2,124,926
Other liabilities	75,984	11,966	1,540	-	77,524	11,966
Total liabilities	75,984	11,966	1,540	-	77,524	11,966
Deferred inflows of resources	-	5,000	2,440	-	2,440	5,000
Net position:						
Net investment in capital assets	69,201	99,588	-	-	69,201	99,588
Unrestricted	1,790,709	1,671,321	352,201	337,051	2,142,910	2,008,372
Total net position	\$ 1,859,910	\$ 1,770,909	\$ 352,201	\$ 337,051	\$ 2,212,111	\$ 2,107,960

Management's Discussion and Analysis
The Exploris School
June 30, 2020

Several aspects of the School's financial operations positively influenced the total unrestricted governmental net assets:

- The School adopted an annual budget. The School's performance was measured using this budget on a monthly basis, allowing changes to be made in spending as needed to remain within the confines of the budget.
- The School applied for and was awarded federal grants to assist with the expenses of meeting the educational needs of the student population.

Revenues, expenses, transfers and the change in net position is summarized in the following condensed statement of activities for the years ended June 30, 2020 and 2019:

Figure 3
The Exploris School's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Charges for services	\$ -	\$ -	\$ 83,566	\$ 98,997	\$ 83,566	\$ 98,997
Operating grants and contributions	168,198	71,592	-	-	168,198	71,592
County, State, and federal Funds	4,178,054	3,912,155	-	-	4,178,054	3,912,155
Donations and other revenues (expenses)	(273,503)	279,415	-	-	(273,503)	279,415
Total revenues	<u>4,072,749</u>	<u>4,263,162</u>	<u>83,566</u>	<u>98,997</u>	<u>4,156,315</u>	<u>4,362,159</u>
Instructional programs	3,259,750	3,496,791	-	-	3,259,750	3,496,791
Support services	723,998	727,895	-	-	723,998	727,895
Child care	-	-	68,416	42,117	68,416	42,117
Interest on long-term debt	-	-	-	-	-	-
Total expenses	<u>3,983,748</u>	<u>4,224,686</u>	<u>68,416</u>	<u>42,117</u>	<u>4,052,164</u>	<u>4,266,803</u>
Increase (decrease) in net assets	<u>89,001</u>	<u>38,476</u>	<u>15,150</u>	<u>56,880</u>	<u>104,151</u>	<u>95,356</u>
Net assets, July 1	<u>1,770,909</u>	<u>1,732,433</u>	<u>337,051</u>	<u>280,171</u>	<u>2,107,960</u>	<u>2,012,604</u>
Net assets, June 30	<u>\$ 1,859,910</u>	<u>\$ 1,770,909</u>	<u>\$ 352,201</u>	<u>\$ 337,051</u>	<u>\$2,212,111</u>	<u>\$2,107,960</u>

Management's Discussion and Analysis
The Exploris School
June 30, 2020

Governmental activities. Governmental activities increased the School's net position by \$89,001, compared to an increase in net position of \$38,476 in the prior year. The increase in revenues of \$373,301 and was partially offset by an increase in expenses of \$322,776, thus resulting in a net increase of \$50,525 for net governmental activities. County, State and Federal funds of \$4,178,054 increased by 6.8% compared to that revenue of prior year and make up 90.11% of total governmental revenues. Instructional service and related expenses of \$3,823,464 account for 84.08% of total governmental expenses and increased by 9.34% compared to that expense in the prior year. This reflects both increased program and general revenues offset against increased cost of providing instructional services and support services expenses. As compared to 2019, the change in net position increased by \$50,525 or 131%.

Business-type activities. Business-type activities consist of childcare programs providing income before contributions of \$83,566 and expense of \$68,416. These activities increased The Exploris School's net position by \$15,150, accounting for 14.55% of the total growth in the School's net position. Key elements of this increase are as follows:

- By adopting a budget for the enterprise funds that comprise the business-type activities, the Board is able to monitor the School's revenues and expenditures and adjust their estimates as needed during the year.
- The School received \$83,566 of charge for childcare service revenue this past year, a decrease of 15.59% over the prior year.

Financial Analysis of the School's Funds

As noted earlier, The Exploris School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The general fund is the chief operating fund of The Exploris School. At the end of the current fiscal year, the assets in the general fund consisted primarily of cash and cash equivalents which equaled 82.61% of total fund assets. Accounts payable trade accounted for 83.9% the general fund liabilities. The unassigned fund balance of the General Fund was \$1,165,635, while total fund balance reached \$1,789,585. The unassigned fund balance of the general fund was 65.09% of total fund balance. The primary source, 29.37%, of general fund revenue was \$1,312,163 in reimbursement by various counties for their students attending the School. An additional \$2,865,891 or 64.14% of the general fund revenue was provided by the State of North Carolina. The rest \$290,211 or 6.49% of the general fund revenue was from contributions, donations, field trips, and miscellaneous revenues. Expenditures includes instructions-related expenditures of \$3,823,464 and system-wide support service expense of \$723,998 accounted for 84.08% and 15.92% respectively of governmental funds expenditures.

As of June 30, 2020, the governmental funds of The Exploris School reported a combined fund balance of \$1,789,585, a 54.52% increase over last year.

Proprietary Funds. The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the childcare service at the end of the fiscal year amounted to \$352,201. The total growth in net position for the childcare was \$15,150.

**Management’s Discussion and Analysis
The Exploris School
June 30, 2020**

Capital Asset and Debt Administration

Capital assets. The Exploris School’s investment in capital assets for its governmental activities as of June 30, 2020, totals \$69,201 (net of accumulated depreciation). Capital assets include furniture, electronic equipment, and leasehold improvements.

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

- The electronic equipment increased \$15,656 compared with the prior year.
- The leasehold improvement increased \$3,593 compared with the prior year.

The following schedule summarizes the School’s capital assets as June 30, 2020 and 2019:

**Figure 4
The Exploris School’s Capital Assets
(net of depreciation)**

	Governmental Activities	
	2020	2019
Furniture	\$ 556	\$ 973
Electronic equipment	25,863	21,006
Leasehold improvements	42,782	77,609
Total	\$ 69,201	\$ 99,588

Additional information about the School’s capital assets can be found in Note 2.A.3 of the Basic Financial Statements.

Long-term Debt. As of June 30, 2020, The Exploris School did not have any long-term outstanding debt.

Economic Factors

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

- The county in which the school resides has experienced tremendous growth, which should provide a steady stream of students into the School’s limited available space.
- The State of North Carolina per pupil funding for the 2019-2020 school year increased from the prior year.
- The downtown area of Raleigh continues to be revitalized bringing many new families into the new homes and apartments that surround the School which will continue to provide a steady stream of new students that can potentially enroll at Exploris.

Management's Discussion and Analysis
The Exploris School
June 30, 2020

Impact of Coronavirus on The Exploris School. During the fiscal year, the state and the nation were affected by the spread of a coronavirus. The school's response to the coronavirus included a transition to virtual learning beginning March 2020, increased technology and food support for families, increased technology support for staff, and purchased infection control supplies. As a result, the coronavirus impacted The Exploris School financially. Additional costs included the purchase of technology for students and staff, increased food support for families, and the purchase of PPE and other infection control supplies.

The GASB "Emergency Toolbox" designed to help quickly identify the authoritative guidance that could be relevant to the current circumstances may be found at the following web address:

<https://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176174469582>

North Carolina Local Government COVID-19 resources may be found at the following web address: <https://www.nctreasurer.com/local-government-covid-19-resources>

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Board Chair, The Exploris School, 401 Hillsborough Street, Raleigh, North Carolina 27603, and telephone (919) 715-3690.

THE EXPLORIS SCHOOL
Statement of Net Position
June 30, 2020

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 949,473	\$ 356,181	\$ 1,305,654
Restricted cash	591,665	-	591,665
Receivables	292,146	-	292,146
Pledges receivable	1,124	-	1,124
Security deposit	15,658	-	15,658
Prepaid items	16,627	-	16,627
Capital assets (Note 1):			
Other capital assets, net of depreciation	69,201	-	69,201
Total assets	1,935,894	356,181	2,292,075
LIABILITIES			
Accounts payable	63,747	-	63,747
Accrued expenses	12,237	1,540	13,777
Total liabilities	75,984	1,540	77,524
DEFERRED INFLOWS OF RESOURCES	-	2,440	2,440
NET POSITION			
Net investment in capital assets	69,201	-	69,201
Restricted	591,665	-	591,665
Unrestricted	1,199,044	352,201	1,551,245
Total net position	\$ 1,859,910	\$ 352,201	\$ 2,212,111

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

THE EXPLORIS SCHOOL
Statement of Activities
For the Year Ended June 30, 2020

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
Instructional services	\$ 3,259,750	\$ -	\$ 144,205	\$ (3,115,545)	\$ -	\$ (3,115,545)
System-wide support services	723,998	-	23,993	(700,005)	-	(700,005)
Total governmental activities	3,983,748	-	168,198	(3,815,550)	-	(3,815,550)
Business-type activities:						
Child care	68,416	83,566	-	-	15,150	15,150
Total business-type activities	68,416	83,566	-	-	15,150	15,150
Total primary government	\$ 4,052,164	\$ 83,566	\$ 168,198	(3,815,550)	15,150	(3,800,400)
General revenues and transfers:						
Unrestricted county appropriations				1,312,163	-	1,312,163
Unrestricted State appropriations				2,865,891	-	2,865,891
Contributions and donations				198,208	-	198,208
Field trips				81,518	-	81,518
Bad debt expense				(563,714)	-	(563,714)
Miscellaneous, unrestricted				10,485	-	10,485
Total general revenues and transfers				3,904,551	-	3,904,551
Change in net position				89,001	15,150	104,151
Net position-beginning				1,770,909	337,051	2,107,960
Net position-ending				\$ 1,859,910	\$ 352,201	\$ 2,212,111

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

THE EXPLORIS SCHOOL
Balance Sheet
Governmental Funds
June 30, 2020

Exhibit 3

	Major Funds		Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants Fund	
ASSETS				
Cash and cash equivalents	\$ 949,473	\$ -	\$ -	\$ 949,473
Restricted cash	591,665	-	-	591,665
Receivables	292,146	-	-	292,146
Security deposit	15,658	-	-	15,658
Prepaid items	16,627	-	-	16,627
	<u>\$ 1,865,569</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,865,569</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 63,747	\$ -	\$ -	\$ 63,747
Accrued expenses	12,237	-	-	12,237
	<u>75,984</u>	<u>-</u>	<u>-</u>	<u>75,984</u>
Fund balances:				
Nonspendable:				
Security deposit	15,658	-	-	15,658
Prepaid items	16,627	-	-	16,627
Restricted:				
Capital expenditures	591,665	-	-	591,665
Unassigned	1,165,635	-	-	1,165,635
	<u>1,789,585</u>	<u>-</u>	<u>-</u>	<u>1,789,585</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,865,569</u>	<u>\$ -</u>	<u>\$ -</u>	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				
				69,201
Pledges receivable are not current financial resources and therefore are not reported in the funds.				
				1,124
				<u>\$ 1,859,910</u>

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

THE EXPLORIS SCHOOL
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

Exhibit 4

	Major Funds		Non-major Fund	Total Governmental Funds
	General	State Public School	Federal Grants Fund	
REVENUES				
State of North Carolina	\$ -	\$ 2,865,891	\$ -	\$ 2,865,891
Boards of Education	1,312,163	-	-	1,312,163
U.S. Government	31,602	-	136,596	168,198
Contributions and donations	145,116	-	-	145,116
Field trips	81,518	-	-	81,518
Other	10,485	-	-	10,485
Total revenues	<u>1,580,884</u>	<u>2,865,891</u>	<u>136,596</u>	<u>4,583,371</u>
EXPENDITURES				
Current:				
Instructional services	275,746	2,831,933	113,407	3,221,086
Support services	658,027	33,958	19,604	711,589
Capital outlay:	<u>15,664</u>	<u>-</u>	<u>3,585</u>	<u>19,249</u>
Total expenditures	<u>949,437</u>	<u>2,865,891</u>	<u>136,596</u>	<u>3,951,924</u>
Excess (deficiency) of revenues over expenditures	<u>631,447</u>	<u>-</u>	<u>-</u>	<u>631,447</u>
Net change in fund balance	631,447	-	-	631,447
Fund balances-beginning	<u>1,158,138</u>	<u>-</u>	<u>-</u>	<u>1,158,138</u>
Fund balances-ending	<u>\$ 1,789,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,789,585</u>

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

THE EXPLORIS SCHOOL
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, 2020

Exhibit 5

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

Net changes in fund balances - total governmental funds	\$ 631,447
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 expense exceeded capital outlays in the current period.	(30,387)
Current year pledge receivable adjustments are reported in the statement of activities and do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(512,059)</u>
Total changes in net position of governmental activities	<u><u>\$ 89,001</u></u>

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

THE EXPLORIS SCHOOL
Statement of Net Position
Proprietary Funds
June 30, 2020

Exhibit 6

	Enterprise Fund
	Major Fund
	After
	School Care
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 356,181
Total assets	\$ 356,181
LIABILITIES	
Current liabilities:	
Accrued expenses	\$ 1,540
Total liabilities	1,540
DEFERRED INFLOWS OF RESOURCES	2,440
NET POSITION	
Unrestricted	352,201
Total net position	\$ 352,201

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

THE EXPLORIS SCHOOL
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020

Exhibit 7

	Enterprise Fund
	Major Fund
	After
	School Care
OPERATING REVENUES	
Child care fees	\$ 83,566
Total operating revenues	83,566
OPERATING EXPENSES	
Food purchases	18,813
Salaries and benefits	49,603
Total operating expenses	68,416
Operating income	15,150
Total net position - beginning	337,051
Total net position - ending	\$ 352,201

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

THE EXPLORIS SCHOOL
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

Exhibit 8

	Enterprise Fund
	Major Fund
	After
	School Care
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 86,006
Cash paid to employees for services	(48,063)
Cash paid for goods and services	(18,813)
Net cash provided by operating activities	19,130
Net increase in cash and cash equivalents	19,130
Cash and cash equivalents - beginning of the year	337,051
Cash and cash equivalents - end of the year	\$ 356,181
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 15,150
Changes in liabilities:	
Increase in accrued expenses	1,540
Increase in deferred revenues	2,440
Net cash provided by operating activities	\$ 19,130

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

THE EXPLORIS SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. Summary of Significant Accounting Policies

The accounting policies of The Exploris School (the "School") conform to generally accepted accounting principles ("GAAP") as applicable to governments. Charter schools are established by non-profit entities, such as The Exploris 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 1996. Pursuant to the provisions of the Charter School Act of 1996 as amended (the "Act"), the School has been approved to operate The Exploris School, a public school serving approximately 447 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, 2027, 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: Exploris School Foundation (the "Foundation") was formed in January 2017 as a North Carolina non-profit corporation. The Foundation was created primarily to engage in activities to further the mission of the School and to administer and expend funds to support 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 Foundation provides services almost entirely to the School. Therefore, the Foundation is reported as a blended component unit included in the general fund in the School's financial statements. The Foundation did not issue separate financial statements.

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.

THE EXPLORIS SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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

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

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

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.

The School reports the following non-major governmental fund:

Federal Grants Fund. The Federal Grants Fund is used to account for Federal monies that are paid through the State Department of Public Instruction to the School.

THE EXPLORIS SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The School reports the following major enterprise fund:

After School Care. The After School Care Fund is used to account for activity of the after school care at the School.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgetary Data

Annual budgets are adopted for all funds, on a school-wide basis. All budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all 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, 2020. All appropriations lapse at year end.

THE EXPLORIS SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

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 \$294,729 of cash equivalents as of June 30, 2020.

3. Prepaid Items

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

4. Accounts Receivable and Pledges Receivable

Accounts receivable consist of amounts owed to the School from grants, sales tax, students and local school boards. As a result of the COVID-19 pandemic, the School received an employee retention tax credit of \$112,143, which is included in receivables as of June 30, 2020. Pledges receivable consist of amounts pledged to the School by donors. Pledges receivable are expected to be collected within one year and are recorded at net realizable value. The School has reviewed the accounts receivable balances and determined the amounts to be fully collectible.

5. Allowance for Doubtful Accounts

An allowance for doubtful pledges is provided for the estimated losses which may be incurred due to uncollectible pledges receivable. The estimated losses are based upon a review of the current status of the existing pledge receivables. The allowance recorded as of June 30, 2020 totaled \$51,437.

An allowance for an additional pledge receivable is provided for the estimated losses which may be incurred due to an uncollectible pledge receivable due to a developer match (see Note 2.B.4 – Development Agreement). The estimated losses are based upon a review of the current status of the existing match receivables. The allowance recorded as of June 30, 2020 totaled \$563,714.

6. Capital Assets

The School's donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

THE EXPLORIS SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. Summary of Significant Accounting Policies (Continued)

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

6. Capital Assets (Continued)

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 the following estimated useful lives on a straight-line bases as follows:

	Years
Leasehold improvements	5 - 20
Furniture	3 - 7
Electronic equipment	3 - 5

7. 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 one item that meets this criterion: deferred revenue.

8. Long-Term Obligations

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

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

9. Compensated Absences

Employees are granted between four and fifteen personal leave days each year, which include vacation and sick days. The number of days granted is based on hours worked each week and number of months worked each year. Up to five sick leave days may be carried over to the following year. Employees who leave or are terminated do not have the right to be paid unused leave, thus no accrual is provided for compensated absences.

THE EXPLORIS SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. Summary of Significant Accounting Policies (Continued)

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

10. Net Position/Fund Balances

Net Position

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

Fund Balance

In the governmental fund financial statements, fund balance is composed of three (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:

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

Security Deposit – portion of fund balance not available for appropriation because it represents the year-end balance of a security deposit on the School facility, which is not an expendable, available resource.

Prepaid Items – portion of fund balance that is not an available resource because it represents the year-end balance of prepaid expenses which are not spendable resources.

Assigned for Capital Expenditures – revenue sources restricted for expenditures for the School's future construction of a new facility.

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

Restricted for Capital Expenditures – portion of fund balance that can only be used for capital expenditures.

Unassigned – portion of fund balance that has not been assigned to another fund or restricted, committed or assigned to specific purposes with the General Fund.

THE EXPLORIS SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. Summary of Significant Accounting Policies (Continued)

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

10. Net Position/Fund Balances (Continued)

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 balances, 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.

11. 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 \$70,325 represents the amount that the net position exceeds the total fund balances of governmental funds and consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund (total capital assets on government-wide statement in governmental activities column).	\$ 1,026,028
Less accumulated depreciation	(956,827)
Pledges receivable are not current financial resources and therefore are not reported in the funds.	<u>1,124</u>
Total adjustment	<u>\$ 70,325</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)).

THE EXPLORIS SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. Summary of Significant Accounting Policies (Continued)

F. Revenues, Expenditures, and Expenses (Continued)

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, 2020, the School received funding from the Boards of Education of Wake County (\$1,244,390), Johnston County (\$42,132), and Durham County (\$25,641).

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 (\$542,446) 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.	\$ 19,249
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(49,636)
Current year pledge receivable adjustments do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds:	
Current year collection of pledges receivable	(17,536)
Change in Allowance for Uncollectible Pledges Receivable	(565,151)
Current year pledge receivable revenue	<u>70,628</u>
Total	<u>\$ (542,446)</u>

THE EXPLORIS SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

1. Summary of Significant Accounting Policies (Continued)

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, 2020, the School had deposits with banks and savings and loans with a carrying amount of \$1,897,319. The bank balance with the financial institutions was \$1,985,498, of which \$1,485,498 was not covered by federal depository insurance. The School does not have a deposit policy for custodial credit risk.

2. Pledges Receivable

Pledges receivable at June 30, 2020 were as follows:

Receivable in less than one year		\$	52,561
Receivable in more than one year			563,714
Less: allowance for doubtful accounts			<u>(615,151)</u>
 Total pledges receivable		 \$	 <u>1,124</u>

3. Capital Assets

Capital asset activity related to governmental activities for the year ended June 30, 2020 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets being depreciated:				
Furniture	\$ 22,891	\$ -	\$ -	\$ 22,891
Electronic equipment	243,350	15,656	-	259,006
Leasehold improvements	<u>740,538</u>	<u>3,593</u>	<u>-</u>	<u>744,131</u>
Total capital assets being depreciated	<u>1,006,779</u>	<u>19,249</u>	<u>-</u>	<u>1,026,028</u>
Less accumulated depreciation for:				
Furniture	21,918	417	-	22,335
Electronic equipment	222,344	10,799	-	233,143
Leasehold improvements	<u>662,929</u>	<u>38,420</u>	<u>-</u>	<u>701,349</u>
Total accumulated depreciation	<u>907,191</u>	<u>49,636</u>	<u>-</u>	<u>956,827</u>
Total capital assets being depreciated, net	<u>99,588</u>			<u>69,201</u>
Total governmental capital assets, net	<u>\$ 99,588</u>			<u>\$ 69,201</u>

THE EXPLORIS SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

2. Detail Notes on All Funds (Continued)

A. Assets (Continued)

3. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instructional programs	\$	37,227
Supporting services		12,409
		\$ 49,636

B. Liabilities

1. Pension Plan Obligations

The School does not participate in the North Carolina Teachers' and State Employees' Retirement System. The School has established a deferred compensation plan. Under the plan, all full-time employees who meet certain eligibility requirements can participate. Effective January 1, 2020, part-time employees who meet certain requirements can also participate. The School matches 50% of employee contributions up to 8%. The expenses of the Plan totaled \$43,363, \$42,818, and \$36,448 for the years ended June 30, 2020, 2019, and 2018, respectively.

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.

The School has obtained a major medical insurance policy for its personnel through a commercial insurer. Through the plan, permanent, full-time employees of the School are eligible to receive health care benefits.

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.

The School carries fidelity bond coverage in the amount of \$250,000 for all its employees.

3. Claims and Judgements

At June 30, 2020, the School was a defendant to a lawsuit. In the opinion of the School's management and the School's attorney, the ultimate effect of this legal matter will not have a material adverse effect on the School's financial position.

THE EXPLORIS SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

4. Long-Term Obligations

Operating Leases

Effective July 2009, the School entered into an operating lease for the school building. The lease required monthly payments of \$16,349 for July and August 2019. The lease increases annually based on either the CPI or the increase in per pupil allotment. Effective September 2019, the lease requires \$16,547 per month. The lease expires August 31, 2024.

In July 2017, the School entered into a ground lease agreement which matured in December 2020. The lease required monthly payments of \$5,150 through August 2019, monthly payments of \$5,305 through August 2020, and then monthly payments of \$5,465 through December 2020. In September 2020, the School extended the lease through December 2021 for a monthly payment of \$5,630. The School also has a modular lease agreement which matured in December 2020 and required monthly payments of \$7,934. Upon maturity, the lease converted to a month-to-month agreement. Additionally, the School leases equipment under a lease agreement that expires in September 2021. Monthly payments total \$388.

Rent expense for the year ended June 30, 2020 under noncancelable lease agreements totaled \$309,505.

The following is a schedule of the future minimum lease payments as of June 30:

<u>Year Ending June 30,</u>	
2021	\$ 320,384
2022	240,853
2023	210,028
2024	214,228
2025	<u>35,822</u>
	<u>\$ 1,021,315</u>

THE EXPLORIS SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

2. Detail Notes on All Funds (Continued)

B. Liabilities (Continued)

4. Long-Term Obligations (Continued)

Development Agreement

Effective December 2017, the School entered into an operating lease agreement to lease a school facility that will be constructed. The lease payments are to commence the later of the first full day of school after the earliest summer, fall, winter or spring break following the date a tenant certificate of occupancy is issued. The lease required monthly payments of \$76,367 the first year and \$94,083 thereafter for thirty years after the date of commencement. The annual rent was to be adjusted at the commencement of the third year of the term and each year thereafter, by the same percentage as the North Carolina state allotment for Average Daily Membership ("ADM"). As part of the lease agreement, the landlord shall bear all costs of tenant improvements up to but not to exceed \$30 per square foot. The School will bear all improvement costs in excess of such allowance and will be paid via a promissory note with the Landlord in an amount up to \$2,500,000. The School also has the right to a 15% gain on a portion of land that was subdivided at the future facility site, upon the sale of the tract by the developer. The School also entered into a donation agreement with the developer whereas the developer will make a donation to the School for the exclusive restricted purpose of paying for the interior space upfits of the building. The developer will match funds raised by the School for upfit through July 1, 2019 on a dollar-for-dollar basis, up to the amount of \$1,000,000. In January 2019, the School was informed by the developer that the project was no longer viable. In January 2020, the School filed a complaint against the developing companies stating that the developers were in breach of contract by backing out of construction. Due to management's uncertainty in the School's future facility plans and the outcome of the case, an allowance for doubtful accounts of \$563,714 was recorded to fully reserve for the developer match receivable recorded in accordance with the donation agreement.

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-board of education 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 unassigned fund balance. The finance officer has the authority to deviate from this policy if it is in the best interest of the School.

THE EXPLORIS SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2020

2. Detail Notes on All Funds (Continued)

C. Fund Balance (Continued)

The following schedule provides management and citizens with information on the portion of general fund balance that is available for appropriation as of June 30, 2020:

Total fund balance	\$ 1,789,585
Less:	
Prepaid Items	(16,627)
Security Deposit	(15,658)
Assigned for Capital Expenditures	<u>(591,665)</u>
Remaining fund balance	<u>\$ 1,165,635</u>

3. Related Party Transactions

Two employees of the School serve as members of the governing board of The Exploris School. For the fiscal year ended June 30, 2020, these employees were paid salaries of \$120,800 and \$69,883 from the State Public School Fund.

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. Uncertainties

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

6. 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 January 27, 2021, which is the date the financial statements were available to be issued.

THE EXPLORIS SCHOOL
All Governmental Fund Types
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020

Statement 1

	2020		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
State of North Carolina	\$ 2,857,677	\$ 2,865,891	\$ 8,214
Board(s) of Education:			
Wake County	1,249,041	1,244,390	(4,651)
Johnston County	39,708	42,132	2,424
Durham County	24,103	25,641	1,538
U.S. Government	217,000	168,198	(48,802)
Contributions and donations	60,500	145,116	84,616
Field Trips	3,549	81,518	77,969
Other	6,570	10,485	3,915
Total	4,458,148	4,583,371	125,223
Expenditures:			
Current:			
Instructional services:			
Regular programs	-	2,080,532	-
Special programs	-	463,903	-
Alternative programs	-	76,824	-
School leadership programs	-	476,963	-
Co-Curricular programs	-	9,364	-
School based support programs	-	113,500	-
Total instructional programs	3,693,876	3,221,086	472,790
Support services:			
Curriculum Support	-	2,302	-
Technology	-	44,675	-
Operational support	-	73,183	-
Finance and human resources	-	68,316	-
Policy, leadership and public relations	-	523,113	-
Total support services	589,838	711,589	(121,751)
Capital outlay	-	19,249	(19,249)

THE EXPLORIS SCHOOL
All Governmental Fund Types
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2020
(Continued)

Statement 1

	2020		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Total expenditures	\$ 4,283,714	\$ 3,951,924	\$ 331,790
Other financing sources (uses):			
Fund balance appropriated	(174,434)	-	174,434
Total other financing sources and (uses)	(174,434)	-	174,434
Excess of revenue over expenditures	\$ -	\$ 631,447	\$ 631,447

THE EXPLORIS SCHOOL
Proprietary Fund Types
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2020

Statement 2

	2020		Favorable (Unfavorable) Variance
	Final Budget	Actual	
Revenues:			
Child care fees	\$ 90,000	\$ 83,566	\$ (6,434)
Total revenues	90,000	83,566	(6,434)
Expenditures:			
Food purchases	-	18,813	(18,813)
Salaries and benefits	36,033	49,603	(13,570)
Total expenditures	36,033	68,416	(32,383)
Revenues over expenditures	53,967	15,150	(38,817)
Other financing sources (uses):			
Fund balance appropriated	(53,967)	-	53,967
Total other financing sources (uses)	(53,967)	-	53,967
Revenues and other sources over expenditures	\$ -	15,150	\$ 15,150
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Change in net assets		\$ 15,150	



Certified Public Accountants

**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
The Exploris School
Raleigh, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of The Exploris School (the "School") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise The Exploris School's basic financial statements, and have issued our report thereon dated January 27, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Thomas, Judy & Jucker, P.A.

Raleigh, North Carolina
January 27, 2021



Certified Public Accountants

**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
The Exploris School
Raleigh, North Carolina

Report on Compliance for Each Major State Program

We have audited The Exploris School's (the "School") compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of The Exploris School's major State programs for the year ended June 30, 2020. The Exploris School's major State programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of The Exploris School's major State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the *State Single Audit Implementation Act*. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State program occurred. An audit includes examining, on a test basis, evidence about The Exploris School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of The Exploris School's compliance.

Opinion on Each Major State Program

In our opinion, The Exploris School 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, 2020.

Report on Internal Control over Compliance

Management of The Exploris School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Exploris School's internal control over compliance with the types of requirements that could have a direct and material effect on a major State program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major State program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Exploris School's internal control over compliance.

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

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

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

Thomas, Judy & Tucker, P.A.

Raleigh, North Carolina
January 27, 2021

THE EXPLORIS SCHOOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2020

None.

THE EXPLORIS SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020

<u>Grantor/Pass-through</u> <u>Grantor/Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>State/</u> <u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Expendi-</u> <u>tures</u>
Federal Grants:			
Cash Assistance:			
<u>U.S. Department of Education</u>			
Passed-through the N.C. Department of Public Instruction:			
Improving America School Act of 1994 (IASA)			
<u>IDEA VI Cluster</u>			
IDEA VI-B	84.027	PRC 060	\$ 70,376
IDEA VI-B Targeted Assistance	84.027A	PRC 118	431
NC ACCESS	84.282A	PRC 160	<u>97,391</u>
Total U.S. Department of Education			<u>168,198</u>
Total Federal Assistance			<u>168,198</u>
State Grants:			
Cash Assistance:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund	xxxx	PRC 036	2,843,057
Summer Reading	xxxx	PRC 016	8,844
Behavioral Support	xxxx	PRC 029	1,100
State Bonus	xxxx	PRC 048	2,153
State COVID-19 Supplemental Funds	xxxx	PRC 154	<u>10,737</u>
Total N.C. Department of Public Instruction			<u>2,865,891</u>
Total State Assistance			<u>2,865,891</u>
Total Federal and State Assistance			<u>\$ 3,034,089</u>

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the School under the programs of the federal government and the State of North Carolina for the year ended June 30, 2020. The information in this SEFSA is presented in accordance with the requirements of *Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act*. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

Note 2: Summary of Significant Accounting Policies

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited. The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.