



2020

**Sample Financial Statements
for a Nonprofit Holder of
Multiple Charters for Schools
in North Carolina**

Note to Preparer: This example, **Owl Charter, Inc.**, is suitable for a non-profit holder of multiple charters for schools and substantially all the activities of the non-profit are related to operation of the charter schools.

Cardinal Charter, Inc., is appropriate for a non-profit charter holder for only one charter school where substantially all activities of the non-profit are related to operation of the charter school. A non-profit that is the charter holder for a charter school with a separate non-profit owning and financing facilities (often identified as the "foundation") should review the sample reporting entity note included as an attachment to [Memo 2019-10](#).

Revised: July 2020

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Owl Charter, Inc.

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Required Supplementary Information

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Compliance Section

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

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Financial Section

Owl Charter, Inc.

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LETTERHEAD OF INDEPENDENT AUDITOR

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Owl Charter Inc. 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 15 through 22 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 Owl Charter, Inc.'s basic financial statements. The combining and individual subfund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Revised: July 2020

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

Other Reporting Required by Government Auditing Standards

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

[Signature]
[City and State]
[Date]

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

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Owl Charter, Inc.

Board of Directors

Arthur Chipping
Board Chair

Atticus Finch
Board Member

Christy Huddleston
Board Member

Sylvia Baret
Board Member

Staff

Gabe Kotter, Ph.D.
Headmaster

Bill Lybrand
Finance Officer

Note to preparer: Schools may want to include names of board members and senior finance staff.

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Management Discussion and Analysis

Owl Charter, Inc.

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Owl Charter, Inc.

Management's Discussion and Analysis

For the Year Ended June 30, 2020

As management of Owl Charter, Inc. ("Owl"), we provide these financial statements and this narrative overview and analysis of Owl's financial position at June 30, 2020 and its operations for the year then ended. We encourage readers to review the discussion presented here in conjunction with additional information included in the financial statements and notes which follow this section.

Financial Highlights

- The assets of Owl exceeded its liabilities and deferred inflows at the close of the fiscal year by \$1,662,143 (*net position*).
- The government's total net position increased by \$115,450, primarily due to an increase in the governmental activities' net position.
- At the close of the current fiscal year, Owl's governmental funds reported combined ending fund balances of \$746,992, a decrease of \$63,081 in comparison with the prior year.
- Enrollment continues to increase at the three charter schools with Owl – Doceo's enrollment rising by 19 students this past year, a 4.5% increase. Student enrollment totaled 439, 420 and 398 in years 2020, 2019 and 2018, respectively. Owl – Erudio's enrollment was stable at 455, 452 and 454 in years 2020, 2019 and 2018. In the newest school, Owl – Discite, enrollment continued to increase, rising 8.6% to 327 from 301 in 2019 and 284 in 2018.
- During the current fiscal year, Owl's total long-term debt increased by \$577,383 to \$8,193,183. The key factor in this increase was the new capital lease entered into by Owl for the lease purchase of a new building. The total new lease amount is \$650,000.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Owl's basic financial statements. Owl's basic financial statements consist of three components: the government-wide financial statements, the fund financial statements, and the notes to the financial statements. The basic financial statements present two different views of Owl 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 schools.

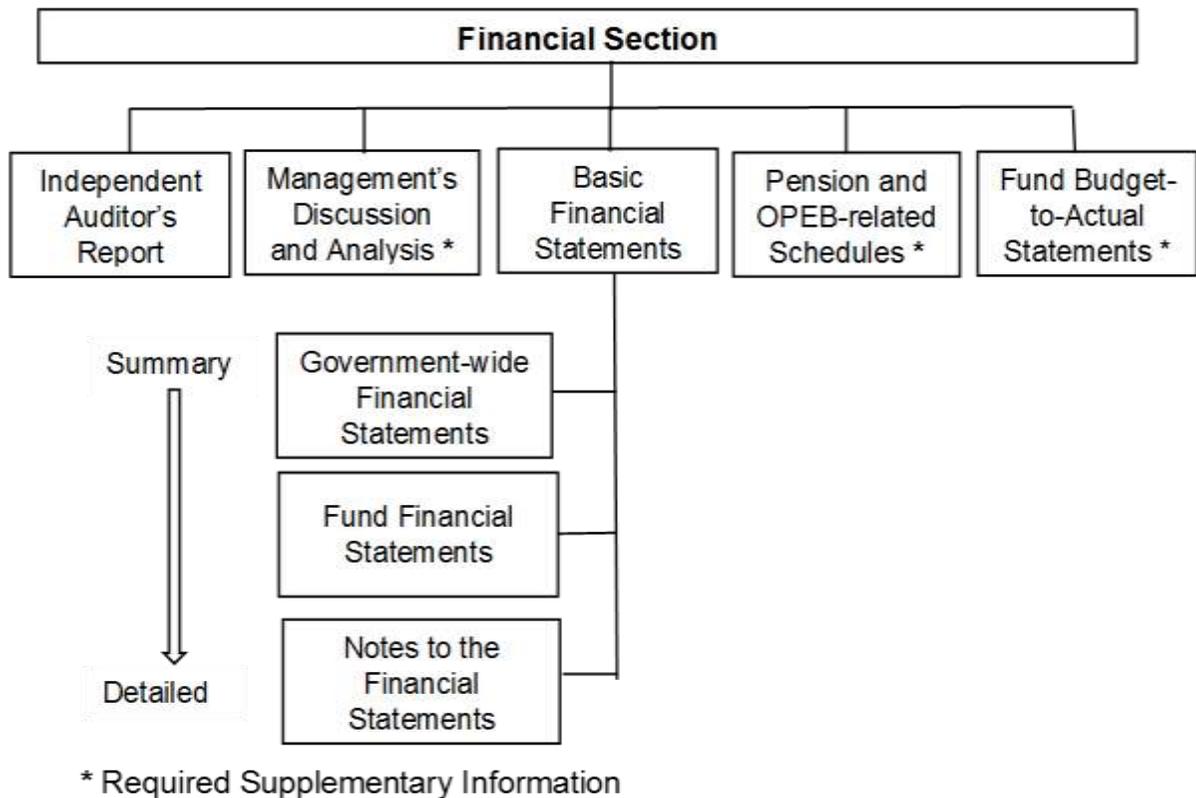
Owl Charter, Inc.

Note to Preparer: The following chart (Figure 1) is appropriate for a charter school that provides pension and OPEB-related benefits. A chart suitable for charter schools that do not provide pension and OPEB-related benefits is also available and is included as an appendix to the Word document MD&A samples in Cardinal Charter, Inc. (Times New Roman font) and Owl School, Inc. (Arial font) The presentation as Figure 1 from prior versions can also be used.

The chart in Figure 1 outlines the relationships of the 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 Owl's financial status.

The next statements (Exhibits 3 through 7) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of Owl. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: the governmental funds statements and the proprietary funds statements.

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: governmental activities and business-type activities. The governmental activities include most of the Owl's basic functions such as instructional services and business services. State, county and federal funds provide virtually all the funding for these functions. The business-type activities are those services for which the schools charge its students and other customers to provide. These include the Food Service and Childcare services offered by each school.

The condensed government-wide financial statements are provided in Exhibits 1 and 2 of this report.

Fund Financial Statements

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

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

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

Proprietary Funds – Owl has two proprietary funds, both of which are enterprise funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The schools use enterprise funds to account for its school food service and childcare functions.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 25 of this report.

Government-Wide Financial Analysis

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

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

The financial analysis reveals that at June 30, 2020 cash and cash equivalents, and other current assets, primarily amounts due from other governments, accounted for 15.5% and 1.0% of total government-wide assets, respectively. These relationships were little changed from the prior year. During the 2020 fiscal year, the school entered into the long-term lease of a classroom building. This transaction accounted for \$650,000 of the increase in capital assets and long-term liabilities, which increased of 6.5% and 2.8% respectively. Capital assets, net of accumulated depreciation, accounted for 83.5% of total assets. Long-term liabilities represent 84.8% of total liabilities.

Owl Charter, Inc.

As previously noted, net position may, over time, serve as one useful indicator of a school's financial condition. The assets of Owl increased by 17.4% and exceeded liabilities and deferred inflows of resources by \$1,662,143. At June 30, 2019, the net position of Owl stood at \$1,546,693. Owl's net position increased by \$115,450 for the fiscal year ended June 30, 2020, compared to a decrease of \$48,267 in 2019. Owl's investment in capital assets (e.g. land, buildings, furniture and school-related equipment) less outstanding debt issued to acquire those items represents the 56.3% portion of total net position. The schools use these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although Owl's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining net asset position, \$725,569 is unrestricted. In 2019, the amount of net investment in capital assets was \$918,379 with unrestricted net position standing at \$628,314.

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

Figure 2
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Cash and cash equivalents	\$ 1,685,609	\$ 593,835	\$ 5,387	\$ 1,224	\$ 1,690,996	\$ 595,059
Other current assets	87,428	146,552	18,791	1,851	106,219	148,403
Capital assets	<u>9,056,728</u>	<u>8,508,026</u>	<u>33,541</u>	<u>26,153</u>	<u>9,090,269</u>	<u>8,534,179</u>
Total assets	<u>10,829,765</u>	<u>9,248,413</u>	<u>57,719</u>	<u>29,228</u>	<u>10,887,484</u>	<u>9,277,641</u>
Liabilities						
Current liabilities	1,391,365	105,423	6,500	7,936	1,397,865	113,359
Long-term liabilities	<u>7,824,720</u>	<u>7,615,800</u>	<u>1,256</u>	<u>-</u>	<u>7,825,976</u>	<u>7,615,800</u>
Total liabilities	<u>9,216,085</u>	<u>7,721,223</u>	<u>7,756</u>	<u>7,936</u>	<u>9,223,841</u>	<u>7,729,159</u>
Deferred inflows of resources	<u>1,500</u>	<u>1,789</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,789</u>
Net position						
Net investment in capital assets	903,033	892,226	33,541	26,153	936,574	918,379
Unrestricted	<u>709,147</u>	<u>633,175</u>	<u>16,422</u>	<u>(4,861)</u>	<u>725,569</u>	<u>628,314</u>
Total net position	<u>\$ 1,612,180</u>	<u>\$ 1,525,401</u>	<u>\$ 49,963</u>	<u>\$ 21,292</u>	<u>\$ 1,662,143</u>	<u>\$ 1,546,693</u>

Several aspects of the schools' financial operations positively influenced the total unrestricted governmental net position:

- Owl adopted an annual budget for all funds. The performance of each school was measured on a monthly basis using these budgets allowing changes in spending as needed to stay within the budget.
- The schools applied for and were awarded several federal grants to assist with the expenses of meeting the education needs of extremely academically gifted children.
- Management is capitalizing on the population boom in the tri-county area and is focusing efforts on attracting students throughout the region. Funding increased by

Owl Charter, Inc.

12.2% reflecting both the increase in the student population and the various fund-raising activities.

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

Figure 3
Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Charges for services	\$ 62,187	\$ -	\$ 68,669	\$ 60,115	\$ 130,856	\$ 60,115
Operating grants and contributions	73,227	40,051	46,351	40,252	119,578	80,303
Capital grants and contributions	9,407	-	934	-	10,341	-
General revenues						
County, State and federal funds	4,006,965	3,846,421	-	-	4,006,965	3,846,421
Unrestricted grants and contributions	334,098	106,875	-	-	334,098	106,875
Investment earnings	3,823	1,667	-	-	3,823	1,667
Other	118,722	112,650	-	-	118,722	112,650
Total revenues	<u>4,608,429</u>	<u>4,107,664</u>	<u>115,954</u>	<u>100,367</u>	<u>4,724,383</u>	<u>4,208,031</u>
Expenses						
Instructional services	3,061,824	3,115,829	-	-	3,061,824	3,115,829
System-wide support services	1,219,439	943,790	-	-	1,219,439	943,790
School food service	-	-	73,029	80,896	73,029	80,893
Child care	-	-	14,254	12,686	14,254	12,686
Interest on long-term debt	240,387	103,100	-	-	240,387	103,100
Total expenses	<u>4,521,650</u>	<u>4,162,719</u>	<u>87,283</u>	<u>93,582</u>	<u>4,608,933</u>	<u>4,256,298</u>
Change in net position	86,779	(55,055)	28,671	6,785	115,450	(48,267)
Net position, beginning	<u>1,525,401</u>	<u>1,580,453</u>	<u>21,292</u>	<u>14,507</u>	<u>1,546,693</u>	<u>1,594,960</u>
Net position, ending	<u>\$ 1,612,180</u>	<u>\$ 1,525,401</u>	<u>\$ 49,963</u>	<u>\$ 21,292</u>	<u>\$ 1,662,143</u>	<u>\$ 1,546,693</u>

Governmental activities: Governmental activities increased Owl's net position by \$86,779, compared to a decrease in net position of \$55,055 in the prior year. The increase in revenues of \$500,765 and was partially offset by an increase in expenses of \$358,931. County, State and federal funds of \$4,006,965 increased by 4.2% and make up 86.9% of total revenues. Instructional service and related expenses of \$3,061,824 account for 67.7% of total expenses and decreased by 1.7%. This reflects both increased program and general revenues offset against increased costs of providing instructional services and interest on long-term debt. As compared to 2019, the change in net position increased \$141,834.

Business-type activities: Business-type activities increased Owl's net position by \$28,671 up from \$6,785 in 2019, primarily related to growth of both the food service activities and the childcare program. The school food services generated operating revenues of \$50,223 and federal reimbursements of \$46,351 while food cost and other operating expenses totaled \$73,029. The childcare services generated operating revenues of \$18,446 while operating expenses totaled \$14,254. The net change in position from school food services and childcare services totaled \$23,545 and \$5,126, respectively.

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Key elements of this increase are as follows:

- By adopting a budget for each of the enterprise funds that comprise the business-type activities, the Board can monitor the revenues and expenditures of the schools and adjust their estimates as needed during the year.
- Owl received \$46,351 of federal reimbursement funds in the School Food Service Funds this past year, a 15.2% increase over the prior year.

Financial Analysis of Owl's Funds

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

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

Governmental Funds. The focus of Owl's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing each schools' 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 Owl. At the end of the current fiscal year, the assets in the General Fund consisted primarily of cash and cash equivalents which equaled 99.6% of total fund assets. Accounts payable and accrued liabilities accounted for the General Fund liabilities. The unassigned fund balance of the General Fund was \$386,491, while total fund balance reached \$416,916, an increase of \$64,425 or 18.3%. The unassigned fund balance of the General Fund was 92.7% of total fund balance. The primary source of General Fund revenue was \$69,425 in contributions, donations and other revenues.

Activities of the individual schools are reported in special revenue funds. An additional \$3,935,495, or 88.1% of total revenue of all governmental funds, was provided by the State of North Carolina and Carolina County. Expenditures for capital outlays including the new classroom facility totaled \$750,000, or 14.2% of governmental funds expenditures. Additional instructions-related expenditures of \$4,112,522 and debt service of \$414,167 accounted for 77.9% and 7.8%, respectively, of governmental funds expenditures.

At June 30, 2020, the governmental funds of Owl reported a combined fund balance of \$746,992, a 7.8% decline over last year.

Proprietary Funds. Owl's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the School Food Service Fund at the end of the fiscal year amounted to \$11,488. The total growth in net position for the School Food Service fund was \$23,545 reflecting the growth in the student population and effective operation of the school service facilities. More parents are taking

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advantage of Owl's childcare programs with revenues increasing to \$18,446 and operating income reaching \$4,282.

Capital Asset and Debt Administration

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

Capital assets. Owl's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$9,090,269 (net of accumulated depreciation). These assets include the building, and various equipment, furniture and electronic equipment.

The major capital asset transaction during the year includes the following addition:

- Owl entered into a capital lease for a new building in which to hold classes with the total lease purchase price of \$650,000.

The following schedule summarizes Owl's capital assets as June 30, 2020 and 2019:

Figure 4
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 2,825,813	\$ 2,825,813	\$ -	\$ -	\$ 2,825,813	\$ 2,825,813
Buildings	5,525,245	5,068,020	-	-	5,525,245	5,068,020
Furniture and other equipment	579,989	484,068	23,843	15,831	603,832	499,899
Electronic equipment	125,681	130,125	9,698	10,322	135,379	140,447
Capital assets, net	<u>\$ 9,056,728</u>	<u>\$ 8,508,026</u>	<u>\$ 33,541</u>	<u>\$ 26,153</u>	<u>\$ 9,090,269</u>	<u>\$ 8,534,179</u>

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

Long-term Debt. As of June 30, 2020, Owl had total debt outstanding of \$8,193,183. The debt consists of \$782,177 of capital lease obligations, a \$100,000 note payable with Bank of Dogwood, \$7,271,518 in revenue bonds outstanding and \$39,488 for compensated absences.

Owl's outstanding debt at June 30, 2020 and 2019 is summarized in the following schedule:

Figure 5
Long-term Obligations

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Capital leases	\$ 782,177	\$ 155,177	\$ -	\$ -	\$ 782,177	\$ 155,177
Notes payable direct borrowing	100,000	25,000	-	-	100,000	25,000
Revenue bond direct placement	7,271,518	7,396,518	-	-	7,271,518	7,396,518
Compensated absences	37,845	39,105	1,643	-	39,488	39,105
Total long-term obligations	<u>\$ 8,191,540</u>	<u>\$ 7,615,800</u>	<u>\$ 1,643</u>	<u>\$ -</u>	<u>\$ 8,193,183</u>	<u>\$ 7,615,800</u>

Owl Charter, Inc.

Owl's total debt increased by \$577,383 during the past fiscal year due to the \$650,000 in capital lease financing issued for the lease purchase of a new classroom building and the \$100,000 note issued less principal payments of \$173,000. The obligation for compensated absences increased \$383.

Economic Factors

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

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

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

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

The GASB "Emergency Toolbox" designed to help quickly identify the authoritative guidance that could be relevant to the current circumstances may be found [here](#). North Carolina Local Government COVID-19 resources may be found [here](#).

Requests for Information

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

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Owl Charter, Inc.

Basic Financial Statements

Owl Charter, Inc.

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Owl Charter, Inc.
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,685,609	\$ 5,387	\$ 1,690,996
Due from other governments	75,754	11,832	87,586
Receivables, net	-	5,340	5,340
Inventories	825	1,619	2,444
Prepaid items	10,849	-	10,849
Total current assets	<u>1,773,037</u>	<u>24,178</u>	<u>1,797,215</u>
Capital assets (Note 1)			
Land and construction in progress	2,825,813	-	2,825,813
Other capital assets, net of depreciation	6,230,915	33,541	6,264,456
Total capital assets	<u>9,056,728</u>	<u>33,541</u>	<u>9,090,269</u>
Total assets	<u>10,829,765</u>	<u>57,719</u>	<u>10,887,484</u>
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	575,421	5,413	580,834
Accrued salaries and wages payable	448,344	700	449,044
Accrued interest payable	780	-	780
Current portion of long-term liabilities	366,820	387	367,207
Total current liabilities	<u>1,391,365</u>	<u>6,500</u>	<u>1,397,865</u>
Long-term liabilities			
Due in more than one year	7,824,720	1,256	7,825,976
Total liabilities	<u>9,216,085</u>	<u>7,756</u>	<u>9,223,841</u>
Deferred inflows of resources	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Net position			
Net investment in capital assets	903,033	33,541	936,574
Unrestricted	709,147	16,422	725,569
Total net position	<u>\$ 1,612,180</u>	<u>\$ 49,963</u>	<u>\$ 1,662,143</u>

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

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

Owl Charter, Inc.
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental Activities							
Instructional services	\$ 3,061,824	\$ -	\$ 73,227	\$ 9,407	\$ (2,979,190)	\$ -	\$ (2,979,190)
System-wide support services	1,219,439	62,187	-	-	(1,157,252)	-	(1,157,252)
Interest on long-term debt	240,387	-	-	-	(240,387)	-	(240,387)
Total governmental activities	4,521,650	62,187	73,227	9,407	(4,376,829)	-	(4,376,829)
Business-type activities							
School food service	73,029	50,223	46,351	-	-	23,545	23,545
Child care	14,254	18,446	-	934	-	5,126	5,126
Total business-type activities	87,283	68,669	46,351	934	-	28,671	28,671
Total primary government	\$ 4,608,933	\$ 130,856	\$ 119,578	\$ 10,341	(4,376,829)	28,671	(4,348,158)
General revenues:							
Unrestricted county appropriations					1,228,279	-	1,228,279
Unrestricted State appropriations					2,707,216	-	2,707,216
Unrestricted federal appropriations					71,470	-	71,470
Donations, general					334,098	-	334,098
Investment earnings, unrestricted					3,823	-	3,823
Miscellaneous, unrestricted					118,722	-	118,722
Total general revenues					4,463,608	-	4,463,608
Change in net position							
Net position, beginning					1,525,401	21,292	1,546,693
Net position, ending					\$ 1,612,180	\$ 49,963	\$ 1,662,143

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

Owl Charter, Inc.
Balance Sheet
Governmental Funds
June 30, 2020

	Major Special Revenue Funds			Total	
	General Fund	Owl - Doceo	Owl - Erudio	Owl - Discite	Governmental Funds
Assets					
Cash and cash equivalents	\$ 483,306	\$ 389,569	\$ 469,853	\$ 342,881	\$ 1,685,609
Due from other governments	-	27,475	28,103	20,176	75,754
Due from other funds	-	8,000	-	-	8,000
Inventories	-	272	322	231	825
Prepaid items	1,500	3,085	3,646	2,618	10,849
Total assets	<u>\$ 484,806</u>	<u>\$ 428,401</u>	<u>\$ 501,924</u>	<u>\$ 365,906</u>	<u>\$ 1,781,037</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 54,500	\$ 171,985	\$ 203,255	\$ 146,461	\$ 576,201
Accrued salaries and wages payable	13,390	148,651	171,310	114,993	448,344
Due to other funds	-	-	-	8,000	8,000
Total liabilities	<u>67,890</u>	<u>320,636</u>	<u>374,565</u>	<u>269,454</u>	<u>1,032,545</u>
Deferred inflows of resources	<u>-</u>	<u>495</u>	<u>585</u>	<u>420</u>	<u>1,500</u>
Fund balances					
Nonspendable					
Inventories	-	272	322	231	825
Prepaid items	1,500	3,085	3,646	2,618	10,849
Assigned					
Clubs and Activities	28,925	-	-	-	28,925
Unassigned	<u>386,491</u>	<u>103,913</u>	<u>122,806</u>	<u>93,183</u>	<u>706,393</u>
Total fund balances	<u>416,916</u>	<u>107,270</u>	<u>126,774</u>	<u>96,032</u>	<u>746,992</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 484,806</u>	<u>\$ 428,401</u>	<u>\$ 501,924</u>	<u>\$ 365,906</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 governmental funds.	9,056,728
Interest, are not due and payable in the current period and therefore are not reported in the funds (Note III.B.5).	<u>(8,191,540)</u>
Net position of governmental activities	<u>\$ 1,612,180</u>

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

Owl Charter, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	Major Special Revenue Funds			Total	
	General Fund	Owl - Doceo	Owl - Erudio	Owl - Discite	Governmental Funds
Revenues					
State of North Carolina	\$ -	\$ 893,380	\$ 1,055,814	\$ 758,022	\$ 2,707,216
Carolina County	-	405,332	479,029	343,918	1,228,279
U.S. Government	-	71,470	-	-	71,470
Contributions and donations	28,925	100,468	118,735	85,970	334,098
Other	40,500	26,822	31,699	23,524	122,545
Total revenues	<u>69,425</u>	<u>1,497,472</u>	<u>1,685,277</u>	<u>1,211,434</u>	<u>\$ 4,463,608</u>
Expenditures					
Current					
Instructional services	-	1,144,048	1,270,911	913,006	3,327,965
System-wide support services	-	259,461	303,829	220,175	783,465
Non-programmed charges	-	1,092	-	-	1,092
Capital outlay	-	247,500	292,500	210,000	750,000
Debt service					
Principal	-	57,090	67,470	48,440	173,000
Interest and other charges	-	79,328	94,531	67,308	241,167
Total expenditures	<u>-</u>	<u>1,788,519</u>	<u>2,029,241</u>	<u>1,458,929</u>	<u>5,276,689</u>
Excess (deficiency) of revenues over (under) expenditures	<u>69,425</u>	<u>(291,047)</u>	<u>(343,964)</u>	<u>(247,495)</u>	<u>(813,081)</u>
Other Financing Sources (Uses)					
Transfers from other funds	-	-	-	5,000	5,000
Transfers to other funds	(5,000)	-	-	-	(5,000)
Note payable issued	-	33,000	39,000	28,000	100,000
Capital lease obligations issued	-	214,500	253,500	182,000	650,000
Total other financing sources (uses)	<u>(5,000)</u>	<u>247,500</u>	<u>292,500</u>	<u>215,000</u>	<u>750,000</u>
Net change in fund balances	<u>64,425</u>	<u>(43,547)</u>	<u>(51,464)</u>	<u>(32,495)</u>	<u>(63,081)</u>
Fund balances, beginning	<u>352,491</u>	<u>150,817</u>	<u>178,238</u>	<u>128,527</u>	<u>810,073</u>
Fund balances, ending	<u>\$ 416,916</u>	<u>\$ 107,270</u>	<u>\$ 126,774</u>	<u>\$ 96,032</u>	<u>\$ 746,992</u>

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

Owl Charter, Inc.
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance of the Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2020

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

Net changes in fund balances - total governmental funds	\$ (63,081)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	548,702
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and prepaid insurance when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(577,000)
Difference in accrued interest payable and interest expensed on fund statements	176,898
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	1,260
Total changes in net position of governmental activities (Exhibit 2)	<u>\$ 86,779</u>

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

Owl Charter, Inc.
Statement of Net Position
Proprietary Funds
June 30, 2020

	Major Enterprise Funds			Total
	Owl - Doceo	Owl - Erudio	Owl - Discite	
Assets				
Current assets				
Cash and cash equivalents	\$ 1,967	\$ 2,532	\$ 888	\$ 5,387
Due from other governments	3,933	4,782	3,117	11,832
Accounts Receivable (net)	1,763	2,793	784	5,340
Inventory	542	679	398	1,619
Total current assets	<u>8,205</u>	<u>10,786</u>	<u>5,187</u>	<u>24,178</u>
Noncurrent assets				
Capital assets, net of depreciation:				
Furniture and office equipment	6,829	8,045	5,471	20,345
Food service equipment	1,154	1,364	980	3,498
Computer equipment	3,228	3,810	2,660	9,698
Total noncurrent assets	<u>11,211</u>	<u>13,219</u>	<u>9,111</u>	<u>33,541</u>
Total assets	<u>\$ 19,416</u>	<u>\$ 24,005</u>	<u>\$ 14,298</u>	<u>\$ 57,719</u>
Liabilities				
Current liabilities				
Accounts payable and accrued expenses	\$ 2,046	\$ 2,557	\$ 1,510	\$ 6,113
Current portion of long-term liabilities	128	151	108	387
Total current liabilities	<u>2,174</u>	<u>2,708</u>	<u>1,618</u>	<u>6,500</u>
Long-term liabilities				
Due in more than one year	414	490	352	1,256
Total long-term liabilities	<u>414</u>	<u>490</u>	<u>352</u>	<u>1,256</u>
Total liabilities	<u>2,588</u>	<u>3,198</u>	<u>1,970</u>	<u>7,756</u>
Net Position				
Net investment in capital assets	11,211	13,219	9,111	33,541
Unrestricted	5,617	7,588	3,217	16,422
Total net position	<u>\$ 16,828</u>	<u>\$ 20,807</u>	<u>\$ 12,328</u>	<u>\$ 49,963</u>

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

Owl Charter, Inc.
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020

	Major Enterprise Funds			Total
	Owl - Doceo	Owl - Erudio	Owl - Discite	
Operating Revenues				
Food sales	\$ 16,574	\$ 19,587	\$ 14,062	\$ 50,223
Childcare fees	7,194	11,252	-	18,446
Total operating revenues	23,768	30,839	14,062	68,669
Operating Expenses				
Food cost				
Purchase of food	15,147	17,901	12,851	45,899
Salaries and benefits	8,325	11,940	3,321	23,586
Indirect costs	93	132	32	257
Materials and supplies	252	375	43	670
Depreciation	678	782	266	1,726
Contracted services	5,036	6,115	3,912	15,063
Other	27	32	23	82
Total operating expenses	29,558	37,277	20,448	87,283
Operating income (loss)	(5,790)	(6,438)	(6,386)	(18,614)
Nonoperating Revenues (Expenses)				
Federal reimbursements	15,296	18,077	12,978	46,351
Total nonoperating revenue (expenses)	15,296	18,077	12,978	46,351
Income (loss) before contributions and transfers	9,506	11,639	6,592	27,737
Capital contributions	364	570	-	934
Change in net position	9,870	12,209	6,592	28,671
Total net position, beginning	6,958	8,598	5,736	21,292
Total net position, ending	\$ 16,828	\$ 20,807	\$ 12,328	\$ 49,963

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

Owl Charter, Inc.
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Major Enterprise Funds			Total
	Owl - Doceo	Owl - Erudio	Owl - Discite	
Cash Flows from Operating Activities				
Cash received from customers	\$ 18,308	\$ 23,687	\$ 10,418	\$ 52,413
Cash paid for goods and services	(21,497)	(25,682)	(17,626)	(64,805)
Cash paid to employees for services	(7,944)	(11,150)	(2,826)	(21,920)
Net cash provided (used) by operating activities	<u>(11,133)</u>	<u>(13,145)</u>	<u>(10,034)</u>	<u>(34,312)</u>
Cash Flows from Noncapital Financing Activities				
Federal reimbursements	<u>15,296</u>	<u>18,077</u>	<u>12,978</u>	<u>46,351</u>
Cash Flows from Capital and Related Financing Activities				
Capital contributions	364	570	-	934
Acquisition of capital assets	(3,058)	(3,736)	(2,320)	(9,114)
Net cash (used) by capital and related financing activities	<u>(2,694)</u>	<u>(3,166)</u>	<u>(2,320)</u>	<u>(8,180)</u>
Net increase (decrease) in cash and cash equivalents	1,469	1,766	624	3,859
Cash and cash equivalents, beginning	498	766	264	1,528
Cash and cash equivalents, ending	<u>\$ 1,967</u>	<u>\$ 2,532</u>	<u>\$ 888</u>	<u>\$ 5,387</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	<u>\$ (5,790)</u>	<u>\$ (6,438)</u>	<u>\$ (6,386)</u>	<u>\$ (18,614)</u>
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	678	782	266	1,726
Changes in assets and liabilities				
(Increase) in due from other governments	(3,103)	(3,771)	(2,402)	(9,276)
(Increase) in accounts receivable	(1,977)	(2,579)	(784)	(5,340)
(Increase) in inventory	(337)	(428)	(220)	(985)
(Decrease) in accounts payable and accrued liabilities	(606)	(698)	(542)	(1,846)
Increase (decrease) in salaries and wages payable	2	(13)	34	23
Total adjustments	<u>(5,343)</u>	<u>(6,707)</u>	<u>(3,648)</u>	<u>(15,698)</u>
Net cash provided (used) by operating activities	<u>\$ (11,133)</u>	<u>\$ (13,145)</u>	<u>\$ (10,034)</u>	<u>\$ (34,312)</u>

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

Owl Charter, Inc.

Notes to the Financial Statements

For the Year Ended June 30, 2020

I. Summary of Significant Accounting Policies

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

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

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

This example is appropriate for a non-profit that is the charter holder for multiple charter schools. The preparer should give close attention to ensure that the references to the non-profit (Owl) or to the schools are appropriate for the specific organization structure.

For a non-profit that is the charter holder of one school, see the example provided for Cardinal Charter, Inc.

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

A. The Reporting Entity

Owl is a North Carolina non-profit corporation incorporated in October 2013. Pursuant to the provisions of Charter School Act of 1996 as amended (the “Act”), Owl, as the charter holder, has been approved to operate three charter schools: Owl Charter School – Doceo (“Owl - Doceo”), Owl Charter School – Erudio (“Owl - Erudio”) and Owl Charter School – Discite (“Owl - Discite”) (collectively, the “Schools”). The schools are public schools with Owl - Doceo serving approximately 250 students, Owl - Erudio serving 350 and Owl - Discite serving 175. Each school operates under a separate charter agreement applied for under the provisions of North Carolina General Statute (hereafter “G.S.”) 115C-218.1 and authorized by the State Board of Education (“SBE”). The SBE has the authority to terminate, not renew or seek applicants to assume a charter on grounds sent out 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 current charters are effective until June 30, 2021 for Owl - Doceo, June 30, 2022 for Owl - Erudio and June 30, 2024 for Owl - Discite. Charters may be renewed for subsequent periods of ten

Owl Charter, Inc.

Notes to the Financial Statements, continued

(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 charters will be renewed in the ordinary course of business.

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

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

B. Basis of Presentation

Owl's financial statements have been prepared in conformity with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board and required by G.S. 115C-447 of The School Budget and Fiscal Control Act (the "SBFCA"). G.S. 115C-218.6(b)(1) provides that a charter school shall be subject to the audit requirements adopted by the SBE which include the audit requirements established by G.S. 115C-447.

In accordance with GASB Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments ("GASB 34"), Owl 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 Owl. These statements include the financial activities of the overall government. Eliminations minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of Owl. 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 Owl and for each function of Owl'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 made in the governmental funds were 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.

Owl Charter, Inc.

Notes to the Financial Statements, continued

Fund Financial Statements: The fund financial statements provide information about Owl'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.

Owl reports the following major governmental funds:

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

Note to Preparer: The General Fund is the primary operating fund for the nonprofit corporation, Owl Charter, Inc. There can be only one general fund. When the nonprofit is the charter holder for multiple charter schools, the primary operating fund for an individual school (Owl – Doceo, etc.) is a special revenue fund.

Special Revenue Funds. Owl – Doceo, Owl – Erudio and Owl – Discite Funds include appropriations from the county, the State Department of Public Instruction, the federal government and others. There are subfunds within each special revenue fund including:

County and Other Subfund. The County and Other Subfund includes appropriations from various counties and other support of Owl's programs.

State Public School Subfund. The State Public School Subfund includes appropriations from the Department of Public Instruction for specific operating needs of the public school system.

Federal Grants Subfund. The Federal Grants Subfund includes appropriations of federal grants received for specific operating or capital purposes.

Student Activities Subfund. The Student Activities Subfund includes revenue and expenditures related to various student extracurricular activities.

The Schools report the following major enterprise funds:

Enterprise Funds. Owl – Doceo, Owl – Erudio and Owl – Discite enterprise funds account for the school food service and childcare activities.

School Food Service Subfund. The School Food Service Subfund accounts for the food service programs within each of the schools.

Childcare Subfund. The Childcare Subfund accounts for the before and after school programs within each of the schools.

Owl Charter, Inc.

Notes to the Financial Statements, continued

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 value given (or received) 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. Owl 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 schools fund 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 Schools' 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. 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 budgets and subsequent amendments. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budgets presented in the supplemental data represents the budget of the General Fund and budgets the various subfunds of the schools at June 30, 2020. All appropriations lapse at year-end.

Owl Charter, Inc.

Notes to the Financial Statements, continued

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

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

1. Deposits and Investments

All deposits of Owl on behalf of the schools are made in local banks, whose accounts are FDIC insured. Also, Owl may establish time deposit accounts, money market accounts, and certificates of deposit.

2. Cash and Cash Equivalents

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

3. Inventories and Prepaid Items

The inventories of each school are valued at cost using the first-in, first-out (FIFO) flow assumption in determining cost. Inventories in the governmental funds consist of supplies and are recorded as expenses when consumed. Proprietary fund inventories consist of food and supplies and are also recorded as expenses when consumed.

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

4. Capital Assets

Owl'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.

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

Owl Charter, Inc.

Notes to the Financial Statements, continued

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

Capital assets are depreciated over the following estimated useful lives:

<u>Asset Category</u>	<u>Years</u>
Buildings	50
Furniture and office equipment	10
Food service equipment	7
Electronic equipment	5

5. Deferred outflows or inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Owl 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. Owl has only one item that meets the criterion for this category - prepaid items in the General Fund.

6. Long-term obligations

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

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

7. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual leave balances. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. Owl accounts for its leave on a first-in, first-out

Owl Charter, Inc.

Notes to the Financial Statements, continued

basis, such that the oldest available leave is used first. The current portion of the liability is recorded as such in the government-wide financial statements.

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

8. Net Position and Fund Balance

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

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

The governmental fund types classify fund balances as follows:

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

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

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

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

Notes to Preparer: Examples of Restricted or Committed Fund Balance are not presented. Refer to the City of Dogwood or Carolina County Illustrative Statements for an example.

The Restricted and Committed section of fund balance must be by purpose. The name of the restricting source is not a purpose. Example: “Restricted by grants” is not a purpose and should be renamed “Restricted for School Capital Outlay” or “Restricted for Special Education Programs”.

Committed Fund Balance – The amount of fund balance that can only be used for specific purpose imposed by majority vote of Owl’s governing body (highest level

Owl Charter, Inc.

Notes to the Financial Statements, continued

of decision-making authority). Any changes or removal of the specific purpose requires majority action by the governing bodies that approved the original action.

Assigned Fund Balance – The portion of fund balance that Owl intends to use for specific purposes.

Note to Preparer: Unit of government must disclose who has authority to assign fund balance to a specific purpose and the policy by the governing body that established this authorization.

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

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

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

Note to Preparer: This language must be modified to clearly reflect the policies of the charter school.

Owl Charter, Inc.

Notes to the Financial Statements, continued

9. Reconciliation of Government-Wide and Fund Financial Statements

- a. The governmental fund balance sheet includes a reconciliation between the total fund balance of the governmental funds and net position of the governmental activities as reported in the government-wide statement of net position. The net adjustment of \$865,188 consists of several elements as follows:

<u>Description</u>	<u>Amount</u>
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$ 10,222,072
Less accumulated depreciation	<u>(1,165,344)</u>
Capital assets, net of accumulated depreciation	<u>9,056,728</u>
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements	
Bonds, leases, and installment financing	(8,153,695)
Compensated absences	<u>(37,845)</u>
Liabilities not requiring use of current resources	<u>(8,191,540)</u>
Total adjustment	<u>\$ 865,188</u>

Owl Charter, Inc.

Notes to the Financial Statements, continued

- b. The governmental fund statement of revenues, expenditures, and changes in fund balance is followed by a reconciliation between the change in governmental funds' fund balance and the change in governmental activities' net position as reported on the government-wide statement of activities. The net difference of \$149,860 between the two amounts consists of the following elements:

Description	Amount
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 650,000
Depreciation expense that is recorded on the statement of activities but not in the fund	(101,298)
New debt issued during the year is recorded as a source of funds on the fund statements but has no effect on the statement of activities, only the statement of net position.	(750,000)
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the statement of net position in the government-wide statements.	173,000
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	
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual).	176,898
Compensated absences are accrued in the government-wide statements but not in the fund statements, as they do not use current resources.	1,260
Total adjustment	<u>\$ 149,860</u>

F. Revenues, Expenditures, and Expenses

1. Funding

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

Owl Charter, Inc.

Notes to the Financial Statements, continued

limitations, funds allocated by the SBE may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for charter schools and may be used for payments on loans made to charter schools for facilities, equipment, or operations. [G.S. 115C-218.105(b)] Additionally, for each student who resides in the local administrative unit and attends one of the charter schools, that school receives an amount equal to the per pupil local current expense appropriation to the respective local school administrative unit for the fiscal year which is transferred by the appropriate local school administrative units. [G.S. 115C-218.105(c)]. For the fiscal year ended June 30, 2020, the Schools received funding from the Boards of Education for Carolina County, Dogwood County, and Old Pine County.

Furthermore, Owl and the schools have received donations of cash and equipment from various private organizations. The cash has been used for the purchase of new equipment for the School's facilities.

II. Stewardship, Compliance, and Accountability

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

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

1. Noncompliance with North Carolina General Statutes

Note to preparer: Significant statutory violations must be disclosed in this section along with the corrective action plan. See Cardinal Charter, Inc. for a sample disclosure.

2. Contractual Violations

Note to preparer: Significant contractual violations of bond debt service covenants; of lease arrangements; or of other contractual agreements must be disclosed in this section along with the corrective action plan.

B. Deficit Fund Balance or Net Position of Individual Funds

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

Owl Charter, Inc.

Notes to the Financial Statements, continued

III. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2020, Owl had deposits with banks and savings and loans with a carrying amount of \$1,690,696. The bank balance with the financial institutions was \$500,000, which was covered by federal depository insurance. Owl does not have a deposit policy for custodial credit risk. Each school has \$100 in a petty cash fund.

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

2. Capital Assets

Capital assets for governmental activities for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<u>Owl - Doceo</u>				
Capital assets not being depreciated:				
Land	\$ 932,518	\$ -	\$ -	\$ 932,518
Capital assets being depreciated:				
Buildings	2,228,212	-	-	2,228,212
Furniture and office equipment	230,251	-	-	230,251
Electronic equipment	120,958	-	-	120,958
Total being depreciated	<u>2,579,421</u>	<u>-</u>	<u>-</u>	<u>2,579,421</u>
Less accumulated depreciation for:				
Buildings	301,264	29,645	-	330,909
Furniture and office equipment	111,267	4,760	-	116,027
Electronic equipment	74,422	1,861	-	76,283
Total accumulated depreciation	<u>486,953</u>	<u>36,266</u>	<u>-</u>	<u>523,219</u>
Doceo total being depreciated, net	<u>2,092,468</u>			<u>2,056,202</u>
Doceo governmental capital assets, net	<u>\$ 3,024,986</u>			<u>\$ 2,988,720</u>

Owl Charter, Inc.

Notes to the Financial Statements, continued

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Owl - Erudio</u>				
Capital assets not being depreciated:				
Land	\$ 1,102,067	\$ -	\$ -	\$ 1,102,067
Capital assets being depreciated:				
Buildings	2,537,887	-	-	2,537,887
Furniture and office equipment	235,751	-	-	235,751
Electronic equipment	133,860	-	-	133,860
Total being depreciated	<u>2,907,498</u>	<u>-</u>	<u>-</u>	<u>2,907,498</u>
Less accumulated depreciation for:				
Buildings	269,676	41,240	-	310,916
Furniture and office equipment	85,329	6,017	-	91,346
Electronic equipment	73,934	1,245	-	75,179
Total accumulated depreciation	<u>428,939</u>	<u>48,502</u>	<u>-</u>	<u>477,441</u>
Erudio total being depreciated, net	<u>\$ 2,478,559</u>			<u>\$ 2,430,057</u>
Erudio governmental capital assets, net	<u>\$ 3,580,626</u>			<u>\$ 3,532,124</u>
<u>Owl - Discite</u>				
Capital assets not being depreciated:				
Land	\$ 791,228	\$ -	\$ -	\$ 791,228
Capital assets being depreciated:				
Buildings	958,782	540,000	-	1,498,782
Furniture and office equipment	225,667	110,000	-	335,667
Electronic equipment	74,891	-	-	74,891
Total being depreciated	<u>1,259,340</u>	<u>650,000</u>	<u>-</u>	<u>1,909,340</u>
Less accumulated depreciation for:				
Buildings	85,921	11,890	-	97,811
Furniture and office equipment	11,005	3,302	-	14,307
Electronic equipment	51,228	1,338	-	52,566
Total accumulated depreciation	<u>148,154</u>	<u>16,530</u>	<u>-</u>	<u>164,684</u>
Discite total being depreciated, net	<u>\$ 1,111,186</u>			<u>\$ 1,744,656</u>
Discite governmental capital assets, net	<u>\$ 1,902,414</u>			<u>\$ 2,535,884</u>
Total governmental capital assets, net	<u>\$ 8,508,026</u>			<u>\$ 9,056,728</u>

Depreciation expense charged to governmental functions totaled \$101,298 as follows:

	Owl - Doceo	Owl - Erudio	Owl - Discite	Total
Instructional programs	\$ 32,525	\$ 43,872	\$ 15,708	\$ 92,105
Supporting services	3,741	4,630	822	9,193
Total depreciation expense	<u>\$ 36,266</u>	<u>\$ 48,502</u>	<u>\$ 16,530</u>	<u>\$ 101,298</u>

Owl Charter, Inc.

Notes to the Financial Statements, continued

Capital assets for business-type activities for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<u>Owl - Doceo</u>				
<u>School Food Service Fund</u>				
Capital assets being depreciated:				
Furniture and office equipment	\$ 3,986	\$ 2,735	\$ -	\$ 6,721
Food service equipment	1,320	-	-	1,320
Electronic equipment	3,300	-	-	3,300
Total being depreciated	8,606	2,735	-	11,341
Less accumulated depreciation for:				
Furniture and office equipment	119	149	-	268
Food service equipment	83	83	-	166
Electronic equipment	83	83	-	166
Total accumulated depreciation	285	315	-	600
Total being depreciated, net	\$ 8,321			\$ 10,741
<u>Child Care Fund</u>				
Capital assets being depreciated:				
Furniture and office equipment	\$ 175	\$ 389	\$ -	\$ 564
Electronic equipment	269	-	-	269
Total being depreciated	444	389	-	833
Less accumulated depreciation for:				
Furniture and office equipment	-	188	-	188
Electronic equipment	-	175	-	175
Total accumulated depreciation	-	363	-	363
Total being depreciated, net	\$ 444			\$ 470
Doceo business-type capital assets, net	\$ 8,765			\$ 11,211
 <u>Owl - Erudio</u>				
<u>School Food Service Fund</u>				
Capital assets being depreciated:				
Furniture and office equipment	\$ 4,706	\$ 3,232	\$ -	\$ 7,938
Food service equipment	1,560	-	-	1,560
Electronic equipment	3,900	-	-	3,900
Total being depreciated	10,166	3,232	-	13,398
Less accumulated depreciation for:				
Furniture and office equipment	141	176	-	317
Food service equipment	98	98	-	196
Electronic equipment	98	98	-	196
Total accumulated depreciation	337	372	-	709
Total being depreciated, net	\$ 9,829			\$ 12,689

Owl Charter, Inc.

Notes to the Financial Statements, continued

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Owl - Erudio</u>				
<u>Child Care Fund</u>				
Capital assets being depreciated:				
Furniture and office equipment	\$ 198	\$ 438	\$ -	\$ 636
Electronic equipment	304	-	-	304
Total being depreciated	502	438	-	940
Less accumulated depreciation for:				
Furniture and office equipment	-	212	-	212
Electronic equipment	-	198	-	198
Total accumulated depreciation	-	410	-	410
Erudio total being depreciated, net	\$ 502			\$ 530
Erudio business-type capital assets, net	\$ 10,331			\$ 13,219

Owl - Discite

School Food Service Fund:

Capital assets being depreciated:

Furniture and office equipment	\$ 3,378	\$ 2,320	\$ -	\$ 5,698
Food service equipment	1,120	-	-	1,120
Electronic equipment	2,800	-	-	2,800
Total capital assets being depreciated	7,298	2,320	-	9,618
Less accumulated depreciation for:				
Furniture and office equipment	\$ 101	\$ 126	\$ -	\$ 227
Food service equipment	70	70	-	140
Electronic equipment	70	70	-	140
Total accumulated depreciation	241	266	-	507
Total food service capital assets, net	\$ 7,057			\$ 9,111
Total - business-type capital assets, net	\$ 26,153			\$ 33,541

B. Liabilities

1. Pension Plan Obligations

a. Retirement Plan

Owl has adopted a tax deferred annuity retirement plan under Internal Revenue Code section 403(b). The Owl Charter School Retirement Plan (the "Plan") is a defined contribution plan and is administered by Dogwood Pension Services, Inc. This plan was effective July 1, 2010. The benefit terms are established or may be amended by the Board of Directors. All full-time employees who have reached age 21 are eligible to participate in the plan after one year of service to the Schools. Employees who work at least 30 hours a week are considered full-time. Owl contributes 4% of the annual compensation of each eligible employee. The employee may make voluntary contributions, pursuant to a salary reduction

Owl Charter, Inc.

Notes to the Financial Statements, continued

agreement, of a percentage of annual compensation not to exceed the limits set by the Internal Revenue Code.

At June 30, 2020, all eligible employees of Owl were included in the plan. Owl made all required contributions. For the year ended June 30, 2020, the pension cost to Owl was \$2,438, with members contributing \$3,961. No amounts were forfeited. The financial statements for the plan are available by contacting Dogwood Pension Services, Inc. at 919-555-6868 or by writing to 555 Cardinal Avenue, Dogwood, NC 00000.

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

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

2. Other Post Employment Benefit

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

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

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

Owl Charter, Inc.

Notes to the Financial Statements, continued

3. Deferred Inflows of Resources

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

<u>Description</u>	<u>Unearned Revenue</u>
Prepaid items (General Fund)	<u>\$ 1,500</u>

4. Risk Management

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

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

5. Claims and Judgments

At June 30, 2020, Owl - Discite was a defendant to various lawsuits. In the opinion of Owl's and the School's management and their respective attorneys, the ultimate effect of these legal matters will not have a material adverse effect on Owl's or Owl -Discite's financial position.

Owl Charter, Inc.

Notes to the Financial Statements, continued

6. Long-Term Obligations

Note to Preparer: In addition to other requirements to disclose information related to debt in the notes, schools should disclose the information required by GASB Statement 88 and [Memo 2019-08](#).

a. Note Payable

On May 31, 2019, Owl - Erudio obtained a **direct borrowing** from a bank for \$25,000 plus interest at prime plus 1% evidenced by an unsecured note with a six-month term. The 2020 note was repaid in full plus interest on September 15, 2018. On March 18, 2020, the school entered into a **direct borrowing** from a bank for \$100,000 plus interest at prime plus 2.0% evidenced by an unsecured note with a six-month term. The loans were obtained to provide additional working capital during the summer months.

b. Capital Leases

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

Owl entered into two capital leases in July 2019 for school furnishings including desks and physical education equipment, as well as electronic equipment including computers. Both capital leases were for four-year terms.

In January 2020, Owl entered into a capital lease for the elementary school building in the amount of \$650,000. The lease has a twenty-year term and requires annual payments from \$44,250 to \$52,056.

At June 30, 2020, assets recorded under the capital leases were as follows:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Buildings	\$ 650,000	\$ 3,333	\$ 646,667
Furniture and office equipment	29,359	11,991	17,368
Electronic equipment	300,000	181,858	118,142
Total	<u>\$ 979,359</u>	<u>\$ 197,182</u>	<u>\$ 782,177</u>

Owl Charter, Inc.

Notes to the Financial Statements, continued

The following is a schedule of the future minimum lease payments and the net present value of the minimum lease payments as of June 30, 2020:

Fiscal Years Ending June 30	Minium Lease Payments			
	Owl - Doceo	Owl - Erudio	Owl - Discite	Total
2021	\$ 14,692	\$ 14,692	\$ 15,136	\$ 44,520
2022	14,988	14,988	15,443	45,419
2023	15,288	15,288	15,752	46,328
2024	15,905	15,905	16,388	48,198
2025	16,542	16,542	17,042	50,126
2025 - 2029	79,129	79,129	81,526	239,784
2030 - 2034	79,695	79,695	82,110	241,500
2035 - 2039	84,328	84,328	86,882	255,538
Total minimum lease payments	320,567	320,567	330,279	971,413
Less: amount representing interest Present value of minimum lease payments	62,448	62,448	64,340	189,236
	<u>\$ 258,119</u>	<u>\$ 258,119</u>	<u>\$ 265,939</u>	<u>\$ 782,177</u>

c. Revenue Bond

In December 2018, Owl issued through a **direct placement** the School Facilities Revenue Bonds, Series 2018, (the "Revenue Bonds") in the principal amount of \$1,000,000. Principal payments are due annually on June 1 with semiannual interest payments due on December 1 and June 1, at an annual interest rate of 5.25%. The current principal amount outstanding is \$906,923.

The future payments of the direct placement Revenue Bonds are as follows:

Fiscal Years Ending June 30	Principal	Interest
2021	\$ 165,000	\$ 236,324
2022	165,000	230,962
2023	265,000	225,599
2024	268,000	216,987
2025	268,000	208,277
2026 - 2030	1,376,000	909,240
2031 - 2035	1,482,500	680,148
2036 - 2040	1,699,000	427,573
2041 - 2044	1,583,018	115,344
Total payments	<u>\$ 7,271,518</u>	<u>\$ 3,250,454</u>

Owl Charter, Inc.

Notes to the Financial Statements, continued

The future total principal and interest payments of the Revenue Bonds allocated to the individual schools are as follows:

Fiscal Years Ending June 30	Total Principal and Interest Payments		
	Owl - Doceo	Owl - Erudio	Owl - Discite
2021	\$ 120,397	\$ 140,463	\$ 140,464
2022	118,789	138,587	138,586
2023	147,180	171,710	171,709
2024	145,496	169,745	169,746
2025	142,883	166,697	166,697
2026 - 2030	685,572	799,834	799,834
2031 - 2035	648,794	756,927	756,927
2036 - 2040	637,972	744,301	744,300
2041 - 2044	509,509	594,427	594,426
Total payments	\$ 3,156,592	\$ 3,682,691	\$ 3,682,689

Owl and the Schools were in compliance with the various covenants as to rates, fees, rentals and charges in Section 704 of the Bond Order authorizing the issuance of the Bonds. Section 704(a) of the Bond Order requires the debt service coverage ratio to be no less than 125%.

The debt service coverage ratio for the year ended June 30, 2020 is calculated as follows:

Operating revenues	\$ 1,683,431
Operating expenses*	990,893
Operating income	692,538
Nonoperating revenues (expenses)**	(938)
Income available for debt service	\$ 691,600
Debt service - principal and interest paid (Revenue Bond only)	\$ 365,387
Debt service coverage ratio	189%

* Excludes depreciation expense of \$101,298

** Excludes Revenue Bond interest paid of \$240,387.

Owl has pledged future revenues, net of specified operating expenses, to repay the direct placement Bonds. Proceeds from the Bonds provided financing for a high school building and related equipment, various other capital improvements and a debt service reserve fund. The Bonds are payable solely from net revenues and are payable through 2043. The total debt outstanding, including leases, is expected to be repaid entirely, or almost entirely, with resources from the operation of the school. Annual principal and interest payments on the Bonds are expected

Owl Charter, Inc.

Notes to the Financial Statements, continued

to require less than 6% of net revenues. In the event of a default, Owl and the Schools agrees to pay to the purchaser, on demand, interest on any and all amounts due and owing by the School under the related agreements. The total principal outstanding plus interest expected to be paid on the Bonds totals \$10,521,972.

Note to preparer: The auditor working with a unit that has outstanding bonds should include in the notes to the audited financial statements, whether or not required by the revenue bond documents, a calculation demonstrating compliance with the revenue bond rate covenant. Additionally, the auditor should be aware that any other bond compliance statements or additional reports required in the authorizing bond documents need to be submitted to the LGC simultaneously with the local governments audited financial statements, unless otherwise specified in the bond documents.

Revenue bond rate covenants are subject to significant variability. The preceding debt service coverage calculation is presented for illustrative purposes only. Consult the bond order or other loan documents for the exact covenants and any additional disclosure and reporting requirements.

d. Changes in Long-Term Obligations

The following is a summary of changes in Owl's long-term obligations for the fiscal year ended June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental activities:					
Capitalized leases	\$ 155,177	\$ 650,000	\$ 23,000	\$ 782,177	\$ 44,520
Note payable direct borrowing	25,000	100,000	25,000	100,000	25,000
Revenue bond direct placement	7,396,518	-	125,000	7,271,518	265,000
Compensated absences	39,105	54,135	55,395	37,845	32,300
Total	<u>\$ 7,615,800</u>	<u>\$ 804,135</u>	<u>\$ 228,395</u>	<u>\$ 8,191,540</u>	<u>\$ 366,820</u>
Business-type activities:					
Compensated absences	\$ -	\$ 2,257	\$ 614	\$ 1,643	\$ 387
Total	<u>\$ -</u>	<u>\$ 2,257</u>	<u>\$ 614</u>	<u>\$ 1,643</u>	<u>\$ 387</u>

Owl Charter, Inc.

Notes to the Financial Statements, continued

e. General Long-Term Obligations

The following is a summary of Owl's long-term obligations at June 30, 2020 by school:

	Owl - Doceo		Owl - Erudio		Owl - Discite	
	Ending Balance	Current Portion	Ending Balance	Current Portion	Ending Balance	Current Portion
Governmental activities:						
Capitalized leases	\$ 258,118	\$ 14,691	\$ 305,049	\$ 17,363	\$ 219,010	\$ 12,466
Note payable direct borrowing	-	-	100,000	25,000	-	-
Revenue bond direct placement	2,399,601	87,450	2,835,892	103,350	2,036,025	74,200
Compensated absences	12,488	10,659	14,760	12,597	10,597	9,044
Total	<u>\$ 2,670,207</u>	<u>\$ 112,800</u>	<u>\$ 3,255,701</u>	<u>\$ 158,310</u>	<u>\$ 2,265,632</u>	<u>\$ 95,710</u>
Business-type activities:						
Compensated absences	\$ 542	\$ 128	\$ 641	\$ 151	\$ 460	\$ 108
Total	<u>\$ 542</u>	<u>\$ 128</u>	<u>\$ 641</u>	<u>\$ 151</u>	<u>\$ 460</u>	<u>\$ 108</u>

C. Interfund Balances and Activity

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

Understanding interfund balances plays a significant role in the determination of fiscal health of an organization. The justification and a repayment schedule should be disclosed for balances that are not expected to be repaid within the current fiscal year.

The composition of interfund balances as of June 30, 2020, was follows:

The due to Owl - Apex from Owl - Cary represents the amount owed for the use of athletic facilities. \$ 8,000

Note to preparer: All interfund transactions throughout the year are considered essential to fair presentation at the basic financial statement level and should be included in the notes to the financial statements. For interfund transfers, amounts transferred between funds by individual major fund, non-major governmental funds in the aggregate, non-major enterprise funds in the aggregate, internal service funds in the aggregate, and fiduciary fund type; a general description of the principal purposes of interfund transfers; and purposes for and amounts of non-routine transfers and transfers inconsistent with the activities of the fund making the transfers should be disclosed in the notes. These provisions should be applied only to material items.

D. Fund Balance

Owl has a revenue spending policy that provides policy for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, state funds, local non-school funds, and finally Owl funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first,

Owl Charter, Inc.

Notes to the Financial Statements, continued

followed in order by committed fund balance, assigned fund balance, and lastly, unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Schools.

Note to Preparer: Units should modify this language as necessary to clearly reflect their own policies.

The following schedule provides management and citizens with information on the portion of General Fund balance that is available for appropriation:

Total fund balance	\$ 746,992
Less:	
Inventories	825
Prepaid items	<u>10,849</u>
Remaining fund balance	<u>\$ 735,318</u>

Encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. At June 30, 2020, the amount of encumbrances is as follows:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 10,450
Non-major funds	3,000

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

E. Net Investment in Capital Assets

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

IV. Related Party Transactions

Mr. Paul Smith, Ms. Rebekah Brown and Dr. George Wilkinson are members of the governing board of Owl and serve as principals of Owl - Doceo, Owl - Erudio and Owl - Discite, respectively. For the fiscal year, each was paid a salary of \$25,200 from the General Fund and \$19,800 from the respective State Public School Fund.

Owl Charter, Inc.

Notes to the Financial Statements, continued

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

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

V. Summary Disclosure of Significant Contingencies

1. 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 moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

VI. Significant Effects of Subsequent Events

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

Required Supplementary Information

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

Owl Charter, Inc.

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Owl Charter, Inc.

Combining Statements

Owl Charter, Inc.

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Owl Charter, Inc.

School Resources by Governmental Subfund

June 30, 2020

	Owl - Doceo			
	County and Other	State Public School	Federal Grants	Fund Total
Assets				
Cash and cash equivalents	\$ 290,924	\$ 98,645	\$ -	\$ 389,569
Due from other governments	17,879	5,900	3,696	27,475
Due from other funds	8,000	-	-	8,000
Inventories	272	-	-	272
Prepaid items	3,085	-	-	3,085
Total assets	<u>\$ 320,160</u>	<u>\$ 104,545</u>	<u>\$ 3,696</u>	<u>\$ 428,401</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 131,545	\$ 40,440	\$ -	\$ 171,985
Accrued salaries and wages payable	80,850	64,105	3,696	148,651
Total liabilities	<u>212,395</u>	<u>104,545</u>	<u>3,696</u>	<u>320,636</u>
Deferred inflows of resources	<u>495</u>	<u>-</u>	<u>-</u>	<u>495</u>
Fund balances				
Nonspendable				
Inventories	272	-	-	272
Prepaid items	3,085	-	-	3,085
Unassigned	103,913	-	-	103,913
Total fund balances	<u>107,270</u>	<u>-</u>	<u>-</u>	<u>107,270</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 320,160</u>	<u>\$ 104,545</u>	<u>\$ 3,696</u>	<u>\$ 428,401</u>

Owl Charter, Inc.

School Revenues, Expenditures and Changes in Governmental Subfund Balances

For the Year Ended June 30, 2020

	Owl - Doceo			
	County and Other	State Public School	Federal Grants	Fund Total
Revenues				
State of North Carolina	\$ -	\$ 893,380	\$ -	\$ 893,380
Carolina County	405,332	-	-	405,332
U.S. Government	-	-	71,470	71,470
Contributions and donations	100,468	-	-	100,468
Other	26,822	-	-	26,822
Total revenues	<u>532,622</u>	<u>893,380</u>	<u>71,470</u>	<u>1,497,472</u>
Expenditures				
Current				
Instructional services	356,406	719,640	68,002	1,144,048
System-wide support services	83,345	173,740	2,376	259,461
Non-programmed charges	-	-	1,092	1,092
Capital outlay	247,500	-	-	247,500
Debt service				
Principal	57,090	-	-	57,090
Interest and other charges	79,328	-	-	79,328
Total expenditures	<u>823,669</u>	<u>893,380</u>	<u>71,470</u>	<u>1,788,519</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(291,047)</u>	<u>-</u>	<u>-</u>	<u>(291,047)</u>
Other Financing Sources (Uses)				
Note payable issued	33,000	-	-	33,000
Capital lease obligations issued	214,500	-	-	214,500
Total other financing sources (uses)	<u>247,500</u>	<u>-</u>	<u>-</u>	<u>247,500</u>
Net change in fund balances	<u>(43,547)</u>	<u>-</u>	<u>-</u>	<u>(43,547)</u>
Fund balances, beginning	<u>150,817</u>	<u>-</u>	<u>-</u>	<u>150,817</u>
Fund balances, ending	<u>\$ 107,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,270</u>

Owl Charter, Inc.

School Net Position by Proprietary Subfund

June 30, 2020

	Owl - Doceo		
	Enterprise Activities		
	School Food Service	Childcare	Fund Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,047	\$ 920	\$ 1,967
Due from other governments	3,674	259	3,933
Receivables (net)	923	840	1,763
Inventories	468	74	542
Total current assets	<u>6,112</u>	<u>2,093</u>	<u>8,205</u>
Noncurrent assets			
Capital assets, net of depreciation:			
Furniture and office equipment	6,453	376	6,829
Food service equipment	1,154	-	1,154
Computer equipment	3,134	94	3,228
Total noncurrent assets	<u>10,741</u>	<u>470</u>	<u>11,211</u>
Total assets	<u>\$ 16,853</u>	<u>\$ 2,563</u>	<u>\$ 19,416</u>
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	1,779	267	2,046
Current portion of long-term liabilities	128	-	128
Total current liabilities	<u>1,907</u>	<u>267</u>	<u>2,174</u>
Long-term liabilities			
Due in more than one year	414	-	414
Total long-term liabilities	<u>414</u>	<u>-</u>	<u>414</u>
Total liabilities	<u>2,321</u>	<u>267</u>	<u>2,588</u>
Net Position			
Net investment in capital assets	10,741	470	11,211
Unrestricted	3,791	1,826	5,617
Total net position	<u>\$ 14,532</u>	<u>\$ 2,296</u>	<u>\$ 16,828</u>

Owl Charter, Inc.

School Revenues, Expenses and Changes in Subfund Net Position

For the Year Ended June 30, 2020

	Owl - Doceo		
	Enterprise Activities		
	School Food Service	Childcare	Fund Total
Operating Revenues			
Food sales	\$ 16,574	\$ -	\$ 16,574
Childcare fees	-	7,194	7,194
Total operating revenues	16,574	7,194	23,768
Operating Expenses			
Food cost			
Purchase of food	15,147	-	15,147
Salaries and benefits	3,913	4,412	8,325
Indirect costs	37	56	93
Materials and supplies	50	202	252
Depreciation	315	363	678
Contracted services	4,610	426	5,036
Other	27	-	27
Total operating expenses	24,099	5,459	29,558
Operating income (loss)	(7,525)	1,735	(5,790)
Nonoperating Revenues (Expenses)			
Federal reimbursements	15,296	-	15,296
Total nonoperating revenue (expenses)	15,296	-	15,296
Income (loss) before contributions and transfers	7,771	1,735	9,506
Capital contributions	-	364	364
Change in net position	7,771	2,099	9,870
Total net position, beginning	6,761	197	6,958
Total net position, ending	\$ 14,532	\$ 2,296	\$ 16,828

Owl Charter, Inc.

School Statement of Cash Flows by Proprietary Subfund

For the Year Ended June 30, 2020

	Owl - Doceo		
	Enterprise Activities		
	School Food Service	Childcare	Fund Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 12,278	\$ 6,030	\$ 18,308
Cash paid for goods and services	(20,774)	(723)	(21,497)
Cash paid to employees for services	(3,331)	(4,613)	(7,944)
Net cash provided (used) by operating activities	(11,827)	694	(11,133)
Cash Flows from Noncapital Financing Activities			
Federal reimbursements	15,296	-	15,296
Cash Flows from Capital and Related Financing Activities			
Capital contributions	-	364	364
Acquisition of capital assets	(2,735)	(323)	(3,058)
Net cash (used) by capital and related financing activities	(2,735)	41	(2,694)
Net increase (decrease) in cash and cash equivalents	734	735	1,469
Cash and cash equivalents, beginning	313	185	498
Cash and cash equivalents, ending	\$ 1,047	\$ 920	\$ 1,967
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (7,525)	\$ 1,735	\$ (5,790)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	315	363	678
Changes in assets and liabilities			
Increase in due from other governments	(2,830)	(273)	(3,103)
Increase in accounts receivable	(924)	(1,053)	(1,977)
Increase in inventory	(259)	(78)	(337)
Increase (decrease) in accounts payable and accrued liabilities	(645)	39	(606)
Increase (decrease) in salaries and wages payable	41	(39)	2
Total adjustments	(4,302)	(1,041)	(5,343)
Net cash provided (used) by operating activities	\$ (11,827)	\$ 694	\$ (11,133)

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Owl Charter, Inc.

School Resources by Governmental Subfund

June 30, 2020

	Owl - Erudio		Fund Total
	County and Other	State Public School	
Assets			
Cash and cash equivalents	\$ 353,273	\$ 116,580	\$ 469,853
Due from other governments	21,130	6,973	28,103
Inventories	322	-	322
Prepaid items	3,646	-	3,646
Total assets	<u>\$ 378,371</u>	<u>\$ 123,553</u>	<u>\$ 501,924</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 155,462	\$ 47,793	\$ 203,255
Accrued salaries and wages payable	95,550	75,760	171,310
Total liabilities	<u>251,012</u>	<u>123,553</u>	<u>374,565</u>
Deferred inflows of resources	<u>585</u>	<u>-</u>	<u>585</u>
Fund balances			
Nonspendable			
Inventories	322	-	322
Prepaid items	3,646	-	3,646
Unassigned	122,806	-	122,806
Total fund balances	<u>126,774</u>	<u>-</u>	<u>126,774</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 378,371</u>	<u>\$ 123,553</u>	<u>\$ 501,924</u>

Owl Charter, Inc.

School Revenues, Expenditures and Changes in Governmental Subfund Balances

For the Year Ended June 30, 2020

	Owl - Erudio		
	County and Other	State Public School	Fund Total
Revenues			
State of North Carolina	\$ -	\$ 1,055,814	\$ 1,055,814
Carolina County	479,029	-	479,029
Contributions and donations	118,735	-	118,735
Other	31,699	-	31,699
Total revenues	<u>629,463</u>	<u>1,055,814</u>	<u>1,685,277</u>
Expenditures			
Current			
Instructional services	420,427	850,484	1,270,911
System-wide support services	98,499	205,330	303,829
Capital outlay	292,500	-	292,500
Debt service			
Principal	67,470	-	67,470
Interest and other charges	94,531	-	94,531
Total expenditures	<u>973,427</u>	<u>1,055,814</u>	<u>2,029,241</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(343,964)</u>	<u>-</u>	<u>(343,964)</u>
Other Financing Sources (Uses)			
Note payable issued	39,000	-	39,000
Capital lease obligations issued	253,500	-	253,500
Total other financing sources (uses)	<u>292,500</u>	<u>-</u>	<u>292,500</u>
Net change in fund balances	<u>(51,464)</u>	<u>-</u>	<u>(51,464)</u>
Fund balances, beginning	<u>178,238</u>	<u>-</u>	<u>178,238</u>
Fund balances, ending	<u>\$ 126,774</u>	<u>\$ -</u>	<u>\$ 126,774</u>

Owl Charter, Inc.

School Net Position by Proprietary Subfund

June 30, 2020

	Owl - Erudio		
	Enterprise Activities		
	School Food Service	Childcare	Fund Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,237	\$ 1,295	\$ 2,532
Due from other governments	4,341	441	4,782
Receivables (net)	1,093	1,700	2,793
Inventories	553	126	679
Total current assets	<u>7,224</u>	<u>3,562</u>	<u>10,786</u>
Noncurrent assets			
Capital assets, net of depreciation:			
Furniture and office equipment	7,621	424	8,045
Food service equipment	1,364	-	1,364
Computer equipment	3,704	106	3,810
Total noncurrent assets	<u>12,689</u>	<u>530</u>	<u>13,219</u>
Total assets	<u>\$ 19,913</u>	<u>\$ 4,092</u>	<u>\$ 24,005</u>
Liabilities			
Current liabilities			
Accounts payable and accrued expenses	2,103	454	2,557
Current portion of long-term liabilities	151	-	151
Total current liabilities	<u>2,254</u>	<u>454</u>	<u>2,708</u>
Long-term liabilities			
Due in more than one year	490	-	490
Total long-term liabilities	<u>490</u>	<u>-</u>	<u>490</u>
Total liabilities	<u>2,744</u>	<u>454</u>	<u>3,198</u>
Net Position			
Net investment in capital assets	12,689	530	13,219
Unrestricted	4,480	3,108	7,588
Total net position	<u>\$ 17,169</u>	<u>\$ 3,638</u>	<u>\$ 20,807</u>

Owl Charter, Inc.

School Revenues, Expenses and Changes in Subfund Net Position

June 30, 2020

	Owl - Erudio		
	Enterprise Activities		
	School Food Service	Childcare	Fund Total
Operating Revenues			
Food sales	\$ 19,587	\$ -	\$ 19,587
Childcare fees	-	11,252	11,252
Total operating revenues	19,587	11,252	30,839
Operating Expenses			
Food cost			
Purchase of food	17,901	-	17,901
Salaries and benefits	4,625	7,315	11,940
Indirect costs	44	88	132
Materials and supplies	60	315	375
Depreciation	372	410	782
Contracted services	5,448	667	6,115
Other	32	-	32
Total operating expenses	28,482	8,795	37,277
Operating income (loss)	(8,895)	2,457	(6,438)
Nonoperating Revenues (Expenses)			
Federal reimbursements	18,077	-	18,077
Total nonoperating revenue (expenses)	18,077	-	18,077
Income (loss) before contributions and transfers	9,182	2,457	11,639
Capital contributions	-	570	570
Change in net position	9,182	3,027	12,209
Total net position, beginning	7,987	611	8,598
Total net position, ending	\$ 17,169	\$ 3,638	\$ 20,807

Owl Charter, Inc.

School Statement of Cash Flows by Proprietary Subfund

June 30, 2020

	Owl - Erudio		
	Enterprise Activities		
	School Food Service	Childcare	Fund Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 14,511	\$ 9,176	\$ 23,687
Cash paid for goods and services	(24,551)	(1,131)	(25,682)
Cash paid to employees for services	(3,936)	(7,214)	(11,150)
Net cash provided (used) by operating activities	(13,976)	831	(13,145)
Cash Flows from Noncapital Financing Activities			
Federal reimbursements	18,077	-	18,077
Cash Flows from Capital and Related Financing Activities			
Capital contributions	-	570	570
Acquisition of capital assets	(3,232)	(504)	(3,736)
Net cash (used) by capital and related financing activities	(3,232)	66	(3,166)
Net increase (decrease) in cash and cash equivalents	869	897	1,766
Cash and cash equivalents, beginning	368	398	766
Cash and cash equivalents, ending	\$ 1,237	\$ 1,295	\$ 2,532
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (8,895)	\$ 2,457	\$ (6,438)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	372	410	782
Changes in assets and liabilities			
Increase in due from other governments	(3,344)	(427)	(3,771)
Increase in accounts receivable	(1,092)	(1,487)	(2,579)
Increase in inventory	(306)	(122)	(428)
Increase (decrease) in accounts payable and accrued liabilities	(759)	61	(698)
Increase (decrease) in salaries and wages payable	48	(61)	(13)
Total adjustments	(5,081)	(1,626)	(6,707)
Net cash provided (used) by operating activities	\$ (13,976)	\$ 831	\$ (13,145)

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Owl Charter, Inc.

School Resources by Governmental Subfund

June 30, 2020

	Owl - Discite			Fund - Total
	County and Other	State Public School	Student Activities	
Assets				
Cash and cash equivalents	\$ 253,632	\$ 83,699	\$ 5,550	\$ 342,881
Due from other governments	15,170	5,006	-	20,176
Inventories	231	-	-	231
Prepaid items	2,618	-	-	2,618
Total assets	<u>\$ 271,651</u>	<u>\$ 88,705</u>	<u>\$ 5,550</u>	<u>\$ 365,906</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 102,614	\$ 43,312	\$ 535	\$ 146,461
Accrued salaries and wages payable	69,600	45,393	-	114,993
Due to other funds	8,000	-	-	8,000
Total liabilities	<u>180,214</u>	<u>88,705</u>	<u>535</u>	<u>269,454</u>
Deferred inflows of resources	<u>420</u>	<u>-</u>	<u>-</u>	<u>420</u>
Fund balances				
Nonspendable				
Inventories	231	-	-	231
Prepaid items	2,618	-	-	2,618
Unassigned	88,168	-	5,015	93,183
Total fund balances	<u>91,017</u>	<u>-</u>	<u>5,015</u>	<u>96,032</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 271,651</u>	<u>\$ 88,705</u>	<u>\$ 5,550</u>	<u>\$ 365,906</u>

Owl Charter, Inc.

School Revenues, Expenditures and Changes in Governmental Subfund Balances

For the Year Ended June 30, 2020

	Owl - Discite			Fund Total
	County and Other	State Public School	Student Activities	
Revenues				
State of North Carolina	\$ -	\$ 758,022	\$ -	\$ 758,022
Carolina County	343,918	-	-	343,918
Contributions and donations	85,245	-	725	85,970
Other	22,758	-	766	23,524
Total revenues	<u>451,921</u>	<u>758,022</u>	<u>1,491</u>	<u>1,211,434</u>
Expenditures				
Current				
Instructional services	302,403	610,603	-	913,006
System-wide support services	70,718	147,419	2,038	220,175
Capital outlay	210,000	-	-	210,000
Debt service				
Principal	48,440	-	-	48,440
Interest and other charges	67,308	-	-	67,308
Total expenditures	<u>698,869</u>	<u>758,022</u>	<u>2,038</u>	<u>1,458,929</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(246,948)</u>	<u>-</u>	<u>(547)</u>	<u>(247,495)</u>
Other Financing Sources (Uses)				
Transfers from other funds	-	-	5,000	5,000
Note payable issued	28,000	-	-	28,000
Capital lease obligations issued	182,000	-	-	182,000
Total other financing sources (uses)	<u>210,000</u>	<u>-</u>	<u>5,000</u>	<u>215,000</u>
Net change in fund balances	<u>(36,948)</u>	<u>-</u>	<u>4,453</u>	<u>(32,495)</u>
Fund balances, beginning	<u>127,965</u>	<u>-</u>	<u>562</u>	<u>128,527</u>
Fund balances, ending	<u>\$ 91,017</u>	<u>\$ -</u>	<u>\$ 5,015</u>	<u>\$ 96,032</u>

Owl Charter, Inc.

School Net Position by Proprietary Subfund

June 30, 2020

	<u>Owl - Discite</u>
	<u>Enterprise Activities</u>
	<u>School Food Service</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 888
Due from other governments	3,117
Receivables (net)	784
Inventories	398
Total current assets	<u>5,187</u>
Noncurrent assets	
Capital assets, net of depreciation:	
Furniture and office equipment	5,471
Food service equipment	980
Computer equipment	2,660
Total noncurrent assets	<u>9,111</u>
Total assets	<u>\$ 14,298</u>
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	1,510
Current portion of long-term liabilities	108
Total current liabilities	<u>1,618</u>
Long-term liabilities	
Due in more than one year	352
Total long-term liabilities	<u>352</u>
Total liabilities	<u>1,970</u>
Net Position	
Net investment in capital assets	9,111
Unrestricted	3,217
Total net position	<u>\$ 12,328</u>

Owl Charter, Inc.

School Revenues, Expenses and Changes in Subfund Net Position

June 30, 2020

	<u>Owl - Discite</u>
	<u>Enterprise Activities</u>
	<u>School Food Service</u>
Operating Revenues	
Food sales	\$ 14,062
Total operating revenues	14,062
Operating Expenses	
Food cost	
Purchase of food	12,851
Salaries and benefits	3,321
Indirect costs	32
Materials and supplies	43
Depreciation	266
Contracted services	3,912
Other	23
Total operating expenses	20,448
Operating income (loss)	(6,386)
Nonoperating Revenues (Expenses)	
Federal reimbursements	12,978
Total nonoperating revenue (expenses)	12,978
Change in net position	6,592
Total net position, beginning	5,736
Total net position, ending	\$ 12,328

Owl Charter, Inc.

School Statement of Cash Flows by Proprietary Subfund

June 30, 2020

	<u>Owl - Discite</u>
	<u>Enterprise Activities</u>
	<u>School Food Service</u>
Cash Flows from Operating Activities	
Cash received from customers	\$ 10,418
Cash paid for goods and services	(17,626)
Cash paid to employees for services	(2,826)
Net cash provided (used) by operating activities	<u>(10,034)</u>
Cash Flows from Noncapital Financing Activities	
Federal reimbursements	<u>12,978</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of capital assets	<u>(2,320)</u>
Net cash (used) by capital and related financing activities	<u>(2,320)</u>
Net increase (decrease) in cash and cash equivalents	624
Cash and cash equivalents, beginning	<u>264</u>
Cash and cash equivalents, ending	<u>\$ 888</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ (6,386)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	266
Changes in assets and liabilities	
Increase in due from other governments	(2,402)
Increase in accounts receivable	(784)
Increase in inventory	(220)
Increase (decrease) in accounts payable and accrued liabilities	(542)
Increase (decrease) in salaries and wages payable	<u>34</u>
Total adjustments	<u>(3,648)</u>
Net cash provided (used) by operating activities	<u>\$ (10,034)</u>

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Owl Charter, Inc.

Budget to Actual Schedules

Owl Charter, Inc.

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Owl Charter, Inc.
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Fund - General Fund
For the Year Ended June 30, 2020

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues			
Contributions and donations	\$ 25,000	\$ 28,925	\$ 3,925
Other	-	40,500	40,500
Total revenues	<u>25,000</u>	<u>69,425</u>	<u>44,425</u>
Expenditures			
Current			
Administrative expenses	<u>3,500</u>	-	<u>3,500</u>
Total expenditures	<u>3,500</u>	<u>-</u>	<u>3,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>21,500</u>	<u>69,425</u>	<u>47,925</u>
Other Financing Sources (Uses)			
Transfers to other funds	<u>(21,500)</u>	<u>(5,000)</u>	<u>(16,500)</u>
Total other financing sources (uses)	<u>(21,500)</u>	<u>(5,000)</u>	<u>(16,500)</u>
Net change in fund balance	<u>\$ -</u>	<u>64,425</u>	<u>\$ 31,425</u>
Fund balances, beginning		<u>352,491</u>	
Fund balances, ending		<u>\$ 416,916</u>	

Note: This represents the budget for the General Fund of the <u>nonprofit corporation</u> .
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Owl Charter, Inc.
Schedule of Revenues, Expenditures and Changes in Subfund Balance
Budget and Actual
Special Revenue Subfund - County and Other
For the Year Ended June 30, 2020

	Owl - Doceo			Owl - Erudio			Owl - Discite		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues									
Carolina County	\$ 425,000	\$ 405,332	\$ (19,668)	\$ 450,000	\$ 479,029	\$ 29,029	\$ 350,000	\$ 343,918	\$ (6,082)
Contributions and donations	100,000	100,468	468	125,000	118,735	(6,265)	90,000	85,245	(4,755)
Other	25,000	26,822	1,822	25,000	31,699	6,699	10,000	22,758	12,758
Total revenues	<u>550,000</u>	<u>532,622</u>	<u>(17,378)</u>	<u>600,000</u>	<u>629,463</u>	<u>29,463</u>	<u>450,000</u>	<u>451,921</u>	<u>1,921</u>
Expenditures									
Current									
Instructional services	375,000	356,406	18,594	400,000	420,427	(20,427)	250,000	302,403	(52,403)
System-wide support services	80,000	83,345	(3,345)	100,000	98,499	1,501	-	70,718	(70,718)
Capital outlay	250,000	247,500	2,500	300,000	292,500	7,500	200,000	210,000	(10,000)
Debt service									
Principal	58,000	57,090	910	70,000	67,470	2,530	-	48,440	(48,440)
Interest and other charges	80,000	79,328	672	95,000	94,531	469	-	67,308	(67,308)
Total expenditures	<u>843,000</u>	<u>823,669</u>	<u>19,331</u>	<u>965,000</u>	<u>973,427</u>	<u>(8,427)</u>	<u>450,000</u>	<u>698,869</u>	<u>(248,869)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(293,000)</u>	<u>(291,047)</u>	<u>1,953</u>	<u>(365,000)</u>	<u>(343,964)</u>	<u>21,036</u>	<u>-</u>	<u>(246,948)</u>	<u>(246,948)</u>
Other Financing Sources (Uses)									
Transfers from other funds	293,000	-	(293,000)	365,000	-	(365,000)	-	-	-
Note payable issued	-	33,000	33,000	-	39,000	39,000	-	28,000	28,000
Capital lease obligations issued	-	214,500	214,500	-	253,500	253,500	-	182,000	182,000
Total other financing sources (uses)	<u>293,000</u>	<u>247,500</u>	<u>(45,500)</u>	<u>365,000</u>	<u>292,500</u>	<u>(72,500)</u>	<u>-</u>	<u>210,000</u>	<u>210,000</u>
Net change in fund balances	<u>\$ -</u>	<u>(43,547)</u>	<u>\$ (43,547)</u>	<u>\$ -</u>	<u>(51,464)</u>	<u>\$ (51,464)</u>	<u>\$ -</u>	<u>(36,948)</u>	<u>\$ (36,948)</u>
Fund balances, beginning		<u>150,817</u>			<u>178,238</u>			<u>127,965</u>	
Fund balances, ending		<u>\$ 107,270</u>			<u>\$ 126,774</u>			<u>\$ 91,017</u>	

Owl Charter, Inc.
Schedule of Revenues, Expenditures and Changes in Subfund Balance
Budget and Actual
Special Revenue Subfund - State Public School

For the Year Ended June 30, 2020

	Owl - Doceo			Owl - Erudio			Owl - Discite		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance	Final Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)
Revenues									
State of North Carolina	\$ 950,000	\$ 893,380	\$ (56,620)	\$ 1,500,000	\$ 1,055,814	\$ (444,186)	\$ 900,000	\$ 758,022	\$ (141,978)
Total revenues	950,000	893,380	(56,620)	1,500,000	1,055,814	(444,186)	900,000	758,022	(141,978)
Expenditures									
Current									
Instructional services	800,000	719,640	80,360	1,000,000	850,484	149,516	725,000	610,603	114,397
System-wide support services	150,000	173,740	(23,740)	500,000	205,330	294,670	150,000	147,419	2,581
Non-programmed charges	-	-	-	-	-	-	25,000	-	25,000
Total expenditures	950,000	893,380	56,620	1,500,000	1,055,814	444,186	900,000	758,022	141,978
Net change in fund balances	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		-			-			-	
Fund balance, ending		<u>\$ -</u>			<u>\$ -</u>			<u>\$ -</u>	

Owl Charter, Inc.
Special Revenue Subfund - Federal Grants
Schedule of Revenues, Expenditures, and
Changes in Subfund Balance - Budget and Actual
For the Year Ended June 30, 2020

	Owl - Doceo		Variance
	Final Budget	Actual	Favorable (Unfavorable)
Revenues			
U. S. Government	\$ 31,707	\$ 71,470	\$ 39,763
Expenditures			
Instructional services			
Regular curricular services		41,463	
Special populations services		25,250	
Other		1,289	
Total instructional programs	<u>25,947</u>	<u>68,002</u>	<u>(42,055)</u>
System-wide support services			
Support and development services		1,336	
Special population support and development services		983	
Financial and human resource services		57	
Total supporting services	<u>2,500</u>	<u>2,376</u>	<u>124</u>
Nonprogrammed charges	<u>3,260</u>	<u>1,092</u>	<u>2,168</u>
Total expenditures	<u>31,707</u>	<u>71,470</u>	<u>(39,763)</u>
Net change in fund balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Fund balance, beginning		<u>-</u>	
Fund balance, ending		<u>\$ -</u>	

Note to Preparer: Under GASB Statement No. 54 any fund balance in this example would be classified as restricted since only revenue source restricts use of funds for specific purposes. For purposes of this illustration, only one of the three schools, Owl - Apex, received any federal grant funds.

Owl Charter, Inc.
Special Revenue Subfund - Student Activities
Schedule of Revenues, Expenditures, and
Changes in Subfund Balance - Budget and Actual
For the Year Ended June 30, 2020

	Owl - Erudio		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Donations		725	
Other		766	
Total revenues	1,000	1,491	491
Expenditures			
Current			
System-wide support services			
Club and activity expenditures		2,038	
Total expenditures	3,000	2,038	962
Excess (deficiency) of revenues over (under) expenditures	(2,000)	(547)	(471)
Other Financing Sources			
Transfers from other funds	2,000	5,000	3,000
Total other financing sources	2,000	5,000	3,000
Net change in fund balance	\$ -	4,453	\$ 2,529
Fund balance, beginning		562	
Fund balance, ending		\$ 5,015	

Owl Charter, Inc.
School Food Service
Schedule of Subfund Revenues and Expenditures
Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2020

	Owl - Doceo			Owl - Erudio			Owl - Discite		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance	Final Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)			Favorable (Unfavorable)
Operating revenues									
Food sales	\$ 16,000	\$ 16,574	\$ 574	\$ 20,000	\$ 19,587	\$ (413)	\$ 13,000	\$ 14,062	\$ 1,062
Operating expenditures									
Food purchase		15,147			17,901			12,851	
Salaries and benefits		4,278			5,243			3,744	
Materials and supplies		50			60			43	
Contracted services		4,610			5,448			3,912	
Other		27			32			23	
Total operating expenditures	25,000	24,112	888	30,000	28,684	1,316	20,000	20,573	(573)
Capital outlay	10,000	2,735	7,265	12,000	3,232	8,768	8,000	2,320	5,680
Total expenditures	35,000	26,847	8,153	42,000	31,916	10,084	28,000	22,893	5,107
Operating Income (Loss)	(19,000)	(10,273)	8,727	(22,000)	(12,329)	9,671	(15,000)	(8,831)	6,169
Nonoperating revenues (expenses)									
Federal reimbursements	19,000	15,296	(3,704)	22,222	18,077	(4,145)	15,000	12,978	2,022
Total other financing sources	19,000	15,296	(3,704)	22,000	18,077	(4,145)	15,000	12,978	2,022
Excess of revenues and other sources over expenditures	\$ -	5,023	\$ 5,023	\$ -	5,748	\$ 5,526	\$ -	4,147	\$ 8,191
Reconciliation from budgetary basis (modified accrual) to full accrual:									
Reconciling items:									
Indirect costs		(37)			(44)			(32)	
Depreciation		(315)			(372)			(266)	
Capital outlay		2,735			3,232			2,320	
Increase in accrued salaries		365			618			423	
Change in net position (full accrual)		7,771			9,182			6,592	
Total net position, beginning		6,761			7,987			5,736	
Total net position, ending		\$ 14,532			\$ 17,169			\$ 12,328	

Owl Charter, Inc.
Childcare
Schedule of Subfund Revenues and Expenditures
Budget and Actual (Non - GAAP)
For the Year Ended June 30, 2020

	Owl - Doceo			Owl - Erudio		
	Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues:						
Childcare fees	\$ 4,167	\$ 7,194	\$ 3,027	\$ 9,971	\$ 11,252	\$ 1,281
Operating expenditures:						
Salaries and benefits	3,720	4,412	(692)	8,808	7,315	1,493
Materials and supplies	165	202	(37)	397	315	82
Contracted services	209	426	(217)	673	667	6
Total operating expenditures	4,094	5,040	(946)	9,878	8,297	1,581
Capital Outlay						
Equipment	337	389	(52)	629	438	191
Total expenditures	4,431	5,429	(998)	10,507	8,735	1,772
Operating Income (Loss)	(264)	1,765	2,029	(536)	2,517	3,053
Capital contribution	264	364	100	536	570	34
Excess of revenues and other sources over expenditures	\$ -	2,129	\$ 2,129	\$ -	3,087	\$ 3,087
Reconciliation from budgetary basis (modified accrual) to full accrual:						
Reconciling items:						
Capital outlay		389			438	
Indirect costs		(56)			(88)	
Depreciation		(363)			(410)	
Change in net position (full accrual)		2,099			3,027	
Total net position, beginning		197			611	
Total net position, ending		\$ 2,296			\$ 3,638	

Revised: July 2020

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Compliance Section

Note to preparer: A complete set of illustrative single audit reports can be found [here](#).

Owl Charter, Inc.

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