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PATELCPA

HENDERSON COLLEGIATE, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2023

HENDERSON COLLEGIATE, INC.

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June 30, 2023

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FINANCIAL SECTION

SHARPE
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To the Board of Directors
Henderson Collegiate, Inc.
Henderson, North Carolina

Report on the Audit of the Financial Statements***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely-presented component unit and the aggregate remaining fund information of Henderson Collegiate, Inc. as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Henderson Collegiate, Inc.'s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely-presented component unit and the aggregate remaining fund information of Henderson Collegiate, Inc., as of June 30, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Henderson Collegiate, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2024 on our consideration of Henderson Collegiate, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Henderson Collegiate, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Henderson Collegiate, Inc.'s internal control over financial reporting and compliance.

Sharpe Patel PLLC

Raleigh, North Carolina

January 4, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Henderson Collegiate, Inc.

Management's Discussion and Analysis

For the Year Ended June 30, 2023

As management of Henderson Collegiate, Inc. (the "School"), we provide these financial statements, and this narrative overview and analysis of the School's financial position at June 30, 2023, and its operations for the year then ended. We encourage readers to review the discussion presented herein in conjunction with additional information included in the financial statements and notes, which follow this section.

Financial Highlights

- The liabilities and deferred inflows of resources of Henderson Collegiate, Inc. exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$1,276,858 (*net position*).
- During the prior fiscal year, the School did not implement GASB 87, *Leases*, which resulted in a restatement of \$92,698 to the beginning net position for fiscal year 2023, to correct for the implementation of the lease standard. In addition, the School's component unit, Collegiate Schools Foundation, Inc. is being presented discretely instead of blended, for the year ended June 30, 2023, which resulted in a restatement of fund balance of (\$398,845).
- The School's total net position increased by \$4,912,675, primarily due to an increase in the governmental activities' net position.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$5,821,818, an increase of \$1,462,343 in comparison with the prior year.
- The State funded Average Daily Membership (ADM) was 1,225 in 2018-19, 1,326 in 2019-20, 1,332 in 2020-21, 1,330 in 2021-22, and 1,318 for the current year.
- Due to the implementation of GASB 87, *Leases*, the School recorded a right to use leased asset for its leased modular units, and the related lease liability as a long-term obligation. At June 30, 2023, the right to use leased asset totaled \$466,730, net of amortization, and the lease liability totaled \$398,956. In addition to the lease liability, the School's long-term obligations consist of notes payable totaling \$11,851,150, net OPEB liability totaling \$10,464,826, and net pension liability totaling \$7,384,013.

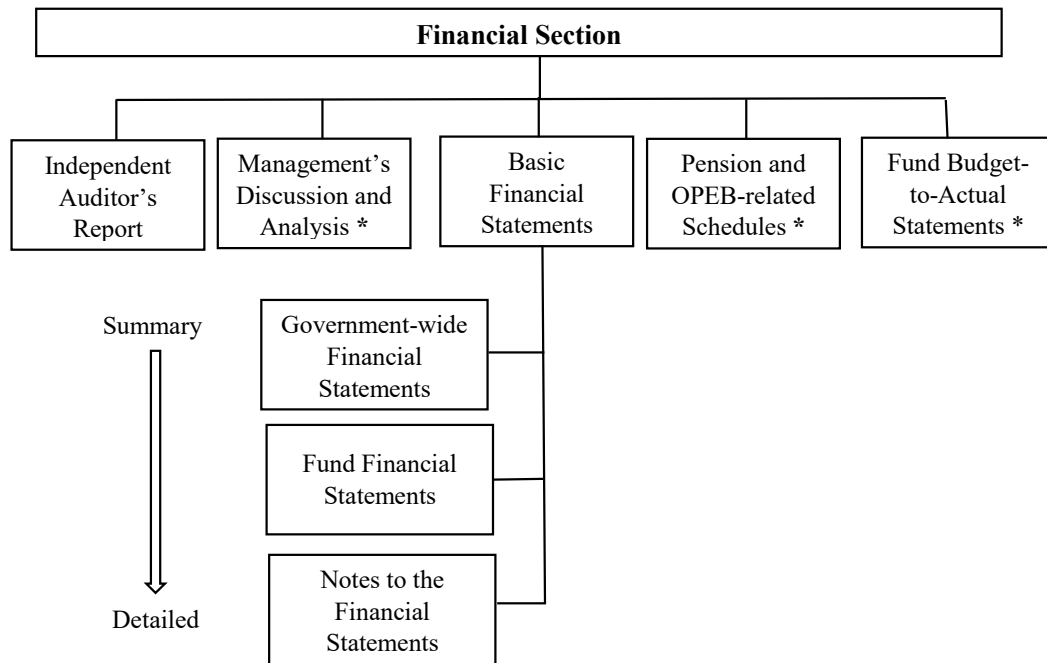
Overview of the Financial Statements

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

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

Components of Annual Financial Report

Figure 1



* Required Supplementary Information

Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the School's basic functions such as instructional services and business services. State, county, and federal funds provide virtually all of the funding for these functions. The business-type activities are those services for which the School charges customers to provide. These include the School Food Service activities carried out by the School. The government-wide financial statements are Exhibits 1 and 2 of this report.

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

Fund Financial Statements

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

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

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

Proprietary Funds – Henderson Collegiate, Inc. has one proprietary fund, which is an enterprise fund. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The School uses an enterprise fund to account for its School Food Service 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 24 of this report.

Government-Wide Financial Analysis

The financial analysis reveals that at June 30, 2023, cash and cash equivalents, and other current assets, primarily amounts due from other governments, accounted for 21.2% and 1.6% of total government-wide assets, respectively. The School's right to use leased assets for its leased modular units accounted for 1.8% of total assets. During the 2023 fiscal year, the School began a construction project, which accounted for \$309,641, or 100% of the current year's addition to non-depreciable capital assets. The School also completed modular building improvement projects, which accounted for \$296,207, or 47.4% of the current year's additions to depreciable capital assets. Capital assets, net of

Management's Discussion and Analysis
Henderson Collegiate, Inc.
June 30, 2023

accumulated depreciation, accounted for 75.4% of total assets. Long-term liabilities represent 99.5% of total liabilities.

As previously noted, net position may, over time, serve as one useful indicator of a school's financial condition. The liabilities and deferred inflows of resources of Henderson Collegiate, Inc. exceeded assets and deferred outflows of resources by \$1,276,858, as of June 30, 2023. At June 30, 2022, the net position of the School stood at (\$5,883,386). The School's net position increased by \$4,912,675 for the fiscal year ended June 30, 2023, compared to an increase of \$347,754 in 2022. The amount of \$7,966,855 represents the School's investment in capital assets (e.g. land, construction in progress, furniture, leasehold improvements, and vehicles) less outstanding debt issued to acquire those items. The School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the School's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. The remaining net asset amount of (\$9,243,713) is unrestricted. In 2022, the amount of net investment in capital assets was \$4,368,336, with \$129,995 restricted for USDA, and unrestricted net position standing at (\$10,381,717). A condensed statement of net position which summarizes the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2023 and 2022 is as follows:

Henderson Collegiate, Inc.
Condensed Statement of Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets						
Cash and cash equivalents	\$ 5,552,129	\$ 4,602,986	\$ 317,885	\$ 316,517	\$ 5,870,014	\$ 4,919,503
Other current assets	427,998	321,374	49,921	53,394	477,919	374,768
Right to use assets, net	466,730	-	-	-	466,730	-
Capital assets, net	19,739,306	19,707,107	10,925	18,299	19,750,231	19,725,406
Total assets	26,186,163	24,631,467	378,731	388,210	26,564,894	25,019,677
Deferred outflows of resources	8,548,371	8,449,582	-	-	8,548,371	8,449,582
Liabilities						
Current and other liabilities	158,309	160,203	2,196	4,302	160,505	164,505
Long-term liabilities	30,098,945	32,212,695	-	-	30,098,945	32,212,695
Total liabilities	30,257,254	32,372,898	2,196	4,302	30,259,450	32,377,200
Deferred inflows of resources	6,130,673	6,975,445	-	-	6,130,673	6,975,445
Net position:						
Net investment in capital assets	7,955,930	4,350,037	10,925	18,299	7,966,855	4,368,336
Restricted for USDA	-	129,995	-	-	-	129,995
Unrestricted	(9,609,323)	(10,747,326)	365,610	365,609	(9,243,713)	(10,381,717)
Total net position	\$ (1,653,393)	\$ (6,267,294)	\$ 376,535	\$ 383,908	\$ (1,276,858)	\$ (5,883,386)

Management's Discussion and Analysis
Henderson Collegiate, Inc.
June 30, 2023

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

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

Revenues, expenses, transfers, and the change in net position is summarized in the following condensed statement of activities for the years ended June 30, 2023 and 2022:

Henderson Collegiate, Inc.
Condensed Statement of Activities
Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Operating grants and contributions	\$ 3,070,816	\$ 1,842,753	\$ 947,076	\$ 916,159	\$ 4,017,892	\$ 2,758,912
Charges for services	167,405	-	-	2,869	167,405	2,869
County and State funds	13,763,133	12,547,153	-	-	13,763,133	12,547,153
Donations	78,886	92,006	-	-	78,886	92,006
Local grant revenue	3,249,600	295,809	-	-	3,249,600	295,809
Investment earnings	20,414	-	-	-	20,414	-
Miscellaneous, unrestricted	450,154	382,938	-	-	450,154	382,938
Total revenues	20,800,408	15,160,659	947,076	919,028	21,747,484	16,079,687
Expenses:						
Instructional services	12,672,669	11,672,125	-	-	12,672,669	11,672,125
System-wide support services	2,726,280	2,078,930	-	-	2,726,280	2,078,930
Community services	5,890	-	-	-	5,890	-
Interest on long-term debt	455,602	577,262	-	-	455,602	577,262
Ancillary services	-	10,307	-	-	-	10,307
Non-programmed charges	-	617,305	-	-	-	617,305
School food service	-	-	974,368	776,004	974,368	776,004
Total expenses	15,860,441	14,955,929	974,368	776,004	16,834,809	15,731,933
Increase (decrease) in net position before transfers	4,939,967	204,730	(27,292)	143,024	4,912,675	347,754
Transfers	(19,919)	-	19,919	-	-	-
Change in net position	4,920,048	204,730	(7,373)	143,024	4,912,675	347,754
Net position, July 1, as previously reported	(6,666,139)	(6,472,024)	383,908	240,884	(6,282,231)	(6,231,140)
Restatement	92,698	-	-	-	92,698	-
Net position, July 1, as restated	(6,573,441)	-	-	-	(6,189,533)	-
Net position, June 30	\$ (1,653,393)	\$ (6,267,294)	\$ 376,535	\$ 383,908	\$ (1,276,858)	\$ (5,883,386)

Governmental activities. Governmental activities increased the School's net position by \$4,939,967, before a transfer of \$19,919 was made to support business-type activities. County and State funds of \$13,763,133 increased by 9.7%, and make up 66.2% of total revenues. Instructional services and related expenses of \$12,672,669 account for 79.9% of total expenses, and increased by 8.6%. This reflects the increased program and general revenues offset against the increased costs of providing instructional services. Net position before transfers increased 75.2% compared with the prior year's restated net position.

Business-type activities. Business-type activities, consisting of the School Food Service program, decreased the School's net position by \$27,292, before a transfer of \$19,919 was received from governmental activities.

Key elements of the business-type activities are as follows:

- By adopting a budget for the enterprise fund that comprises the business-type activities, the Board can monitor the School's revenues and expenditures and adjust their estimates as needed during the year.
- The School received \$947,076 of Federal reimbursement funds in the School Food Service Fund this past year, a 3.4% increase over the prior year.

Financial Analysis of the School's Funds

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

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

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, the assets in the General Fund consisted primarily of cash and cash equivalents, which equaled 92.8% of total fund assets. Accounts payable accounted for 89.7% of General Fund liabilities. The unassigned fund balance of the General Fund was \$5,762,016, while total fund balance of the General Fund reached \$5,821,818, an increase of \$1,462,343 compared with the prior year's restated fund balance. The unassigned fund balance of the General Fund was 98.9% of the total fund balance of the General Fund. Reimbursements by various counties for their students attending the School totaled \$2,463,225, and accounted for 38.3% of General Fund revenue. Local grant revenue in the amount of \$3,249,600 accounted for 50.5% of General Fund revenue. An additional \$14,370,724 was provided by the State of North Carolina and the Federal government, which accounted for 69.1% of total Governmental Fund revenue. Expenditures for capital outlay totaled \$66,637, or 1.3% of General Fund expenditures. Additional instructions

Management's Discussion and Analysis
Henderson Collegiate, Inc.
June 30, 2023

related expenditures of \$1,147,483, system-wide support services of \$512,120, and debt service of \$3,221,185 accounted for 23.2%, 10.4%, and 65.1%, respectively, of General Fund expenditures.

At June 30, 2023, the governmental funds of Henderson Collegiate, Inc. reported a combined fund balance of \$5,821,818, a 33.5% increase over the prior year's restated fund balance.

Proprietary Funds. The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the School Food Service Fund at the end of the fiscal year amounted to \$365,610, while the total change in net position for the School Food Service Fund was (\$7,373). Other factors concerning the finances of this fund have already been addressed in the discussion of the School's business-type activities.

Capital Asset and Debt Administration

Capital assets. Henderson Collegiate, Inc.'s investment in capital assets for its governmental and business-type activities totals \$19,750,231 (net of accumulated depreciation), as of June 30, 2023. Capital assets include land, construction in progress, a building, furniture and fixtures, leasehold improvements, modular building improvements, vehicles, and food service furniture and office equipment.

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

- Expending \$309,641 on construction in progress;
- Purchasing furniture and fixtures totaling \$108,017;
- Expending \$41,704 on leasehold improvements;
- Expending \$296,207 on modular building improvements; and
- Purchasing additional buses totaling \$178,564.

The following schedule summarizes the School's capital assets at June 30, 2023 and 2022:

Henderson Collegiate, Inc.
Capital Assets, Net of Depreciation
Figure 4-A

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 359,300	\$ 359,300	\$ -	\$ -	\$ 359,300	\$ 359,300
Construction in progress	309,641	-	-	-	309,641	-
Building	18,027,533	18,743,230	-	-	18,027,533	18,743,230
Furniture and fixtures	308,671	291,571	-	14,572	308,671	306,143
Leasehold improvements	171,610	163,745	-	-	171,610	163,745
Modular building improvements	296,393	25,527	-	-	296,393	25,527
Vehicles	266,158	123,734	-	-	266,158	123,734
Food service equipment	-	-	-	3,727	-	3,727
Furniture and office equipment	-	-	10,925	-	10,925	-
Capital assets, net	\$ 19,739,306	\$ 19,707,107	\$ 10,925	\$ 18,299	\$ 19,750,231	\$ 19,725,406

Management's Discussion and Analysis
Henderson Collegiate, Inc.
June 30, 2023

Due to the implementation of GASB 87, *Leases* in the prior year, the School recorded a right to use leased asset for its modular units, which totaled \$466,730, net of amortization, at June 30, 2023.

The following schedule summarizes the School's right to use leased assets at June 30, 2023 and 2022:

Henderson Collegiate, Inc.
Right to Use Assets, Net of Amortization
Figure 4-B

	Governmental Activities	
	2023	2022
Modular leases	\$ 466,730	\$ 604,557
Right to use assets, net	<u>\$ 466,730</u>	<u>\$ 604,557</u>

Additional information about the School's capital assets and right to use leased assets can be found in notes II.A.2. and II.A.3. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2023, Henderson Collegiate, Inc.'s long-term obligations total \$30,098,945, a decrease of \$2,620,487 compared with the prior year. The School's long-term debt is comprised of leased liabilities for its modular units totaling \$398,956, notes payable totaling \$11,851,150, net OPEB liability totaling \$10,464,826, and net pension liability totaling \$7,384,013.

The School's outstanding debt at June 30, 2023 and 2022 is summarized in the following schedule:

Henderson Collegiate, Inc.
Long-term Obligations
Figure 5

	Governmental Activities	
	2023	2022
Lease liabilities	\$ 398,956	\$ 506,737
Notes payable	11,851,150	15,357,070
Net OPEB liability	10,464,826	14,494,189
Net pension liability	7,384,013	2,361,436
Total long-term obligations	<u>\$ 30,098,945</u>	<u>\$ 32,719,432</u>

During fiscal year 2023, lease liabilities decreased by \$107,781, notes payable decreased by \$3,505,920, and net OPEB liability decreased by \$4,029,363, while the School's net pension liability increased by \$5,022,577.

Additional information about the School's long-term obligations can be found in note II.B.4. of the Basic Financial Statements.

Economic Factors

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

- Henderson Collegiate, Inc.'s commitment to its students' academic success and achievements continues to attract families from Vance County and surrounding communities. Vance County, the School's main source for local funding, increased its per-pupil funding by \$208.76, which equated to an increase of 20.5% this fiscal year.
- The State of North Carolina increased its per pupil funding by \$357.87 per ADM compared to the previous year. This equated to an increase of 4.78%.
- The School continues to receive supplementary Federal funds to support educating its students. The School also applied for and received a grant from the North Carolina Department of Health and Human Services in the amount of \$260,000 for health services salaries, and related expenses.

Impact of Coronavirus on the School. During the fiscal year, the School expended \$1,828,126 in Elementary and Secondary School Emergency Relief (ESSER) funds in its continued efforts to mitigate the ongoing effects of the COVID-19 pandemic. The ESSER funds were used primarily for purchasing technology equipment and instructional supplies for students, upgrading the School's facilities, and paying salaries to staff providing additional instructional support to students experiencing learning loss due to the pandemic. The School also purchased additional buses to ensure the health and safety of its students while in transit. The School continues to monitor its expenses related to the coronavirus to ensure that state and federal funds are being allocated in the manner that best meets the needs of its students and staff.

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Chief Executive Officer, Henderson Collegiate, Inc., 1071 Old Epsom Road, Henderson, North Carolina 27536, telephone (252) 598-1038. Additional information is available at the School's website, hendersoncollegiate.org.

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HENDERSON COLLEGIATE, INC.
Statement of Net Position
June 30, 2023

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Collegiate Schools Foundation, Inc.
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,880,909	\$ 317,885	\$ 5,198,794	\$ 189,366
Restricted cash	671,220	-	671,220	-
Due from other governments	361,818	49,349	411,167	-
Receivables, net	6,378	-	6,378	40,152
Prepaid items	54,411	572	54,983	-
Other assets	5,391	-	5,391	-
Total current assets	5,980,127	367,806	6,347,933	229,518
Non-current assets:				
Right to use lease assets, net of amortization	466,730	-	466,730	-
Capital assets:				
Land and construction in progress	668,941	-	668,941	-
Capital assets, net of depreciation	19,070,365	10,925	19,081,290	-
Total capital assets	19,739,306	10,925	19,750,231	-
Total assets	26,186,163	378,731	26,564,894	229,518
DEFERRED OUTFLOWS OF RESOURCES	8,548,371	-	8,548,371	-
LIABILITIES				
Accounts payable	142,046	2,196	144,242	-
Accrued salaries and wages payable	16,263	-	16,263	-
Long-term liabilities:				
Net pension liability	7,384,013	-	7,384,013	-
Net OPEB liability	10,464,826	-	10,464,826	-
Due within one year	452,904	-	452,904	-
Due in more than one year	11,797,202	-	11,797,202	-
Total liabilities	30,257,254	2,196	30,259,450	-
DEFERRED INFLOWS OF RESOURCES	6,130,673	-	6,130,673	-
NET POSITION				
Net investment in capital assets	7,955,930	10,925	7,966,855	-
Unrestricted	(10,280,543)	365,610	(9,914,933)	229,518
Restricted - debt service	671,220	-	671,220	-
Total net position	\$ (1,653,393)	\$ 376,535	\$ (1,276,858)	\$ 229,518

The accompanying notes to the financial statements are an integral part of these statements.

HENDERSON COLLEGIATE, INC.
Statement of Activities
For the Year Ended June 30, 2023

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Primary Government			Component Unit
				Governmental Activities	Business-type Activities	Total	Collegiate Schools Foundation, Inc.
Primary government:							
Governmental activities:							
Instructional services	\$ 12,672,669	\$ 167,405	\$ 3,009,265	\$ (9,495,999)	\$ -	\$ (9,495,999)	\$ -
System-wide support services	2,726,280	-	55,661	(2,670,619)	-	(2,670,619)	(169,327)
Community services	5,890	-	5,890	-	-	-	-
Interest on long-term debt	455,602	-	-	(455,602)	-	(455,602)	-
Total governmental activities	<u>15,860,441</u>	<u>167,405</u>	<u>3,070,816</u>	<u>(12,622,220)</u>	<u>-</u>	<u>(12,622,220)</u>	<u>(169,327)</u>
Business-type activities:							
School food service	<u>974,368</u>	<u>-</u>	<u>947,076</u>	<u>-</u>	<u>(27,292)</u>	<u>(27,292)</u>	<u>-</u>
Total business-type activities	<u>974,368</u>	<u>-</u>	<u>947,076</u>	<u>-</u>	<u>(27,292)</u>	<u>(27,292)</u>	<u>-</u>
Total primary government	<u>\$ 16,834,809</u>	<u>\$ 167,405</u>	<u>\$ 4,017,892</u>	<u>(12,622,220)</u>	<u>(27,292)</u>	<u>(12,649,512)</u>	<u>(169,327)</u>
General revenues:							
Unrestricted county appropriations				2,463,225	-	2,463,225	-
Unrestricted State appropriations				11,299,908	-	11,299,908	-
Donations - general				78,886	-	78,886	-
Local grant revenue				3,249,600	-	3,249,600	-
Investment earnings				169,400	-	169,400	-
Miscellaneous, unrestricted				301,168	-	301,168	-
Transfers				(19,919)	19,919	-	-
Total general revenues and transfers				<u>17,542,268</u>	<u>19,919</u>	<u>17,562,187</u>	<u>-</u>
Change in net position				4,920,048	(7,373)	4,912,675	(169,327)
Beginning net position, as previously reported				(6,666,139)	383,908	(6,282,231)	398,845
Restatement				92,698	-	92,698	-
Beginning net position, as restated				(6,573,441)	383,908	(6,189,533)	-
Ending net position				<u>\$ (1,653,393)</u>	<u>\$ 376,535</u>	<u>\$ (1,276,858)</u>	<u>\$ 229,518</u>

The accompanying notes to the financial statements are an integral part of these statements.

HENDERSON COLLEGIATE, INC.

Exhibit 3

**Balance Sheet
Governmental Funds
June 30, 2023**

	Major Funds				Total
	General	State Public School	Federal Grants	Capital Outlay	Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,880,909	\$ -	\$ -	\$ -	\$ 4,880,909
Restricted cash	671,220	-	-	-	671,220
Due from other governments	361,818	-	-	-	361,818
Receivables, net	6,378	-	-	-	6,378
Prepaid items	54,411	-	-	-	54,411
Other assets	5,391	-	-	-	5,391
Total assets	<u>\$ 5,980,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,980,127</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 142,046	\$ -	\$ -	\$ -	\$ 142,046
Accrued salaries and wages payable	16,263	-	-	-	16,263
Total liabilities	<u>158,309</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,309</u>
Fund balances:					
Nonspendable:					
Prepaid items	54,411	-	-	-	54,411
Security deposit	5,391	-	-	-	5,391
Unassigned	5,762,016	-	-	-	5,762,016
Total fund balances	<u>5,821,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,821,818</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,980,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	19,739,306
Deferred outflows of resources related to pensions	4,305,364
Deferred outflows of resources related to OPEB	4,243,007
Right to use leased asset	466,730
Net pension liability	(7,384,013)
Net OPEB liability	(10,464,826)
Deferred inflows of resources related to pensions	(396,406)
Deferred inflows of resources related to OPEB	(5,734,267)
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the	(12,250,106)
Net position of governmental activities	<u>\$ (1,653,393)</u>

The accompanying notes to the financial statements are an integral part of these statements.

HENDERSON COLLEGIATE, INC.
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

Exhibit 4

	Major Funds				Total
	General	State Public School	Federal Grants	Capital Outlay	Governmental Funds
REVENUES					
State of North Carolina	\$ -	\$ 11,299,908	\$ -	\$ -	\$ 11,299,908
Boards of Education	2,463,225	-	-	-	2,463,225
U.S. Government	-	-	3,070,816	-	3,070,816
Contributions and donations	78,886	-	-	-	78,886
Local grant revenue	3,249,600	-	-	-	3,249,600
Investment earnings	169,400	-	-	-	169,400
Other	468,576	-	-	-	468,576
Total revenues	<u>6,429,687</u>	<u>11,299,908</u>	<u>3,070,816</u>	<u>-</u>	<u>20,800,411</u>
EXPENDITURES					
Current:					
Instructional services	1,147,483	8,121,448	2,533,973	-	11,802,904
System-wide support services	512,120	1,933,015	55,661	-	2,500,796
Community services	-	-	5,890	-	5,890
Capital outlay	66,637	392,205	475,292	-	934,134
Debt service:					
Principal	3,037,368	581,455	-	-	3,618,823
Interest and other charges	183,817	271,785	-	-	455,602
Total expenditures	<u>4,947,425</u>	<u>11,299,908</u>	<u>3,070,816</u>	<u>-</u>	<u>19,318,149</u>
Excess (deficiency) of revenues over expenditures	<u>1,482,262</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,482,262</u>
OTHER FINANCING SOURCES (USES)					
Transfer to other funds	(19,919)	-	-	-	(19,919)
Total other financing sources (uses)	<u>(19,919)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,919)</u>
Net change in fund balance	<u>1,462,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,462,343</u>
Beginning fund balance, as previously stated	4,359,475	-	-	398,845	4,758,320
Restatement	-	-	-	(398,845)	(398,845)
Beginning fund balance, as restated	<u>4,359,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,359,475</u>
Ending fund balance	<u>\$ 5,821,818</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,821,818</u>

The accompanying notes to the financial statements are an integral part of these statements.

HENDERSON COLLEGIATE, INC.
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

Exhibit 5

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

Net changes in fund balances- total governmental funds	\$ 1,462,343
--	--------------

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.	32,199
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This is the amount by which right to use leased asset capital outlays exceeded amortization in the current period.	(137,827)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	3,618,823
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Contributions to the pension plan in the current fiscal year are not included on the statement of activities	1,212,299
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Contributions to the OPEB plan in the current fiscal year are not included on the statement of activities	487,570
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension expense	(1,305,191)
Net OPEB expense	(457,541)
	<hr/>

Total change in net position of governmental activities	<u><u>\$ 4,912,675</u></u>
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The accompanying notes to the financial statements are an integral part of these statements.

HENDERSON COLLEGIATE, INC.**Exhibit 6****Statement of Net Position****Proprietary Funds****June 30, 2023**

	Enterprise Fund	
	Major Fund	Total
	School Food Service	
ASSETS		
Current assets:		
Cash	\$ 317,885	\$ 317,885
Due from other governments	49,349	49,349
Prepaid expenses	572	572
Total current assets	<u>367,806</u>	<u>367,806</u>
Capital assets		
Capital assets, net of depreciation	<u>10,925</u>	<u>10,925</u>
Total capital assets	<u>10,925</u>	<u>10,925</u>
Total assets	<u><u>\$ 378,731</u></u>	<u><u>\$ 378,731</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable	<u>\$ 2,196</u>	<u>\$ 2,196</u>
Total current liabilities	<u>2,196</u>	<u>2,196</u>
NET POSITION		
Net investment in capital assets	10,925	10,925
Unrestricted	<u>365,610</u>	<u>365,610</u>
Total net position	<u><u>\$ 376,535</u></u>	<u><u>\$ 376,535</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

HENDERSON COLLEGIATE, INC.
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

Exhibit 7

	Enterprise Fund	
	Major Fund	
	School Food Service	Total
OPERATING REVENUES		
Food sales	\$ -	\$ -
Total operating revenues	-	-
OPERATING EXPENSES		
Salaries and benefits	336,200	336,200
Non-cap equipment	15,909	15,909
Contracted services	13,746	13,746
Supplies and materials	20,479	20,479
Membership dues	17	17
Workshop Expenses	3,734	3,734
Computer software and supplies	4,900	4,900
Food purchases	572,009	572,009
Depreciation	7,374	7,374
Total operating expenses	974,368	974,368
Operating income (loss)	(974,368)	(974,368)
NONOPERATING REVENUES		
Federal reimbursements	947,076	947,076
Total nonoperating revenues	947,076	947,076
Transfers from other funds	19,919	19,919
Change in net position	(7,373)	(7,373)
Total net position - beginning	383,908	383,908
Total net position - ending	\$ 376,535	\$ 376,535

The accompanying notes to the financial statements are an integral part of these statements.

HENDERSON COLLEGIATE, INC.
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

Exhibit 8

	Enterprise Funds	
	Major Fund	
	School Food	
	Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash paid for goods and services	\$ (629,427)	\$ (629,427)
Cash paid to employees for services	(336,200)	(336,200)
Net cash provided (used) by operating activities	<u>(965,627)</u>	<u>(965,627)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal reimbursements	947,076	947,076
Transfer in (out)	19,919	19,919
Net cash provided by noncapital financing activities	<u>966,995</u>	<u>966,995</u>
Net increase (decrease) in cash and cash equivalents	1,368	1,368
Balances - beginning of year	<u>316,517</u>	<u>316,517</u>
Balances - end of year	<u>\$ 317,885</u>	<u>\$ 317,885</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (974,368)	\$ (974,368)
Depreciation	7,374	7,374
Adjustments to reconcile operating loss to net cash used by operating activities:		
(Increase) decrease in due from other governments	3,584	3,584
(Increase) decrease in prepaid expense	(111)	(111)
Increase (decrease) in accounts payable	<u>(2,106)</u>	<u>(2,106)</u>
Net cash provided (used) by operating activities	<u>\$ (965,627)</u>	<u>\$ (965,627)</u>

The accompanying notes to financial statements are an integral part of these statements.

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Henderson Collegiate, Inc. (the School) conform to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities, such as Henderson Collegiate, Inc.. 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 sent out in the North Carolina General Statutes at G.S. 115C-218.95 with all net assets purchased with public funds reverting to a local education agency (G.S. 115C-218.100), the charter schools in North Carolina follow the governmental reporting model as used by local education agencies. The following is a summary of the more significant accounting policies:

A) Reporting Entity

Henderson Collegiate, Inc. is a North Carolina non-profit corporation incorporated in January 2009. Pursuant to the provisions of the Charter School Act of 1996 as amended (the Act), the School has been approved to operate Henderson Collegiate, Inc., a public school serving approximately 1,318 students. The School operates under an approved charter received from the SBE and applied for under the provisions of G.S. 115C-218.1. G.S. 115C-218.6(b)(1) states that a charter school shall be subject to the audit requirements adopted by the SBE, which includes the audit requirements established by G.S. 115C-447 of the School Budget and Fiscal Control Act (SBFCA), and requires the financial statements to be prepared in accordance with GAAP. The current charter is effective until June 30, 2030 and may be renewed for subsequent periods of ten (10) years unless one of the conditions in G.S. 115C-218.6(b) applies in which case the SBE may renew the charter for a shorter period or not renew the charter. Management believes that the charter will be renewed in the ordinary course of business.

Henderson Collegiate, Inc. 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).

Collegiate Schools Foundation, Inc. is a discretely presented component unit of the School.

Collegiate Schools Foundation, Inc.

This corporation is organized for the exclusive purpose of holding title to property, collecting income therefrom, and turn over the entire amount thereof, less expenses, to an organization which itself is exempt under 26 U.S.C. 501. Collegiate Schools Foundation, Inc. which has a June 30 year-end, is presented as if it were a proprietary fund (discrete presentation). Complete financial statements for Collegiate Schools Foundation, Inc. may be obtained from the entity's administrative offices at 1071 Epsom Road, Henderson, North Carolina 27536.

B) Basis of Presentation

In accordance with GASB Statement No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments (GASB 34), Henderson Collegiate, Inc. 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.

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) Basis of Presentation (Continued)

Government-wide Statements: The statement of net position and the statement of activities display information about the School. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the School. Governmental activities generally are financed through intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The School reports the following major governmental funds:

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

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

Federal Grants Fund: The Federal Grants Fund includes grants from the U.S. Government for current operating needs of the School and is reported as a special revenue fund.

The School reports the following major enterprise fund:

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

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. Nonexchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

D) Budgetary Data

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

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the School's funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary. The budget presented in the supplemental information represents the budget of the School at June 30, 2023. All appropriations lapse at year end.

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

1. Deposits and Investments

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

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Cash and Cash Equivalents

The School 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. Prepaid Items

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

4. Capital Assets

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

It is the policy of the School to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. 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:

Buildings and improvements	30 years
Building equipment	15 years
Leasehold improvements	15 years
Vehicles	7 years
Computer equipment	5 years
Instructional equipment	5 years

5. Right to Use Assets

The School has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School had several items that meet this criterion – a pension related deferral and contributions made to the pension plan in the current fiscal year and OPEB related deferral and contributions made in the current fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School has two items that meets this criterion – a pension related deferral and OPEB related deferrals.

7. Long-term obligations

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

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

8. Compensated Absences

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 the School has no obligation for accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Position/Fund Balances

Net Position

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

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Net Position/Fund Balances (Continued)

Fund Balance

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

The governmental fund types classify fund balance 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.

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

Security Deposits – Portion of fund balance that is not an available resource because it represents security deposits on lease agreements 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.

Committed Fund Balance – Portion of fund balance that can only be used for specific purpose imposed by majority vote of School's governing body (highest level of decision-making authority). Any changes or removal of the specific purpose requires majority action by the governing bodies that approved the original action.

Assigned Fund Balance – Portion of fund balance that the School intends to use for specific purposes.

Subsequent year's expenditures – Portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation; however the budget ordinance authorizes the Director to modify the appropriations by resource or appreciation within funds up to \$5,000.

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

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Net Position/Fund Balances (Continued)

The School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The School 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 Board of Directors has the authority to deviate from this policy if it is in the best interest of the School.

10. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between governmental funds' total fund balance and governmental activities' net position as reported in the government-wide statement of net position. The net adjustment of (\$7,498,253) consists of several elements as follows:

DESCRIPTION	AMOUNT
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column.	\$ 24,440,502
Less accumulated depreciation	(4,701,196)
Net capital assets	19,739,306
Right to use leased asset	466,730
Pension related deferred outflows of resources	4,305,364
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not recorded in the fund statements:	
Net pension liability	(7,384,013)
Deferred inflows of resources related to pensions	(396,406)
Net OPEB liability	(10,464,826)
OPEB related deferred outflows of resources	4,243,007
Deferred inflows of resources related to OPEB	(5,734,267)
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds	(12,250,106)
Total adjustment	\$ (7,475,211)

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

11. Defined Benefit Pension Plan and OPEB Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Teachers' and State Employees' Retirement System (TSERS), the Retiree Health Benefit Fund (RHBf), and the Disability Income Plan of NC (DIPNC) and additions to/deductions from TSERS, RHBf, and DIPNC's fiduciary net position have been determined on the same basis as they are reported by TSERS, RHBf, and DIPNC. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The School's employer contributions are recognized when due and the School has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TSERS, RHBf, and DIPNC. Investments are reported at fair value.

F) Revenues, Expenditures, and Expenses

1. Funding

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

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

Additionally, the School receives for each student an amount equal to the per pupil share of the local current expense fund of the local school administrative unit in which the child resides. (G.S. 115C-218.105(c)). Amounts transferred that consist of revenue from supplemental taxes shall be transferred only to a charter school located in the district where the taxes are levied and the child resides. For the fiscal year ended June 30, 2023, the School received funding from the Board of Education for Durham County (\$4,920), Franklin County (\$78,168), Granville County (\$109,638), Vance County (\$1,881,290), Wake County (\$31,770), and Warren Schools (\$357,439).

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

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) Revenues, Expenditures, and Expenses (Continued)

2. Reconciliation of Government-wide and Fund Financial Statements

The governmental fund statement of revenues, expenditures, and changes in fund balances is followed by 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 \$3,450,332 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.	\$ 934,134
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(901,935)
This is the amount by which right to use leased asset capital outlays exceeded amortization in the current period.	(137,827)
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.	3,618,823
Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	1,212,299
Contributions to the OPEB plan in the current fiscal year are not included on the statement of activities.	487,570
Expenses reported on the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements:	
Pension expense	(1,305,191)
OPEB expense	(457,541)
Total	<u>\$ 3,450,332</u>

G) Use of Estimates and Assumptions

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

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS

A) Assets

1. Deposits

At June 30, 2023, the School had deposits with banks and savings and loans with a carrying amount of \$5,868,614. The bank balances with the financial institutions was \$6,031,852 of which \$5,031,852 was not covered by the Federal Deposit Insurance Corporation. The School does not have a deposit policy for custodial credit risk. The School holds \$1,400 in petty cash.

Discretely presented component unit

At June 30, 2023, Collegiate Schools Foundation, Inc. had deposits with banks and savings and loans with a carrying amount of \$185,866. The bank balance with the financial institutions was \$184,072, of which the entire balance was covered by the Federal Deposit Insurance Corporation.

2. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 359,300	\$ -	\$ -	\$ 359,300
Construction in progress	-	309,641	-	309,641
Total capital assets not being depreciated	359,300	309,641	-	668,941
Capital assets being depreciated:				
Building	21,470,918	-	-	21,470,918
Furniture and fixtures	791,671	108,017	-	899,688
Leasehold improvements	373,403	41,704	-	415,107
Modular building improvements	220,518	296,207	-	516,725
Vehicles	290,558	178,564	-	469,122
Total capital assets being depreciated	23,147,068	624,492	-	23,771,560
Less accumulated depreciation for:				
Building	2,727,688	715,697		3,443,385
Furniture and fixtures	500,100	90,917		591,017
Leasehold improvements	209,658	33,839		243,497
Modular building improvements	194,991	25,341		220,332
Vehicles	166,824	36,140		202,964
Total accumulated depreciation	3,799,261	901,934	-	4,701,195
Total capital assets being depreciated, net	19,347,807			19,070,365
Governmental activity capital assets, net	\$ 19,707,107			\$ 19,739,306

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

2. Capital Assets (Continued)

Depreciation expense was charged to governmental functions as follows:

Instructional services	\$ 676,451
System-wide support services	225,484
	<u>\$ 901,935</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type activities:				
Capital assets being depreciated:				
Food service equipment	\$ 25,709	\$ -	\$ -	\$ 25,709
Furniture and office equipment	48,029	-	-	48,029
Total capital assets being depreciated	<u>73,738</u>	<u>-</u>	<u>-</u>	<u>73,738</u>
Less accumulated depreciation for:				
Food service equipment	21,982	3,727	-	25,709
Furniture and office equipment	33,457	3,647	-	37,104
Total accumulated depreciation	<u>55,439</u>	<u>7,374</u>	<u>-</u>	<u>62,813</u>
Total capital assets being depreciated, net	<u>18,299</u>			<u>10,925</u>
Business-type activity capital assets, net	<u>\$ 18,299</u>			<u>\$ 10,925</u>

3. Right to Use Lease Asset

The School has recorded right to use leased assets. The assets are right to use assets for two modular units. The related leases are discussed in the Leases subsection of the Liabilities section of these notes. The right to use lease assets are amortized on a straight-line basis over the terms of the related leases.

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

A) Assets (Continued)

3. Right to Use Lease Asset (Continued)

Right to use asset activity for the Primary Government for the year ended June 30, 2023 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Right to use assets				
Modular leases	\$ 646,705	\$ -	\$ -	\$ 646,705
Total right to use assets	646,705	-	-	646,705
Less accumulated amortization for:				
Modular leases	42,148	137,827	-	179,975
Total accumulated amortization	42,148	137,827	-	179,975
Right to use assets, net	<u>\$ 604,557</u>			<u>\$ 466,730</u>

B) Liabilities

1. Pension Plan and Other Postemployment Obligations

a. Teachers' and State Employees' Retirement System

Plan Description. Henderson Collegiate, Inc. is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the state House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for TSERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454, or at www.osc.nc.gov.

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1. Pension Plan and Other Postemployment Obligations (Continued)

a. Teachers' and State Employees' Retirement System (Continued)

Benefits Provided. TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reach age 60 (10 years for members joining on or after August 1, 2011). Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer.

Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

Contributions. Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. School employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The School's contractually required contribution rate for the year ended June 30, 2023, was 17.38% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the School were \$1,212,299 for the year ended June 30, 2023.

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1. Pension Plan and Other Postemployment Obligations (Continued)

b. Teachers' and State Employees' Retirement System (Continued)

Refunds of Contributions – School employees who have terminated service as a contributing member of TSERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by TSERS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the School reported a liability of \$7,384,013 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021. The total pension liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The School's proportion of the net pension liability was based on a projection of the School's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating TSERS employers, actuarially determined. At June 30, 2023 and at June 30, 2022, the School's proportion was 0.0498% and 0.0504%, respectively.

For the year ended June 30, 2023, the School recognized pension expense of \$1,530,411. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,150	\$ 100,645
Changes of assumptions	582,571	-
Net difference between projected and actual earnings on pension plan investments	2,425,206	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	53,138	295,761
Employer contributions subsequent to the measurement date	1,212,299	-
Total	<u>\$ 4,305,364</u>	<u>\$ 396,406</u>

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1. Pension Plan and Other Postemployment Obligations (Continued)

a. Teachers' and State Employees' Retirement System (Continued)

\$1,212,299 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ 745,685
2025	625,816
2026	162,583
2027	1,162,576
2028	-
Thereafter	-
	<u>\$ 2,696,660</u>

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.1 percent, including inflation and productivity factor
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2021 actuarial valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1. Pension Plan and Other Postemployment Obligations (Continued)

a. Teachers' and State Employees' Retirement System (Continued)

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30-year expectations developed with the consulting actuary for the 2020 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.0%. All rates of return and inflation are annualized.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1. Pension Plan and Other Postemployment Obligations (Continued)

a. Teachers' and State Employees' Retirement System (Continued)

Sensitivity of the School's proportionate share of the net pension asset to changes in the discount rate. The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 6.50 percent, as well as what the School's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
School's proportionate share of the net pension liability (asset)	\$ 13,055,312	\$ 7,384,013	\$ 2,702,810

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (ACFR) for the State of North Carolina.

a. Other Postemployment Benefits

1. Healthcare Benefits

Plan description. The Retiree Health Benefit Fund (RHBF) has been established as a fund to provide health benefits to retired and disabled employees and their applicable beneficiaries. RHBF is established by General Statute 135-7, Article 1. It is a cost-sharing, multiple-employer, defined benefit healthcare plan, exclusively for the benefit of former employees of the State, the University of North Carolina System, and community colleges. In addition, LEAs, charter schools, and some select local governments also participate.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. RHBF is supported by a percent of payroll contribution from participating employing units. Each year the percentage is set in legislation, as are the maximum per retiree contributions from RHBF to the State Health Plan.

The State Treasurer, with the approval of the State Health Plan Board of Trustees, then sets the employer contributions (subject to the legislative cap) and the premiums to be paid by retirees, as well as the health benefits to be provided through the State Health Plan.

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

A) Liabilities (Continued)

b. Other Postemployment Benefits (Continued)

1. Healthcare Benefits (Continued)

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's CAFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

Benefits provided. Plan benefits received by retired employees and disabled employees from RHBF are OPEB. The healthcare benefits for retired and disabled employees who are not eligible for Medicare are the same as for active employees. The plan options change when former employees become eligible for Medicare. Medicare retirees have the option of selecting one of two fully insured Medicare Advantage/Prescription Drug Plan (MA-PDP) options of the self-funded Traditional 70/30 preferred Provider Organization plan option that is also offered to non-Medicare members. If the Traditional 70/30 Plan is selected by a Medicare retiree, the self-funded State Health Plan coverage is secondary to Medicare.

Those former employees who are eligible to receive medical benefits from RHBF are long-term disability beneficiaries of the Disability Income Plan of North Carolina (DIPNC) and retirees of the TSERS, the Consolidated Judicial Retirement System (CJRS), the Legislative Retirement System (LRS), the University Employees' Optional Retirement Program (ORP), and a small number of local governments, with five or more years of contributory membership service in their retirement system prior to disability or retirement, with the following exceptions: for employees first hired on or after October 1, 2006, and members of the General Assembly first taking office on or after February 1, 2007, future coverage as retired employees and retired members of the General Assembly is subject to the requirement that the future retiree have 20 or more years of retirement service credit in order to receive coverage on a noncontributory basis. Employees first hired on or after October 1, 2006 and members of the General Assembly first taking office on or after February 1, 2007 with 10 but less than 20 years of retirement service credit are eligible for coverage on a partially contributory basis. For such future retirees, the State will pay 50% of the State Health Plan's noncontributory premium. Section 35.21 (c) and (d) of Session Law 2017-57 repeals retiree medical benefits for employees first hired January 1, 2021. The new legislation amends Article 3B of Chapter 135 of the General Statutes to require that retirees must earn contributory retirement service in TSERS (or in an allowed local system unit), CJRS, or LRS prior to January 1, 2021, and not withdraw that service, in order to be eligible for retiree medical benefits under the amended law. Consequently, members first hired on and after January 1, 2021 will not be eligible to receive retiree medical benefits.

RHBF's benefit and contribution provisions are established by Chapter 135-7, Article 1 and Chapter 135, Article 3B of the General Statutes and may be amended only by the North Carolina General Assembly. RHBF does not provide for automatic post-retirement benefit increases.

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

b. Other Postemployment Benefits (Continued)

1. Healthcare Benefits (Continued)

Contributions. By General Statute, accumulated contributions from employers to RHBF and any earnings on those contributions shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. By statute, contributions to RHBF are irrevocable. Also by law, fund assets are dedicated to providing benefits to retired and disabled employees and their applicable beneficiaries and are not subject to the claims of creditors of the employers making contributions to RHBF. However, RHBF assets may be used for reasonable expenses to administer the RHBF, including costs to conduct required actuarial valuations of state—supported retired employees’ health benefits. Contribution rates to RHBF, which are intended to finance benefits and administrative expenses on a pay-as-you-go basis are determined by the General Assembly in the Appropriations Bill. For the current fiscal year, the School contributed 6.89% of covered payroll which amounted to \$480,595.

At June 30, 2023, School reported a liability of \$10,450,821 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. The total OPEB liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The School’s proportion of the net OPEB liability was based on a projection of the School’s present value of future salary, actuarially determined. At June 30, 2023 and 2022, the School’s proportion was 0.0440%, and 0.0469%, respectively.

\$480,595 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Actuarial assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Year ended June 30:

2024	\$ 340,012
2025	309,295
2026	617,748
2027	725,310
2028	-
Thereafter	-
	<u>\$ 1,992,365</u>

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

b. Other Postemployment Benefits (Continued)

1. Healthcare Benefits (Continued)

Inflation	2.5 percent
Salary increases	3.25 to 8.05 percent, including inflation and productivity factor
Investment rate of return	6.5 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate - medical	6.0 percent grading down to 5% by 2026
Healthcare cost trend rate - prescription drug	9.5 percent grading down to 5% by 2030
Healthcare cost trend rate - administrative	3.00 percent

Discount rate. The discount rate used to measure the total OPEB liability for the RHBF was 2.16% at June 30, 2022 compare to 2.21% at June 30, 2021. The projection of cash flow used to determine the discount rate assumed that contributions from employers would be made at the current statutorily determined contribution rate. Based on the above assumptions, the plan's fiduciary net position was not projected to be available to make projected future benefit payments of current plan members. As a result, a municipal bond rate of 2.16% was used as the discount rate used to measure the total OPEB liability. The 2.16% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2022.

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the School's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Net OPEB liability	\$ 12,309,863	\$ 10,450,821	\$ 8,932,488

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the healthcare trend rates. The following presents the School's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates:

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

b. Other Postemployment Benefits (Continued)

1. Healthcare Benefits (Continued)

		Healthcare Trend Rates	
		(Medical: 6.50%, Pharmacy 7.25%, Administrative: 3.00%)	
	1% Decrease in Trend Rates		1% Increase in Trend Rates
Net OPEB liability	\$ 8,602,697	\$ 10,450,821	\$ 12,839,785

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued ACFR for the State of North Carolina.

2. Long-term Disability Benefits

Plan description. Short-term and long-term disability benefits are provided through the Disability Income Plan of North Carolina (DIPNC), a cost-sharing, multiple-employer defined benefit plan, to the eligible members of TSERS which includes employees of the State, the University of North Carolina System, community colleges, certain Local Education Agencies, and ORP.

Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members. Management of the plan is vested in the State Health Plan Board of Trustees, which consists of 13 members – eight appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer the State Superintendent and the Director of the Office of State Human Resources who serve as ex-officio members.

The financial statements and other required disclosures for the plan are presented in the State of North Carolina's ACFR, which can be found at <https://www.osc.nc.gov/public-information/reports>.

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

b. Other Postemployment Benefits (Continued)

2. Long-term Disability Benefits (Continued)

Benefits Provided. Long-term disability benefits are payable as an OPEB from DIPNC after the conclusion of the short-term disability period or after salary continuation payments cease, whichever is later, for as long as an employee is disabled. An employee is eligible to receive long-term disability benefits provide the following requirements are met: (1) the employee has five or more years of contributing membership service in TSERS or ORP, earned within 96 months prior to the end of the short-term disability period or cessation of salary continuation payments, whichever is later; (2) the employee must make application to receive long-term benefits within 180 days after the conclusion of the short-term disability period or after salary continuation payments cease or after monthly payments for Workers' Compensation cease (excluding monthly payments for permanent partial benefits), whichever is later; (3) the employee must be certified by the Medical Board to be mentally or physically disabled for the further performance of his/her usual occupation; (4) the disability must have been continuous, likely to be permanent, and incurred at the time of active employment; (5) the employee must not be eligible to receive an unreduced retirement benefit from TSERS after (1) reaching the age of 65 and completing 5 years of membership service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of service at any age.

Contributions. Benefit and contribution provisions are established by Chapter 135, Article 6, of the General Statutes and may be amended only by the North Carolina General Assembly. The plan does not provide for automatic post-retirement benefit increases. Disability income benefits are funded by actuarially determined employer contributions that are established in the Appropriations Bill by the General Assembly and coincide with the State fiscal year. For the fiscal year ended June 30, 2023, employers made a statutory contribution of 0.10% of covered payroll which was equal to the actuarially required contribution. School contributions to the plan were \$6,975 for the year ended June 30, 2023.

The contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit.

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1. Pension Plan and Other Postemployment Obligations (Continued)

b. Other Postemployment Benefits (Continued)

2. Long-term Disability Benefits (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows and Inflows of Resources of Related to OPEB

At June 30, 2023, School reported a liability of \$14,005 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. The total OPEB liability was then rolled forward to the measurement date of June 30, 2022 utilizing update procedures incorporating the actuarial assumptions. The School's proportion of the net OPEB liability was based on a projection of the School's present value of future salary, actuarially determined. At June 30, 2023 and 2022, the School's proportion was 0.0471%, and 0.0480%, respectively.

\$6,975 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a decrease of the net OPEB liability in the year ending June 30, 2024. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2024	\$	3,868
2025		4,891
2026		3,700
2027		2,345
2028		(1,310)
Thereafter		41
	<u>\$</u>	<u>13,535</u>

Actuarial assumptions. Common actuarial assumptions for both OPEB plans follow individual note disclosures for each OPEB plan.

Inflation	2.5 percent
Salary increases	3.25 to 8.05 percent, including inflation and productivity factor
Investment rate of return	6.5 percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rate - medical	6.0 percent grading down to 5% by 2026
Healthcare cost trend rate - prescription drug	9.5 percent grading down to 5% by 2030
Healthcare cost trend rate - administrative	3.00 percent

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1. Pension Plan and Other Postemployment Obligations (Continued)

b. Other Postemployment Benefits (Continued)

2. Long-term Disability Benefits (Continued)

Sensitivity of the School's proportionate share of the net OPEB asset to changes in the discount rate. The following presents the School's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00 percent) or 1-percentage point higher (4.00 percent) than the current discount rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB liability	\$ 17,246	\$ 14,005	\$ 10,757

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2021 using the following actuarial assumptions, applied to all periods in the measurement, unless otherwise specified. The total OPEB liability was calculated through the use of update procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2022. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal cost method was utilized.

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. teacher, general, law enforcement officer), and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

1. Pension Plan and Other Postemployment Obligations (Continued)

b. Other Postemployment Benefits (Continued)

2. Long-term Disability Benefits (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Opportunistic Fixed Income	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

Total OPEB Expense, OPEB Liabilities, and Deferred Outflows and Inflows of Resources of Related to OPEB

Following is information related to the proportionate share and pension expense:

	<u>RBHF</u>	<u>DIPNC</u>	<u>Total</u>
OPEB expense (revenue)	\$ 442,611	\$ 16,384	\$ 458,995
OPEB liability (asset)	10,450,821	14,005	10,464,826
Proportionate share of the net OPEB liability (asset)	0.04401%	0.0471%	
Deferred outflows of resources:			
Differences between expected and actual experience	101,464	15,699	117,163
Changes of assumptions	836,724	900	837,624
Net difference between projected and actual earnings on pension plan investments	90,500	14,813	105,313
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,695,337	-	2,695,337
Employer contributions subsequent to the measurement date	480,595	6,975	487,570
Deferred inflows of resources:			
Differences between expected and actual experience	28,918	-	28,918
Changes of assumptions	4,756,415	2,595	4,759,010
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	931,056	15,283	946,339
Employer contributions subsequent to the measurement date	-	-	-

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

2. Deferred Outflows and Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 149,313	\$ 129,563
Changes of assumptions	1,420,195	4,759,010
Net difference between projected and actual earnings on pension plan investments	2,530,519	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,748,475	1,242,100
Employer contributions subsequent to the measurement date	1,699,869	-
	<u>\$ 8,548,371</u>	<u>\$ 6,130,673</u>

3. Risk Management

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

The School also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the School are eligible to receive health care benefits up to a \$2 million lifetime limit. In addition, employees have the option of receiving health care benefits through one of the available health maintenance organizations (HMOs). The School pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan and makes an equal contribution for employees enrolled in one of the available HMO plans [G.S.115C-238.29F(e)(4)].

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year and claims have not exceeded coverage in any of the past two fiscal years. The School carries flood insurance through the National Flood Insurance Plan (NFIP). Because the School is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake, or stream) by the Federal Emergency Management Agency, the School is eligible to purchase coverage of \$500,000 per structure through the NFIP.

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

4. Long-Term Obligations

a) Leases

The School has entered into the following lease agreements that qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

In 2018, the School entered into an operating lease with Vesta Modular for a modular classroom building. The School paid \$46,800 during the year ended June 30, 2023.

In 2022, the School entered into an operating lease with Vest Modular for a modular classroom building. The School paid \$80,604 during the year ended June 30, 2023.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2023 were as follows:

<u>Year ending June 30</u>	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>
2024	127,404	\$ 12,618	\$ 114,786
2025	127,404	8,251	119,153
2026	115,704	3,757	111,947
2027	53,736	666	53,070
	<u>\$ 424,248</u>	<u>\$ 25,292</u>	<u>\$ 398,956</u>

b) Notes Payable

On April 13, 2016, the School was approved for a direct placement agreement with USDA for a maximum principal balance of \$5,500,000. The interest rate for the note is 2.875%. The note requires annual payments of \$276,100. Proceeds were used to refinance a note for acquisition and construction of facilities. The note and interest is to be paid annually until April 13, 2046. At June 30, 2023, the School owed \$4,580,404 on this note.

On March 22, 2020 the School was approved for a direct placement agreement with USDA for a maximum principal balance of \$8,000,000. The interest rate for the note is 2.75%. The note requires annual payments of \$671,220. Proceeds were used for construction of facilities. The note and interest is to be paid annually until March 22, 2050. At June 30, 2023, the School owed \$7,270,746 on this note

As a condition of the two loan agreements, the School is required to set aside \$27,610 and \$39,512 annually for reserve purposes until maximum of one year's payment is reached. That maximum has been placed in reserves and the school as \$671,220 in restricted cash at June 30, 2023.

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

4. Long-Term Obligations (Continued)

b) Note Payable (Continued)

Future maturities of the notes are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 338,118	\$ 333,102	\$ 671,220
2025	348,506	322,714	671,220
2026	358,274	312,946	671,220
2027	368,317	302,903	671,220
2028	377,841	293,379	671,220
Thereafter	10,060,094	3,878,446	13,938,540
	<u>\$ 11,851,150</u>	<u>\$ 5,443,490</u>	<u>\$ 17,294,640</u>

c) Long-Term Obligation Activity

The following is a summary of changes in the School's long-term obligations for the fiscal year ended June 30, 2023:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Current Portion</u>
Governmental activities:					
Lease liabilities	\$ 506,737	\$ -	\$ 107,781	\$ 398,956	\$ 114,786
Notes payable	15,357,070	-	3,505,920	11,851,150	338,118
Net OPEB liability	14,494,189	-	4,029,363	10,464,826	-
Net pension liability	2,361,436	5,022,577	-	7,384,013	-
Total	<u>\$ 32,719,432</u>	<u>\$ 5,022,577</u>	<u>\$ 7,643,064</u>	<u>\$ 30,098,945</u>	<u>\$ 452,904</u>

C) Fund Balance

The School has a revenue spending policy that provides guidance for programs with multiple revenue sources. The School will use resources in the following hierarchy: bond proceeds, federal funds, State funds, and local 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 Board of Directors has the authority to deviate from this policy if it is in the best interest of the School.

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

II. DETAIL NOTES ON ALL FUNDS (Continued)

C) Fund Balance (Continued)

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

Total fund balance	\$ 5,821,818
Less:	
Security deposits	5,391
Prepaid items	<u>54,411</u>
Remaining fund balance	<u>\$ 5,762,016</u>

Unrestricted net position has been significantly affected by transactions resulting from the recognition of deferred outflows of resources and deferred inflows of resources, and related long-term liabilities, as shown in the following table:

Net pension liability and related deferred outflows of resources and deferred inflows of resources	\$ 3,475,055
Net OPEB liability (Retiree health benefit fund) and related deferred outflows or resources and deferred inflows of resources	<u>11,956,086</u>
Effect on unrestricted net position	15,431,141
Total net position before recognition of deferred outflows of resources, deferred inflows of resources, and related long-term liabilities	<u>5,516,208</u>
Total unrestricted net position	<u>\$ (9,914,933)</u>

III. RELATED PARTY TRANSACTIONS

Collegiate Schools Foundation, Inc. has been presented as a discretely presented component unit.

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

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

HENDERSON COLLEGIATE, INC.
Notes to the Financial Statements
For the Year Ended June 30, 2023

V. RESTATEMENT

During the year ended June 30, 2023, it was discovered that the School did not implement GASB 87, *Leases* in the prior year. The school has two lease that qualified under this standard. This resulted in a restatement of \$92,698 to beginning net position.

In addition, the School's component unit, Collegiate Schools Foundation, Inc. is being presented discretely instead of blended for the year ended June 30, 2023. This resulted in a restatement of fund balance of (\$398,845)

VI. SUBSEQUENT EVENTS

Management has evaluated subsequent events to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through January 4, 2024 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

HENDERSON COLLEGIATE, INC.
Schedule of the School's Proportionate Share of the Net Pension Liability
Teachers' and State Employees' Retirement System
For the Last Ten Fiscal Years

	2023	2022	2021	2020	2019
School's proportion of the net pension liability	0.0498%	0.0504%	0.0482%	0.0431%	0.0382%
School's proportionate share of the net pension liability	\$ 7,384,013	\$ 2,361,436	\$ 5,828,355	\$ 4,469,195	\$ 3,798,248
School's covered-employee payroll	\$ 6,447,302	\$ 6,392,313	\$ 5,977,564	\$ 5,035,015	\$ 4,280,309
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	114.53%	36.94%	97.50%	88.76%	88.74%
Plan fiduciary net position as a percentage of the total pension liability	84.14%	94.86%	85.98%	90.86%	91.63%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

	2018	2017	2016	2015	2014
School's proportion of the net pension liability	0.0321%	0.0222%	0.0168%	0.0111%	0.0800%
School's proportionate share of the net pension liability	\$ 2,549,336	\$ 2,040,409	\$ 617,640	\$ 130,256	\$ 485,682
School's covered-employee payroll	\$ 3,512,722	\$ 2,499,259	\$ 1,783,845	\$ 1,137,358	\$ 837,437
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	72.57%	81.64%	34.62%	11.45%	58.00%
Plan fiduciary net position as a percentage of the total pension liability	89.51%	87.32%	94.64%	98.24%	90.60%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

HENDERSON COLLEGIATE, INC.
Schedule of School Contributions
Teachers' and State Employees' Retirement System
For the Last Ten Fiscal Years

	2023	2022	2021	2020	2019
Contractually required contribution	\$ 1,212,299	\$ 1,054,827	\$ 944,784	\$ 775,308	\$ 619,361
Contributions in relation to the contractually required contribution	1,212,299	1,054,827	944,784	775,308	619,361
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 6,975,251	\$ 6,447,302	\$ 6,392,313	\$ 5,977,564	\$ 5,035,015
Contributions as a percentage of covered-employee payroll	17.38%	16.36%	14.78%	12.97%	12.30%
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 462,085	\$ 355,149	\$ 228,305	\$ 163,228	\$ 166,693
Contributions in relation to the contractually required contribution	462,085	355,149	228,305	163,228	166,693
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 4,280,309	\$ 3,512,722	\$ 2,499,259	\$ 1,783,845	\$ 1,137,358
Contributions as a percentage of covered-employee payroll	10.80%	10.11%	9.13%	9.15%	14.66%

HENDERSON COLLEGIATE, INC.
Schedule of the School's Proportionate Share of the Net OPEB Liability
Teachers' and State Employees' Retirement System
For the Last Seven Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School's proportion of the net OPEB liability (asset)	0.0440%	0.0469%	0.0451%	0.0373%	0.0345%
School's proportionate share of the net OPEB liability (asset)	10,450,821	14,494,189	12,512,094	\$ 11,794,041	\$ 9,830,555
School's covered-employee payroll	\$ 6,447,302	\$ 6,392,313	\$ 5,977,564	\$ 5,035,015	\$ 4,280,309
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	162.10%	226.74%	209.32%	234.24%	229.67%
Plan fiduciary net position as a percentage of the total OPEB liability	10.58%	7.72%	6.92%	4.40%	4.40%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

	<u>2018</u>	<u>2017</u>
School's proportion of the net OPEB liability (asset)	0.0285%	0.0197%
School's proportionate share of the net OPEB liability (asset)	\$ 9,358,530	\$ 8,571,277
School's covered-employee payroll	\$ 3,512,722	\$ 2,499,259
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	266.42%	342.95%
Plan fiduciary net position as a percentage of the total OPEB liability	3.52%	2.41%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

HENDERSON COLLEGIATE, INC.
Schedule of School Contributions
Retiree Health Benefit Fund
For the Last Nine Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 480,595	\$ 405,059	\$ 427,006	\$ 386,757	\$ 315,980
Contributions in relation to the contractually required contribution	480,595	405,059	427,006	386,757	315,980
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 6,975,251	\$ 6,447,302	\$ 6,392,313	\$ 5,977,564	\$ 5,035,015
Contributions as a percentage of covered-employee payroll	6.89%	6.28%	6.68%	6.47%	6.28%

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 259,333	\$ 199,282	\$ 139,704	\$ 97,706
Contributions in relation to the contractually required contribution	259,333	199,282	139,704	97,706
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 4,280,309	\$ 3,512,722	\$ 2,499,259	\$ 1,783,845
Contributions as a percentage of covered-employee payroll	6.06%	5.67%	5.59%	5.48%

HENDERSON COLLEGIATE, INC.
Schedule of the School's Proportionate Share of the Net OPEB Asset
Disability Income Plan of North Carolina
For the Last Seven Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School's proportion of the net OPEB liability (asset)	0.0471%	0.0480%	0.0456%	0.0412%	0.0369%
School's proportionate share of the net OPEB liability (asset)	14,005	36,431	22,423	\$ 17,761	\$ 11,215
School's covered-employee payroll	\$ 6,447,302	\$ 6,392,313	\$ 5,977,564	\$5,035,015	\$4,280,309
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.22%	0.57%	0.38%	0.35%	0.26%
Plan fiduciary net position as a percentage of the total OPEB liability	90.34%	105.18%	115.57%	113.00%	108.47%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

	<u>2018</u>	<u>2017</u>
School's proportion of the net OPEB liability (asset)	0.0311%	0.0217%
School's proportionate share of the net OPEB liability (asset)	\$ 19,021	\$ 13,476
School's covered-employee payroll	\$ 3,512,722	\$ 2,499,259
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.54%	0.54%
Plan fiduciary net position as a percentage of the total OPEB liability	116.23%	116.06%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

HENDERSON COLLEGIATE, INC.
Schedule of School Contributions
Disability Income Plan of North Carolina
For the Last Eight Fiscal Years

	2023	2022	2021	2020	2019
Contractually required contribution	\$ 6,975	\$ 5,796	\$ 5,753	\$ 5,978	\$ 7,055
Contributions in relation to the contractually required contribution	6,975	5,796	5,753	5,978	7,055
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 6,975,251	\$ 6,447,302	\$ 6,392,313	\$ 5,977,564	\$ 5,035,015
Contributions as a percentage of covered-employee payroll	0.10%	0.09%	0.09%	0.10%	0.14%
	2018	2017	2016		
Contractually required contribution	\$ 6,001	\$ 13,523	\$ 10,244		
Contributions in relation to the contractually required contribution	6,001	13,523	10,244		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
School's covered-employee payroll	\$ 4,280,309	\$ 3,512,722	\$ 2,499,259		
Contributions as a percentage of covered-employee payroll	0.14%	0.38%	0.41%		

HENDERSON COLLEGIATE, INC.
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Governmental Fund Types
For the Year Ended June 30, 2023

Schedule 7

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
State of North Carolina	\$ 11,335,144	\$ 11,299,908	\$ (35,236)
Boards of Education	2,463,225	2,463,225	-
U.S. Government	7,810,809	3,070,816	(4,739,993)
Contributions and donations	78,900	78,886	(14)
Local grant revenue	3,509,600	3,249,600	(260,000)
Investment earnings	25,000	169,400	144,400
Other	600,227	468,576	(131,651)
Total revenues	<u>25,822,905</u>	<u>20,800,411</u>	<u>(5,022,494)</u>
EXPENDITURES			
Salaries	5,951,224	5,864,000	87,224
Employer provided benefits	2,629,903	2,615,257	14,646
Books and supplies	398,246	345,834	52,412
Technology	143,800	134,368	9,432
Non-cap equipment and leases	194,050	185,673	8,377
Contracted student services	425,600	418,687	6,913
College counseling	28,350	27,420	930
Staff development	296,805	286,821	9,984
Administrative services	524,154	494,618	29,536
Insurances	141,900	133,831	8,069
Rent	197,500	236,272	(38,772)
Facilities	794,200	326,891	467,309
Utilities	295,000	290,293	4,707
Nutrition and food	5,850	1,590	4,260
Transportation and travel	152,281	120,911	31,370
Summer program	24,300	-	24,300
Local programs	3,537,006	491,600	3,045,406
Federal programs	7,810,809	2,335,524	5,475,285
Total expenditures	<u>23,550,978</u>	<u>14,309,590</u>	<u>9,241,388</u>
Capital outlay	<u>138,114</u>	<u>934,134</u>	<u>(796,020)</u>
Debt service:			
Principal	1,512,790	3,618,823	(2,106,033)
Interest and other charges	-	455,602	(455,602)
Total debt service	<u>1,512,790</u>	<u>4,074,425</u>	<u>(2,561,635)</u>
Total expenditures	<u>25,201,882</u>	<u>19,318,149</u>	<u>5,883,733</u>
Other financing sources (uses):			
Transfers	-	(19,919)	(19,919)
Total other financing sources (uses)	<u>-</u>	<u>(19,919)</u>	<u>(19,919)</u>
Excess of revenue over (under) expenditures	<u>\$ 621,023</u>	<u>\$ 1,462,343</u>	<u>\$ (10,926,146)</u>

HENDERSON COLLEGIATE, INC. **Schedule 8**
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget to Actual
Proprietary Fund Types
For the Year Ended June 30, 2023

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Food sales	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Salaries and benefits	336,400	336,200	200
Non-cap equipment	15,300	15,909	(609)
Contracted services	13,750	13,746	4
Supplies and materials	20,500	20,479	21
Membership dues	25	17	8
Workshop expenses	3,750	3,734	16
Computer software and supplies	5,700	4,900	800
Food purchases	572,025	572,009	16
Depreciation	-	7,374	(7,374)
Total expenditures	<u>967,450</u>	<u>974,368</u>	<u>(6,918)</u>
Revenues over (under) expenditures	<u>(967,450)</u>	<u>(974,368)</u>	<u>6,918</u>
Other financing sources (uses):			
Federal reimbursements	947,100	947,076	(24)
Transfers	-	19,919	19,919
Total other financing sources	<u>947,100</u>	<u>966,995</u>	<u>19,895</u>
Revenues and other sources over (under) expenditures	<u>\$ (20,350)</u>	<u>\$ (7,373)</u>	<u>\$ 26,813</u>

COMPLIANCE SECTION

SHARPE
PATEL CPA

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

To the Board of Directors
Henderson Collegiate, Inc.
Henderson, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the blended component unit and the aggregate remaining fund information of Henderson Collegiate, Inc., as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Henderson Collegiate, Inc.'s basic financial statements, and have issued our report thereon dated January 4, 2024.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Sharpe Patel PLLC". The script is cursive and fluid, with the letters "Sharpe" and "Patel" connected, and "PLLC" written in a slightly more formal but still handwritten style.

Raleigh, North Carolina
January 4, 2024

SHARPE
PATEL CPA

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

To the Board of Directors
Henderson Collegiate, Inc.
Henderson, North Carolina

Report on Compliance for Each Major State Program

Opinion on Each Major State Program.

We have audited Henderson Collegiate, Inc.'s compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of Henderson Collegiate, Inc.'s major State programs for the year ended June 30, 2023. Henderson Collegiate, Inc.'s major State programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Henderson Collegiate, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State programs for the year ended June 30, 2023.

Basis for Opinion on Each Major State Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Henderson Collegiate, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major State program. Our audit does not provide a legal determination of Henderson Collegiate, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major state program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Henderson Collegiate, Inc.'s response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Henderson Collegiate, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

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

Sharpe Patel PLLC

Raleigh, North Carolina

January 4, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE OBM UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

To the Board of Directors
Henderson Collegiate, Inc.
Henderson, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Henderson Collegiate, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission that could have a direct and material effect on each of Henderson Collegiate, Inc.'s major Federal programs for the year ended June 30, 2023. Henderson Collegiate, Inc.'s major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Henderson Collegiate, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State Single Audit Implementation Act. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Henderson Collegiate, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal determination of Henderson Collegiate, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

Sharpe Patel PLLC

Raleigh, North Carolina

January 4, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Internal control over financial reporting:

Material weaknesses identified? yes ✓ no

Significant deficiency(s) identified that are not considered to be material weaknesses?	yes	✓	none reported
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Noncompliance material to financial statements noted	yes	✓	no
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State Awards

Internal control over major State programs:

Material weaknesses identified?	yes	✓	no
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Significant deficiency(s) identified that are not considered to be material weakness(es)?	✓	yes	none reported
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Type of auditors' report issued on compliance for major State programs:	Unmodified	Modified
1. All programs	100%	0%
2. All but one program	0%	0%
3. One program	0%	0%
4. No programs	0%	0%
5. Not reported	0%	0%
6. Not applicable	0%	0%
7. Not reported	0%	0%
8. Not applicable	0%	0%
9. Not reported	0%	0%
10. Not applicable	0%	0%
11. Not reported	0%	0%
12. Not applicable	0%	0%
13. Not reported	0%	0%
14. Not applicable	0%	0%
15. Not reported	0%	0%
16. Not applicable	0%	0%
17. Not reported	0%	0%
18. Not applicable	0%	0%
19. Not reported	0%	0%
20. Not applicable	0%	0%
21. Not reported	0%	0%
22. Not applicable	0%	0%
23. Not reported	0%	0%
24. Not applicable	0%	0%
25. Not reported	0%	0%
26. Not applicable	0%	0%
27. Not reported	0%	0%
28. Not applicable	0%	0%
29. Not reported	0%	0%
30. Not applicable	0%	0%
31. Not reported	0%	0%
32. Not applicable	0%	0%
33. Not reported	0%	0%
34. Not applicable	0%	0%
35. Not reported	0%	0%
36. Not applicable	0%	0%
37. Not reported	0%	0%
38. Not applicable	0%	0%
39. Not reported	0%	0%
40. Not applicable	0%	0%
41. Not reported	0%	0%
42. Not applicable	0%	0%
43. Not reported	0%	0%
44. Not applicable	0%	0%
45. Not reported	0%	0%
46. Not applicable	0%	0%
47. Not reported	0%	0%
48. Not applicable	0%	0%
49. Not reported	0%	0%
50. Not applicable	0%	0%
51. Not reported	0%	0%
52. Not applicable	0%	0%
53. Not reported	0%	0%
54. Not applicable	0%	0%
55. Not reported	0%	0%
56. Not applicable	0%	0%
57. Not reported	0%	0%
58. Not applicable	0%	0%
59. Not reported	0%	0%
60. Not applicable	0%	0%
61. Not reported	0%	0%
62. Not applicable	0%	0%
63. Not reported	0%	0%
64. Not applicable	0%	0%
65. Not reported	0%	0%
66. Not applicable	0%	0%
67. Not reported	0%	0%
68. Not applicable	0%	0%
69. Not reported	0%	0%
70. Not applicable	0%	0%
71. Not reported	0%	0%
72. Not applicable	0%	0%
73. Not reported	0%	0%
74. Not applicable	0%	0%
75. Not reported	0%	0%
76. Not applicable	0%	0%
77. Not reported	0%	0%
78. Not applicable	0%	0%
79. Not reported	0%	0%
80. Not applicable	0%	0%
81. Not reported	0%	0%
82. Not applicable	0%	0%
83. Not reported	0%	0%
84. Not applicable	0%	0%
85. Not reported	0%	0%
86. Not applicable	0%	0%
87. Not reported	0%	0%
88. Not applicable	0%	0%
89. Not reported	0%	0%
90. Not applicable	0%	0%
91. Not reported	0%	0%
92. Not applicable	0%	0%
93. Not reported	0%	0%
94. Not applicable	0%	0%
95. Not reported	0%	0%
96. Not applicable	0%	0%
97. Not reported	0%	0%
98. Not applicable	0%	0%
99. Not reported	0%	0%
100. Not applicable	0%	0%

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	✓	yes	no
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Identification of major State programs:

Program Name
State Public School Fund - Charter Schools

HENDERSON COLLEGIATE, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS (Continued)

Federal Awards

Internal control over major Federal programs:

Material weaknesses identified? yes ✓ no

Significant deficiency(s) identified that are not considered to be material weakness(es)? yes ✓ none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes ✓ no

Identification of major Federal programs:

ALN	Program Name
84.425	COVID - 19 Education Stabilization Fund

Dollar threshold use to distinguish between Type A and Type B programs \$ 750,000

Audit qualified as a low-risk auditee yes ✓ no

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding 2023-001

SIGNIFICANT DEFICIENCY

Criteria	The schools is required to maintain at least 50% of teacher who hold teacher licenses in compliance with G.S. 115C-218.90
Condition	The school did not have 50% of teachers licensed during the year.
Cause	Teachers were hired without licensed and current teachers' licenses expired.
Effect	By not maintaining teacher licenses, the school is in violation of G.S. 115C-218.90.
Questioned costs	None.
Recommendation	The School should hire licensed teachers to reach 50% required minimum.

Teacher Licensure Corrective Action Plan

Following the COVID-19 pandemic, Henderson Collegiate has faced similar challenges to those faced by schools throughout the region, state, and country as it pertains to identifying and hiring highly qualified educators.

In light of this challenge, Henderson Collegiate will adopt the following plan of action to improve the percentage of lead teachers throughout the school holding appropriate NC Professional Educator's Licenses:

- 1) Place greater emphasis on attracting, recruiting, and hiring individuals already in possession of a valid, current NC Professional Educator's License.
- 2) Provide tuition reimbursement for teachers within the school who choose to enroll in and complete an EPP program to obtain their Professional Educator's License.
- 3) Provide reimbursement for all fees associated with obtaining an NC Professional Educator's License, including, but not limited to: fees paid to NC DPI's Licensure division, fees associated with required Pearson or Praxis tests needed to obtain a license, etc.
- 4) Dedicate current staff capacity to supporting teachers with the application process to obtain a NC Professional Educator's License.

Name of contact person: Caitlin Terranova, Chief Administrative Officer

Proposed Completion Date: FYE June 30, 2024

HENDERSON COLLEGIATE, INC.
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2023

No findings disclosed in the prior year

HENDERSON COLLEGIATE, INC.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Expenditures
FEDERAL GRANTS			
<u>U.S. Department of Education</u>			
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction			
Special Education Cluster:			
Special Education - Education of the Handicapped	84.027	PRC 060	\$ 157,067
IDEA VI-B Targeted Assis	84.027	PRC 118	695
Total Special Education Cluster			<u>\$ 157,762</u>
Title I Basic	84.010	PRC 050	636,603
Title II - Improving Teacher Quality	84.367	PRC 103	87,146
Title IV - A : Student Support and Academic Enrichment	84.424A	PRC 108	62,802
Rural and Low Income Schools	84.358	PRC 109	38,377
COVID- 19 Education Stabilization Fund	84.425		
Emergency Relief Fund		PRC 163	31,756
Digital Curricula		PRC 165	8,003
Learning Management Syst.		PRC 166	1,422
Total Education Stabilization Fund	84.425		<u>41,181</u>
CRSSA K-12 Emergency Relief Fund	84.425-2		
Emergency Relief Fund		PRC 171	1,525,400
School Nutrition Covid Support		PRC 174	2,422
Total CRSSA K-12 Emergency Relief Fund	84.425-2		<u>1,527,822</u>
Education Stabilization Fund	84.425-3		
Rev- ESSER III-181		PRC 181	199,784
Rev- ARP IDEA Grant to State		PRC 185	37,339
Stem Pilot Program		PRC 196	22,000
Total Education Stabilization Fund	84.425-3		<u>259,123</u>
Total U.S. Department of Education			<u>2,810,816</u>
<u>U.S. Department of Agriculture</u>			
Cash Assistance:			
Pass-through the N.C. Department of Public Instruction			
USDA Reimbursement		PRC 035	<u>947,076</u>

HENDERSON COLLEGIATE, INC.
Schedule of Expenditures of Federal and State Awards (Continued)
For the Year Ended June 30, 2023

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Expenditures
<u>U.S. Department of Health and Human Services</u>			
Cash Assistance:		PRC 350	260,000
Total federal assistance			4,017,892
STATE GRANTS			
Cash Assistance:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund - Charter Schools		PRC 036	11,234,515
State Public School Fund - School Safety Grant		PRC 036	28,121
State Public School Fund - Third Grade Reading		PRC 046	10,467
State Public School Fund - Test Result Bonus		PRC 048	26,805
Total State assistance			11,299,908
Total federal and State assistance			\$ 15,317,800

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

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of Henderson Collegiate, Inc. under the programs of the federal government and the State of North Carolina for the year ended June 30, 2023. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

Note 2: Summary of Significant Accounting Policies

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

Note 3: Indirect Cost Rate

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