SHARPE PATEL CPA

HENDERSON COLLEGIATE, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2025

BEYOND THE NUMBERS
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HENDERSON COLLEGIATE, INC.
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June 30, 2025

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henderson Collegiate, Inc., as of and for the year ended June 30, 2025, 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, and the aggregate remaining fund information of Henderson Collegiate, Inc. as of June 30, 2025, 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 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 opinion. 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with

management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Henderson Collegiate, Inc.'s basic financial statements. The budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 information is fairly stated, in all material respects, in relation to the 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 November 25, 2025, 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 these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are 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
November 25, 2025

Henderson Collegiate, Inc.

Management's Discussion and Analysis

For the Year Ended June 30, 2025

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, 2025, 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 School's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the fiscal year by $187,286, resulting in a positive net position.

- The School's total net position decreased by $2,723,822, driven mainly by the decrease in the governmental operating grants and increase in corresponding instructional services.

- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of $6,156,360, a decrease of $409,617, primarily due to the ongoing construction project.

- The State funded Average Daily Membership (ADM) was 1,332 in 2020-21, 1,330 in 2021-22, 1,318 in 2022-23, 1,320 in 2024-25, and 1,338 for the current year.

- The School's long-term obligations include lease liabilities for modular buildings totaling $165,017, notes payable amounting to $17,954,260, a net OPEB liability of $13,544,544, and a net pension liability of $8,412,910. The School's long-term debt increased by $8,108,632 in fiscal year 2025, primarily due to loan draws for the ongoing construction project and a rise in the net OPEB liability.

- Collegiate Schools Foundation, Inc. is presented in the School's financial statements as a discretely presented proprietary fund.

Overview of the Financial Statements

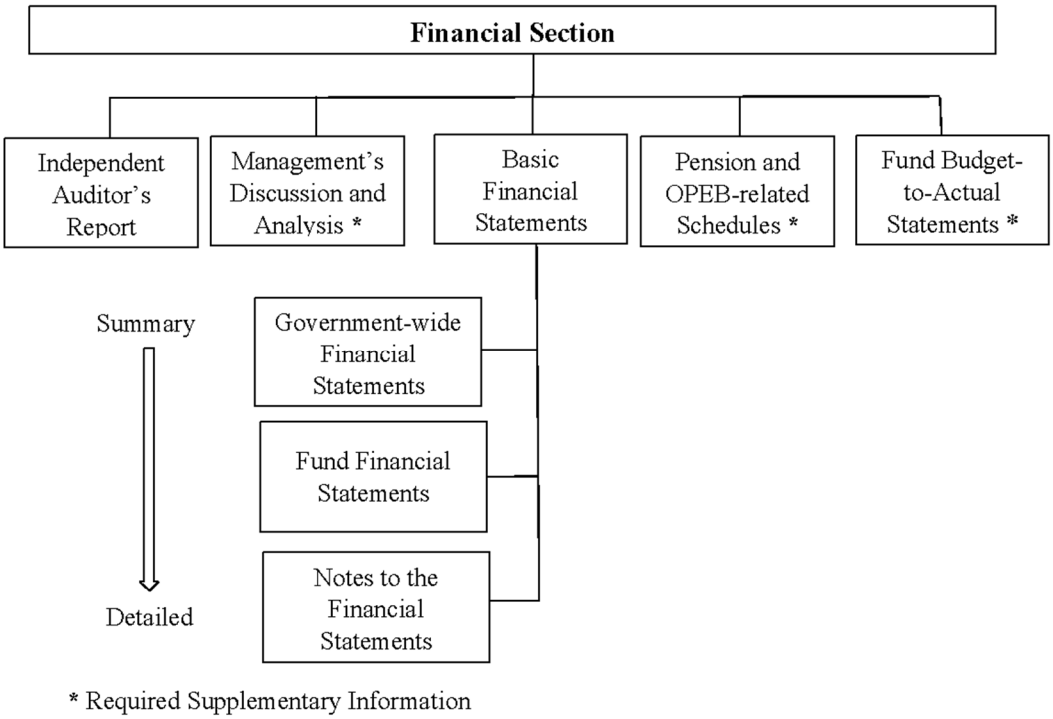
This discussion and analysis is intended to serve as an introduction to Henderson Collegiate, Inc.'s basic financial statements. The School's basic financial statements consist of three components: the government-wide financial statements, the fund financial statements, and the notes to the financial 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



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 to the Financial Statements**. 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 the financial statements of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and how 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 shows that as of June 30, 2025, cash and cash equivalents and restricted cash comprised 16.41% and 1.38% of total government-wide assets, respectively. Other current assets, primarily prepaid items, accounted for 0.68% of total assets. The School's right to use leased assets for modular units represented 0.54% of total assets. During fiscal year 2025, the School completed its building construction project; the completed buildings of $10,008,409 representing 98.27% of the total additions to depreciable capital assets for the current fiscal year. The School also purchased additional furniture and fixtures and land improvements totaling $142,969 and $33,328 representing 1.40% and 0.33% of the additions to depreciable capital assets respectively. Capital assets, net of accumulated depreciation, made up 80.99% of total assets, while long-term liabilities accounted for 99.57% of total liabilities.

As noted previously, net position is a useful indicator of a school's financial health over time. As of June 30, 2025, the School's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by $187,286. In comparison, the net position stood at $866,267 on June 30, 2024. The School's net position decreased by $678,981 for the fiscal year ending June 30, 2025, compared to an increase of $2,143,125 in 2024.

The amount of $10,545,919 reflects the School's investment in capital assets (such as land, construction in progress, furniture, leasehold improvements, and vehicles), minus the outstanding debt used to acquire these items. These capital assets are used to provide

services to students and are not available for future spending. While the net investment in capital assets is reported after the related debt, the funds needed to repay this debt must come from other sources, as the capital assets themselves cannot be used to settle these liabilities. Of the remaining net asset amount, $485,562 is restricted for USDA, and $(10,844,195) is unrestricted. In 2024, the net investment in capital assets was $12,724,550, with $671,220 restricted for USDA, and the unrestricted net position was $(12,529,503).

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, 2025 and 2024 is as follows:

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

	Governmental Activities		Business Activities		Total	
	2025	2024	2025	2024	2025	2024
Cash and cash equivalents	$5,646,014	$4,203,619	$123,246	$256,212	$5,769,260	$4,459,831
Restricted cash	485,562	671,220	0	0	485,562	671,220
Other current assets	197,680	276,957	39,643	109,398	237,323	386,355
Right to use assets, net	191,076	328,903	0	0	191,076	328,903
Capital assets, net	28,402,446	25,389,680	71,674	81,257	28,474,120	25,470,937
Total asset	34,922,778	30,870,379	234,563	446,867	35,157,341	31,317,246
Deferred Outflows of Resources	8,780,425	8,226,888	0	0	8,780,425	8,226,888
Current liabilities	172,896	1,449,894	0	0	172,896	1,449,894
Long-term liabilities	40,076,731	31,968,099	0	0	40,076,731	31,968,099
Total liabilities	40,249,627	33,417,993	0	0	40,249,627	33,417,993
Deferred Inflows of Resources	3,500,853	5,259,874	0	0	3,500,853	5,259,874
Net Position						
Net investment in capital asset	10,474,245	12,643,293	71,674	81,257	10,545,919	12,724,550
Restricted for USDA	485,562	671,220	0	0	485,562	671,220
Unrestricted	(11,007,084)	(12,895,113)	162,889	365,610	(10,844,195)	(12,529,503)
Total Net Position	$(47,277)	$419,400	$234,563	$446,867	$187,286	$866,267

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

- The School established an annual budget, which was monitored monthly to assess performance and make necessary adjustments in spending to stay within budgetary limits.

- The School successfully applied for and received several federal grants to support the educational needs of its student population.

- Overall, state and local per pupil funding increased this fiscal year.

Revenues, expenses, transfers, and the change in net position is summarized in the following condensed statement of activities for the years ended June 30, 2025 and 2024:

Henderson Collegiate, Inc.
Condensed Statement of Activities
Figure 3

	Governmental Activities		Business Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenue						
Operating grants and contributions	$1,804,476	$5,734,680	$1,013,700	$0	$2,818,176	$5,734,680
Charges for services	217,157	206,103	483	1,069,918	217,640	1,276,021
County and State funds	14,183,852	13,937,869	0	0	14,183,852	13,937,869
Donations	831,772	460,288	0	0	831,772	460,288
Investment earnings	151,711	122,809	0	0	151,711	122,809
Gain on sale of assets	0	11,564	0	0	0	11,564
Miscellaneous, unrestricted	106,212	139,328	0	0	106,212	139,328
Total revenues	17,295,180	20,612,641	1,014,183	1,069,918	18,309,363	21,682,559
Expenses:						
Instructional services	16,265,305	14,816,214	0	0	16,265,305	14,816,214
System-wide support services	3,088,280	3,263,955	0	0	3,088,280	3,263,955
Community services	0	1,376	0	0	0	1,376
Interest on long-term debt	578,635	348,699	0	0	578,635	348,699
School food service	0	0	1,100,965	1,109,190	1,100,965	1,109,190
Total expenses	19,932,220	18,430,244	1,100,965	1,109,190	21,033,185	19,539,434
Increase (decrease) in net position before transfer	(2,637,040)	2,182,397	(86,782)	(39,272)	(2,723,822)	2,143,125
Transfer	125,522	(109,604)	(125,522)	109,604	0	0
Increase (decrease) in net position after transfer	(2,511,518)	2,072,793	(212,304)	70,332	(2,723,822)	2,143,125
Net position-beginning before restatement	419,400	(1,653,393)	446,867	376,535	866,267	(1,276,858)
Restatement	2,044,841	0	0	0	2,044,841	0
Net position-beginning after restatement	2,464,241	(1,653,393)	446,867	376,535	2,911,108	(1,276,858)
Net position, Ending	$(47,277)	$419,400	$234,563	$446,867	$187,286	$866,267

Governmental activities. Governmental activities decreased the School's net position by $2,637,040, before a transfer of $125,522 from business-type activities. County and state funding totaled $14,183,852, representing 82.01% of total revenues, with a 1.76% increase over the prior year. Instructional services and related expenses of $16,265,305 accounted for 81.60% of total expenses, reflecting a 9.78% increase from the prior year.

Business-type activities. Business-type activities, consisting of the School Food Service program, decreased the School's net position by $86,782, before a transfer of $125,522 to support 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 managed to keep costs of the School Food Service Fund costs this past year, despite a decline in overall revenues.

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 School's governmental funds primarily focus on providing information about near-term inflows, outflows, and the balances of available financial resources. This information is essential for assessing the School's financing needs. In particular, the unassigned fund balance serves as a valuable indicator of the net resources a government has available for spending at the end of the fiscal year.

The General Fund is the School's main operating fund. At the end of the current fiscal year, the assets in the General Fund were predominantly cash and cash equivalents, making up 89.21% of total fund assets. Accounts payable represented 60.78% of the General Fund's liabilities. The unassigned fund balance was $5,545,659, contributing to a total fund balance of $6,156,360. The unassigned fund balance constituted 90.08% of the total fund balance.

The primary revenue source for the General Fund was from the State of North Carolina, totaling $12,117,025, representing 70.06% of General Fund revenue. Additionally, $3,871,303 was received from reimbursements from various counties for their students attending the School and the Federal government, accounting for 22.38% of total governmental fund revenue.

General Fund expenditures included $3,989,518 for capital outlay (17.71% of total expenditures), along with $14,642,827 for instructional-related expenses, $2,844,092 for system-wide support services and community services, and $1,046,294 for debt service, representing 65.01%, 12.63%, and 4.65% of total expenditures, respectively.

As of June 30, 2025, the School's governmental funds reported a combined fund balance of $6,156,360, a 7.13% increase compared with the prior year after the current year restatement, which is related to the receipt of prior year ERC funds.

Proprietary Funds. The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. The unrestricted net position of the School Food Service Fund at the end of the fiscal year amounted to $162,889, while the total decrease in net position for the School Food Service Fund was $212,304 after a transfer of $125,522 to support government activities. 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. The School's investment in capital assets for its governmental and business-type activities totals $28,474,120 (net of accumulated depreciation), as of June 30, 2025. Capital assets include land, a building, furniture and fixtures, leasehold improvements, modular building improvements, land improvements, vehicles, and food service furniture and office equipment.

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

- Construction in progress were put into service as buildings;
- Purchasing furniture and fixtures totaling $142,969; and
- Expending $33,328 on land improvements.

The following schedule summarizes the School's capital assets at June 30, 2025 and 2024:

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

	Governmental Activities		Business Activities		Total Activities	
	2025	2024	2025	2024	2025	2024
Land	$ 359,300	$ 359,300	$ -	$ -	$ 359,300	$ 359,300
Construction in progress	-	6,195,188	-	-	-	6,195,188
Building	26,846,877	17,591,472	-	-	26,846,877	17,591,472
Furniture and fixtures	286,938	232,474	3,430	-	290,368	232,474
Leasehold improvements	416,799	465,822	-	-	416,799	465,822
Modular building improvements	235,341	265,867	-	-	235,341	265,867
Land improvements	52,860	23,660	36,612	37,075	89,472	60,735
Vehicles	204,331	255,897	-	-	204,331	255,897
Food service equipment	-	-	31,632	36,904	31,632	36,904
Furniture and office equipment	-	-	-	7,278	-	7,278
Total Capital Assets	$28,402,446	$25,389,680	$71,674	$81,257	$28,474,120	$25,470,937

The School's right to use leased asset for its modular units totaled $191,076, net of amortization, at June 30, 2025.

The following schedule summarizes the School's right to use leased assets at June 30, 2025 and 2024:

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

	Governmental Activities		Total Activities	
	2025	2024	2025	2024
Modular leases	$191,076	$328,903	$191,076	$328,903
Right to use assets, net	$191,076	$328,903	$191,076	$328,903

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, 2025, the School's long-term obligations total $40,076,731 an increase of $8,108,632 compared with the prior year. The School's long-term debt consists of lease liabilities for its modular units totaling $165,017, notes payable totaling $17,954,260, net OPEB liability totaling $13,544,544, and net pension liability totaling $8,412,910.

The School's outstanding debt at June 30, 2025 and 2024 is summarized in the following schedule:

Henderson Collegiate, Inc.
Long-term Obligations
Figure 5

	Governmental Activities		Total Activities	
	2025	2024	2025	2024
Lease liabilities	$ 165,017	$ 284,170	$ 165,017	$ 284,170
Notes payable	17,954,260	12,791,120	17,954,260	12,791,120
Net OPEB liability	13,544,544	10,410,104	13,544,544	10,410,104
Net pension liability	8,412,910	8,482,705	8,412,910	8,482,705
Total Long term debt obligation	$ 40,076,731	$ 31,968,099	$ 40,076,731	$ 31,968,099

During fiscal year 2025, lease liabilities decreased by $119,153, and net OPEB liability increased by $3,134,440, while notes payable increased by $5,163,140, and net pension liability decreased by $69,795.

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:

- The School's dedication to fostering academic success and achievement continues to attract families from Vance County and neighboring communities.

- The School continues to receive additional federal funds to support its educational programs.

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.

FINANCIAL SECTION

HENDERSON COLLEGIATE, INC. **Exhibit 1**
Statement of Net Position
June 30, 2025

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Collegiate Schools Foundation, Inc.
ASSETS				
Current assets:				
Cash and cash equivalents	$ 5,646,014	$ 123,246	$ 5,769,260	$ 70,817
Restricted cash	485,562	-	485,562	-
Due from other governments	61,740	39,643	101,383	-
Receivables, net	10,801	-	10,801	-
Prepaid items	125,139	-	125,139	-
Total current assets	6,329,256	162,889	6,492,145	70,817
Non-current assets:				
Right to use lease assets, net of amortization	191,076	-	191,076	-
Capital assets:				
Land and construction in progress	359,300	-	359,300	-
Capital assets, net of depreciation	28,043,146	71,674	28,114,820	-
Total capital assets	28,402,446	71,674	28,474,120	-
Total assets	34,922,778	234,563	35,157,341	70,817
DEFERRED OUTFLOWS OF RESOURCES	8,780,425	-	8,780,425	-
LIABILITIES				
Accounts payable	172,896	-	172,896	-
Long-term liabilities:				
Net pension liability	8,412,910	-	8,412,910	-
Net OPEB liability	13,544,544	-	13,544,544	-
Due within one year	7,260,205	-	7,260,205	-
Due in more than one year	10,859,072	-	10,859,072	-
Total liabilities	40,249,627	-	40,249,627	-
DEFERRED INFLOWS OF RESOURCES	3,500,853	-	3,500,853	-
NET POSITION				
Net investment in capital assets	10,474,245	71,674	10,545,919	-
Unrestricted	(11,007,084)	162,889	(10,844,195)	70,817
Restricted - debt service	485,562	-	485,562	-
Total net position	$ (47,277)	$ 234,563	$ 187,286	$ 70,817

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, 2025

Exhibit 2

		Program Revenues		Net (Expense) Revenue and Changes in Net Position			
				Primary Government			Component Unit
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Collegiate Schools Foundation, Inc.**
Primary government:							
Governmental activities:							
Instructional services	$ 16,265,305	$ 175,157	$ 1,775,670	$ (14,314,478)	$ -	$ (14,314,478)	$ -
System-wide support services	3,088,280	42,000	28,806	(3,017,474)	-	(3,017,474)	(113,723)
Interest on long-term debt	578,635	-	-	(578,635)	-	(578,635)	-
Total governmental activities	19,932,220	217,157	1,804,476	(17,910,587)	-	(17,910,587)	(113,723)
Business-type activities:							
School food service	1,100,965	483	1,013,700	-	(86,782)	(86,782)	-
Total business-type activities	1,100,965	483	1,013,700	-	(86,782)	(86,782)	-
Total primary government	$ 21,033,185	$ 217,640	$ 2,818,176	(17,910,587)	(86,782)	(17,997,369)	(113,723)
	General revenues:						
	Unrestricted county appropriations			2,066,827	-	2,066,827	-
	Unrestricted State appropriations			12,117,025	-	12,117,025	-
	Donations - general			831,772	-	831,772	-
	Investment earnings			151,711	-	151,711	-
	Miscellaneous, unrestricted			106,212	-	106,212	1,164
	Transfers			125,522	(125,522)	-	-
	Total general revenues and transfers			15,399,069	(125,522)	15,273,547	1,164
	Change in net position			(2,511,518)	(212,304)	(2,723,822)	(112,559)
	Beginning net position			419,400	446,867	866,267	183,376
	Restatement			2,044,841	-	2,044,841	-
	Beginning net position, as restated			2,464,241	446,867	2,911,108	-
	Ending net position			$ (47,277)	$ 234,563	$ 187,286	$ 70,817

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, 2025

	Major Funds				
	General	**State Public School**	**Federal Grants**	**Capital Projects Fund**	**Total Governmental Funds**
ASSETS					
Cash and cash equivalents	$ 5,646,006	$ -	$ -	$ 8	$ 5,646,014
Restricted cash	485,562	-	-	-	485,562
Due from other governments	61,740	-	-	-	61,740
Receivables, net	10,801	-	-	-	10,801
Prepaid items	125,139	-	-	-	125,139
Total assets	$ 6,329,248	$ -	$ -	$ 8	$ 6,329,256
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 105,094	$ -	$ -	$ -	$ 105,094
Accrued salaries and wages payable	67,802	-	-	-	67,802
Total liabilities	172,896	-	-	-	172,896
Fund balances:					
Nonspendable:					
Prepaid items	125,139	-	-	-	125,139
Restricted - debt reserves	485,562	-	-	-	485,562
Unassigned	5,545,651	-	-	8	5,545,659
Total fund balances	6,156,352	-	-	8	6,156,360
Total liabilities, deferred inflows of resources and fund balances	$ 6,329,248	$ -	$ -	$ 8	

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	28,402,446
Deferred outflows of resources related to pensions	3,791,760
Deferred outflows of resources related to OPEB	4,988,665
Right to use leased asset	191,076
Net pension liability	(8,412,910)
Net OPEB liability	(13,544,544)
Deferred inflows of resources related to pensions	(229,266)
Deferred inflows of resources related to OPEB	(3,271,587)
are not due and payable in the current period and therefore are not reported in the funds	(18,119,277)
Net position of governmental activities	$ (47,277)

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

HENDERSON COLLEGIATE, INC. **Exhibit 4**

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	Major Funds				
	General	**State Public School**	**Federal Grants**	**Capital Projects Fund**	**Total Governmental Funds**
REVENUES					
State of North Carolina	$ -	$ 12,117,025	$ -	$ -	$ 12,117,025
Boards of Education	2,066,827	-	-	-	2,066,827
U.S. Government	-	-	1,804,476	-	1,804,476
Contributions and donations	831,772	-	-	-	831,772
Student activities and fees	175,157	-	-	-	175,157
Investment earnings	151,711	-	-	-	151,711
Other	148,212	-	-	-	148,212
Total revenues	3,373,679	12,117,025	1,804,476	-	17,295,180
EXPENDITURES					
Current:					
Instructional services	3,009,888	9,857,269	1,775,670	-	14,642,827
System-wide support services	879,297	1,837,476	28,806	98,513	2,844,092
Capital outlay	18,067	158,230	-	3,813,221	3,989,518
Debt service:					-
Principal	370,960	96,699	-	-	467,659
Interest and other charges	163,614	167,351	-	247,670	578,635
Total expenditures	4,441,826	12,117,025	1,804,476	4,159,404	22,522,731
Excess (deficiency) of revenues over expenditures	(1,068,147)	-	-	(4,159,404)	(5,227,551)
OTHER FINANCING SOURCES (USES)					
Transfer to other funds	125,522	-	-	-	125,522
Loan proceeds	-	-	-	5,511,646	5,511,646
Total other financing sources (uses)	125,522	-	-	5,511,646	5,637,168
Net change in fund balance	(942,625)	-	-	1,352,242	409,617
Beginning fund balance	5,054,136	-	-	(1,352,234)	3,701,902
Restatement	2,044,841	-	-	-	2,044,841
Beginning fund balance, as restated	7,098,977	-	-	(1,352,234)	5,746,743
Ending fund balance	$ 6,156,352	$ -	$ -	$ 8	$ 6,156,360

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

HENDERSON COLLEGIATE, INC. **Exhibit 5**

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, 2025

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

Net changes in fund balances- total governmental funds	$ 409,617
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.	3,012,766
This is the amount by which right to use leased asset capital outlays exceeded amortization in the current period.	(137,827)
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	(5,043,987)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	1,500,282
Contributions to the OPEB plan in the current fiscal year are not included on the statement of activities	636,212
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	(2,240,006)
Net OPEB expense	(648,575)
Total change in net position of governmental activities	$ (2,511,518)

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, 2025

	Enterprise Fund	
	Major Fund	
	School Food Service	Total
ASSETS		
Current assets:		
Cash	$ 123,246	$ 123,246
Due from other governments	39,643	39,643
Total current assets	162,889	162,889
Capital assets		
Capital assets, net of depreciation	71,674	71,674
Total capital assets	71,674	71,674
Total assets	$ 234,563	$ 234,563
LIABILITIES		
Current liabilities:		
Accounts payable	$ -	$ -
Total liabilities	-	-
NET POSITION		
Net investment in capital assets	71,674	71,674
Unrestricted	162,889	162,889
Total net position	$ 234,563	$ 234,563

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

HENDERSON COLLEGIATE, INC. **Exhibit 7**

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Enterprise Fund	
	Major Fund	
	School Food Service	Total
OPERATING REVENUES		
Food sales	$ 483	$ 483
Total operating revenues	483	483
OPERATING EXPENSES		
Salaries and benefits	436,679	436,679
Non-cap equipment	27,173	27,173
Contracted services	22,923	22,923
Supplies and materials	4,795	4,795
Membership dues	206	206
Workshop expenses	5,576	5,576
Food purchases	592,021	592,021
Depreciation	11,592	11,592
Total operating expenses	1,100,965	1,100,965
Operating income (loss)	(1,100,482)	(1,100,482)
NONOPERATING REVENUES		
Federal reimbursements	1,013,700	1,013,700
Total nonoperating revenues	1,013,700	1,013,700
Transfers from other funds	(125,522)	(125,522)
Change in net position	(212,304)	(212,304)
Total net position - beginning	446,867	446,867
Total net position - ending	$ 234,563	$ 234,563

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

HENDERSON COLLEGIATE, INC. **Exhibit 8**

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Enterprise Funds	
	Major Fund	
	School Food Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 483	$ 483
Cash paid for goods and services	(582,940)	(582,940)
Cash paid to employees for services	(436,679)	(436,679)
Net cash provided (used) by operating activities	(1,019,136)	(1,019,136)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Federal reimbursements	1,013,700	1,013,700
Transfer in (out)	(125,522)	(125,522)
Net cash provided (used) by noncapital financing activities	888,178	888,178
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITES		
Acquisition of capital assets	(2,008)	(2,008)
Net cash used by capital and related financing activities	(2,008)	(2,008)
Net increase (decrease) in cash and cash equivalents	(132,966)	(132,966)
Balances - beginning of year	256,212	256,212
Balances - end of year	$ 123,246	$ 123,246
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ (1,100,482)	$ (1,100,482)
Depreciation	11,592	11,592
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
(Increase) decrease in accounts receivable	73,979	73,979
(Increase) decrease in due from other governments	(4,225)	(4,225)
Net cash provided (used) by operating activities	$ (1,019,136)	$ (1,019,136)

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

NOTES TO THE FINANCIAL STATEMENTS

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 1,338 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 and 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).

<u>Collegiate Schools Foundation, Inc.</u>
The purpose of the Corporation is to support, fundraise, and manage assets for Henderson Collegiate, a North Carolina public charter school, any other related charter schools (together "Schools"), and for other innovate educational programs associated with or supporting the Schools, its students (current, former or potential), staff and its programs. 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, <u>Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments</u> ("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.

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.

Capital Projects Fund: The Capital Projects Fund is used to account for major capital projects of the School

The School reports the following major enterprise fund:

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

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, 2025. 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.

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 $1,000 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.

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

The School has a policy that full-time employees are entitled to 5 days of sick leave and 3 days of personal leave each school year. Neither balances accumulate and cannot be carried from year to year. Therefore, no liability is accrued for leave.

During the year ended June 30, 2025, the School implemented GASB Statement No. 101, *Compensated Absences*. This standard requires recognition of a liability for certain types of compensated absences, including sick leave, when specified criteria are met. During the year ended June 30, 2025 those criteria have not been met.

9. Net Position/Fund Balances

<u>Net Position</u>
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.

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 fundraising 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.

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 ($6,203,637) consists of several elements as follows:

DESCRIPTION	AMOUNT
Capital assets used in governmental activities are not financial resources are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column.	$ 34,990,650
Less accumulated depreciation	(6,588,204)
Net capital assets	28,402,446
Right to use leased asset	191,076
Pension related deferred outflows of resources	3,791,760
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	(8,412,910)
Deferred inflows of resources related to pensions	(229,266)
Net OPEB liability	(13,544,544)
OPEB related deferred outflows of resources	4,988,665
Deferred inflows of resources related to OPEB	(3,271,587)
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	(18,119,277)
Total adjustment	$ (6,203,637)

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, 2025, the School received funding from the Board of Education for Durham County ($4,895), Franklin County ($85,099), Granville County ($98,757), Vance County ($1,433,865), Wake County ($33,563), and Warren Schools ($409,198).

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.

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 ($2,921,135) 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.	$ 3,989,518
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(976,752)
The amount by which the cost less accumulated depreciation reduces the gain on sale of fixed assets.	-
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.	(5,043,987)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities.	1,500,282
Contributions to the OPEB plan in the current fiscal year are not included on the statement of activities.	636,212
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	(2,240,006)
OPEB expense	(648,575)
Total	$ (2,921,135)

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.

II. DETAIL NOTES ON ALL FUNDS

A) Assets

1. Deposits

At June 30, 2025, the School had deposits with banks and savings and loans with a carrying amount of $6,254,822. The bank balances with the financial institutions was $6,277,235 of which $5,277,235 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, 2025, Collegiate Schools Foundation, Inc. had deposits with financial institutions with a carrying amount of $70,817. The bank balance with the financial institutions was $70,817, 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, 2025, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 359,300	$ -	$ -	$ 359,300
Construction in progress	6,195,188	3,813,221	10,008,409	-
Total capital assets not being depreciated	6,554,488	3,813,221	10,008,409	359,300
Capital assets being depreciated:				
Building	21,756,099	10,008,409	-	31,764,508
Furniture and fixtures	913,326	142,969	-	1,056,295
Leasehold improvements	739,731	-	-	739,731
Modular building improvements	516,725	-	-	516,725
Land improvements	27,603	33,328	-	60,931
Vehicles	493,159	-	-	493,159
Total capital assets being depreciated	24,446,643	10,184,706	-	34,631,349
Less accumulated depreciation for:				
Building	4,164,627	753,004	-	4,917,631
Furniture and fixtures	680,852	88,505	-	769,357
Leasehold improvements	273,909	49,023	-	322,932
Modular building improvements	250,858	30,526	-	281,384
Land improvements	3,943	4,128	-	8,071
Vehicles	237,262	51,566	-	288,828
Total accumulated depreciation	5,611,451	976,752	-	6,588,203
Total capital assets being depreciated, net	18,835,192			28,043,146
Governmental activity capital assets, net	$ 25,389,680			$ 28,402,446

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	$ 732,564
System-wide support services	244,188
	$ 976,752

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets being depreciated:				
Food service equipment	$ 62,613	$ -	$ -	$ 62,613
Land improvements	37,075	2,009	-	39,084
Furniture and office equipment	48,029	-	-	48,029
Total capital assets being depreciated	147,717	2,009	-	149,726
Less accumulated depreciation for:				
Food service equipment	25,709	5,272	-	30,981
Land improvements	-	2,472	-	2,472
Furniture and office equipment	40,751	3,848	-	44,599
Total accumulated depreciation	66,460	11,592	-	78,052
Total capital assets being depreciated, net	81,257			71,674
Business-type activity capital assets, net	$ 81,257			$ 71,674

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.

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, 2025 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	317,802	137,827	-	455,629
Total accumulated amortization	317,802	137,827	-	455,629
Right to use assets, net	$ 328,903			$ 191,076

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 – eight 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, and the Director of the Office of State Human Resources 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.

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 unreduced retirement benefits at age 65 with five years of creditable service, 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 reduced retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service. Survivor benefits are available to eligible beneficiaries of general 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 five years of service and have reach age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the member's contributions that is generally available to beneficiaries of deceased members. The plan does not provide for automatic post-retirement benefit increases.

TSERS plan members who are LEOs are eligible to retire with unreduced retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with reduced retirement benefits at age 50 with 15 years of creditable service as an officer. LEOs who complete 25 years of creditable service with 15 years as an officer are eligible to retire with reduced retirement benefits. 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 (not including sick leave), regardless of age, or have completed 15 years of creditable service as an LEO and have reached age 50, or have completed five years of creditable service as an LEO and have reached age 55, or have completed 15 years of creditable service as an LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life in lieu of the return of the member's contributions that is generally available to beneficiaries of deceased members.

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 annual pay. The contribution rate for employers is set each year by the North Carolina General Assembly in the Appropriations Act and may not be less than the contribution rate required of plan members. The Board of Trustees establishes a funding policy from which an accrued liability rate and a normal contribution rate are developed under the funding policy is the actuarially determined contribution rate ("ADC"). The Board of Trustees may further adopt a contribution rate policy that is higher than the ADC known as the required employer contribution to be recommended to the North Carolina General Assembly. The School's contractually required contribution rate for the year ended June 30, 2025, was 16.79% 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 $1,500,282 for the year ended June 30, 2025.

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 include interest (currently 4% per year) regardless of the number of years of retirement service credit or of the reason for separation from service. 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 any other retirement or survivor benefit provided by TSERS.

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

At June 30, 2025, the School reported a liability of $8,412,910 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023. The total pension liability was then rolled forward to the measurement date of June 30, 2024 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, 2025 and at June 30, 2024, the School's proportion was 0.0568% and 0.0509%, respectively.

For the year ended June 30, 2025, the School recognized pension expense of $2,240,005. At June 30, 2025, 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	$ 758,149	$ 24,870
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	1,387,249	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	146,080	204,396
Employer contributions subsequent to the measurement date	1,500,282	-
Total	$ 3,791,760	$ 229,266

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)

$1,500,282 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2026	$ 559,210
2027	1,687,374
2028	(35,877)
2029	(148,495)
2030	-
Thereafter	-
	$ 2,062,212

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation performed as of December 31, 2023. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2024. The update procedures incorporated the actuarial assumptions used in the valuation. The entry age normal actuarial cost method was utilized.

Valuation date	12/31/2022
Inflation	2.50%
Salary increases (1)	3.25-8.05%
Investment rate of return (2)	6.50%

(1) Salary increases include 3.25% inflation and productivity factor.
(2) Investment rate of return includes inflation assumption and is net of pension plan investment expense.

Benefit recipients of TSERS received a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in October 2022, as granted by the North Carolina General Assembly for the fiscal year ending June 30, 2023. Benefit recipients of TSERS received a one-time benefit supplement payment equal to 4% of the member's annual benefit amount, paid in November 2023, as granted by the North Carolina General Assembly for the fiscal year ending June 30, 2024. These one-time supplements for benefit recipients of TSERS do not change the ongoing monthly benefits, and absent additional action by governing authorities, the payments will not recur in future years.

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 retirement 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. public plan population. The mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2023 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.

The actuarial assumptions used in the December 31, 2023 valuations were based on the results of an actuarial experience review for the period January 1, 2015 through December 31, 2019. This actuarial experience review is reflected in the schedule of pension amounts by employer as a deferred outflows of resources in the column titled changes of assumptions. Certain changes of assumptions subsequent to the experience review are also reflected as deferred outflows on the schedule of pension amounts by employer.

Discount rate. The discount rate used to measure the total pension liability was 6.50%. This discount rate is in line with the long-term nominal expected return on pension plan investments. The calculation of the net pension liability (asset) is a present value calculation of the future net pension payments. These net pension payments assume that contributions from plan members will be made at the current statutory contribution rate and that contributions from employers will be made at the contractually required rates, actuarially determined. Based on those assumptions, the plans' 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.

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)	$ 15,432,551	$ 8,412,910	$ 2,624,188

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.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) 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 ACFR, 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.

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 6.99% of covered payroll which amounted to $624,596.

At June 30, 2025, School reported a liability of $13,561,952 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. The total OPEB liability was then rolled forward to the measurement date of June 30, 2024 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, 2025 and 2024, the School's proportion was 0.0399%, and 0.0390%, respectively.

$624,596 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, 2026. 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:		
2026	$	10,754
2027		(135,056)
2028		535,390
2029		688,777
2030		-
Thereafter		-
	$	1,099,865

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 3.93% at June 30, 2024. 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 3.93% was used as the discount rate used to measure the total OPEB liability. The 3.93% rate is based on the Bond Buyer 20-year General Obligation Index as of June 30, 2024.

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 (2.93 percent) or 1-percentage point higher (4.93 percent) than the current discount rate:

	1% Decrease (2.93%)	Discount Rate (3.93%)	1% Increase (4.93%)
Net OPEB liability	$ 16,135,213	$ 13,561,952	$ 11,495,848

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:

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

b. Other Postemployment Benefits (Continued)

1. Healthcare Benefits (Continued)

	1% Decrease in Trend Rates	Healthcare Trend Rates (Medical: 6.50%, Pharmacy 7.00%, Administrative: 3.00%)	1% Increase in Trend Rates
Net OPEB liability	$ 11,194,418	$ 13,561,952	$ 16,627,448

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.

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, 2025, employers made a statutory contribution of 0.13% of covered payroll which was equal to the actuarially required contribution. School contributions to the plan were $11,616 for the year ended June 30, 2025.

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 another postemployment benefit.

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, 2025, School reported a liability of $(17,408) for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. The total OPEB liability was then rolled forward to the measurement date of June 30, 2024 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, 2025 and 2024, the School's proportion was 0.0529%, and 0.0477%, respectively.

$11,616 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, 2026. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:		
2026	$	(11,212)
2027		(8,239)
2028		89
2029		43
2030		319
Thereafter		-
	$	(19,000)

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

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	$ (15,522)	$ (17,408)	$ (19,390)

Common actuarial assumptions for both OPEB plans. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2023 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, 2024. 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:

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)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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:

	RBHF	DIPNC	Total
OPEB expense (revenue)	$ 648,951	$ 3,752	$ 652,703
OPEB liability (asset)	13,561,952	(17,408)	13,544,544
Proportionate share of the net OPEB liability (asset)	0.03987%	0.0529%	
Deferred outflows of resources:			
Differences between expected and actual experience	110,538	7,018	117,556
Changes of assumptions	3,266,272	260	3,266,532
Net difference between projected and actual earnings on pension plan investments	58,115	13,666	71,781
Changes in proportion and differences between employer contributions and proportionate share of contributions	896,584	-	896,584
Employer contributions subsequent to the measurement date	624,596	11,616	636,212
Deferred inflows of resources:			
Differences between expected and actual experience	-	20,023	20,023
Changes of assumptions	1,768,202	8,110	1,776,312
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,463,442	11,810	1,475,252
Employer contributions subsequent to the measurement date	-	-	-

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	$ 875,705	$ 44,893
Changes of assumptions	3,266,532	1,776,312
Net difference between projected and actual earnings on pension plan investments	1,459,030	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,042,664	1,679,648
Employer contributions subsequent to the measurement date	2,136,494	-
	$ 8,780,425	$ 3,500,853

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.

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. In 2022, the School entered into an operating lease with Vest Modular for a modular classroom building. The School paid $115,704 during the year ended June 30, 2025 for both leases.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025 were as follows:

Year ending June 30	Payment	Interest	Principal
2026	$ 115,704	$ 3,757	$ 111,947
2027	53,736	666	53,070
	$ 169,440	$ 4,423	$ 165,017

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, 2025, the School owed $4,288,685 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, 2025, the School owed $6,875,592 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 has $485,562 in restricted cash at June 30, 2025.

The School entered into a loan agreement on May 12, 2023 with First Citizens for the construction of a multi-purpose facility. The loan cannot exceed $7,500,000 and requires monthly interest payments at a rate of 5.8% beginning on June 15, 2023. The total amount of unpaid principal is due on May 15, 2025. The loan was extended changing the due date to August 2025 and then again to change the due date to November 2025. At June 30, 2025, the School owed $6,789,983 on this note.

II. DETAIL NOTES ON ALL FUNDS (Continued)

B) Liabilities (Continued)

4. Long-Term Obligations (Continued)

b) Note Payable (Continued)

On July 21, 2023, the School was approved for a direct placement agreement with USDA for a maximum principal balance of $11,691,614 for final financing of the construction projects related to the two First Citizens construction lines noted above. The interest rate for the note is 3.6250%. At June 30, 2025, the School owed $11,614,277 on this note.

Future maturities of the notes are as follows:

Year ending June 30	Principal	Interest	Total
2026	$ 7,148,258	$ 312,945	$ 7,461,203
2027	368,317	302,903	671,220
2028	377,840	293,380	671,220
2029	389,234	281,986	671,220
2030	400,145	271,075	671,220
2031-2035	2,174,666	1,181,434	3,356,100
2036-2040	2,496,809	859,291	3,356,100
2041-2045	2,867,771	488,328	3,356,099
2046-2050	1,731,220	111,099	1,842,319
	$ 17,954,260	$ 4,102,441	$ 22,056,701

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, 2025:

	Beginning Balances	Increases	Decreases	Ending Balances	Current Portion
Governmental activities:					
Lease liabilities	$ 284,170	$ -	$ 119,153	$ 165,017	$ 111,947
Notes payable	12,791,120	5,163,140	-	17,954,260	7,148,258
Net OPEB liability	10,410,104	3,134,440	-	13,544,544	-
Net pension liability	8,482,705	-	69,795	8,412,910	-
Total	$ 31,968,099	$ 8,297,580	$ 188,948	$ 40,076,731	$ 7,260,205

II. DETAIL NOTES ON ALL FUNDS (Continued)

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.

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

Total fund balance	$ 6,156,352
Less:	
Restricted - debt reserves	485,562
Prepaid items	125,139
Remaining fund balance	$ 5,545,651

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	$ 4,850,416
Net OPEB liability (Retiree health benefit fund) and related deferred outflows or resources and deferred inflows of resources	11,827,466
Effect on unrestricted net position	16,677,882
Total net position before recognition of deferred outflows of resources, deferred inflows of resources, and related long-term liabilities	5,833,687
Total unrestricted net position	$ (10,844,195)

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.

V. RESTATEMENT

During the year ended June 30, 2025, management discovered a restatement related to previously reported balances for the receipt of Employee Retention Credit funds. This resulted in an increase of previously reported net position and fund balance of $2,044,841.

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 November 25, 2025 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

HENDERSON COLLEGIATE, INC. **Schedule 1**

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

	2025	2024	2023	2022	2021
School's proportion of the net pension liability	0.0568%	0.0509%	0.0498%	0.0504%	0.0482%
School's proportionate share of the net pension liability	$ 8,412,910	$ 8,482,705	$ 7,384,013	$ 2,361,436	$ 5,828,355
School's covered-employee payroll	$ 8,192,083	$ 6,975,251	$ 6,447,302	$ 6,392,313	$ 5,977,564
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	102.70%	121.61%	114.53%	36.94%	97.50%
Plan fiduciary net position as a percentage of the total pension liability	85.35%	82.97%	84.14%	94.86%	85.98%

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

	2020	2019	2018	2017	2016
School's proportion of the net pension liability	0.0431%	0.0382%	0.0321%	0.0222%	0.0168%
School's proportionate share of the net pension liability	$ 4,469,195	$ 3,798,248	$ 2,549,336	$ 2,040,409	$ 617,640
School's covered-employee payroll	$ 5,035,015	$ 4,280,309	$ 3,512,722	$ 2,499,259	$ 1,783,845
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	88.76%	88.74%	72.57%	81.64%	34.62%
Plan fiduciary net position as a percentage of the total pension liability	90.86%	91.63%	89.51%	87.32%	94.64%

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

HENDERSON COLLEGIATE, INC. **Schedule 2**

Schedule of Contributions
Teachers' and State Employees' Retirement System
For the Last Ten Fiscal Years

	2025	2024	2023	2022	2021
Contractually required contribution	$ 1,500,282	$ 1,444,264	$ 1,212,299	$ 1,054,827	$ 944,784
Contributions in relation to the contractually required contribution	1,500,282	1,444,264	1,212,299	1,054,827	944,784
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 8,935,569	$ 8,192,083	$ 6,975,251	$ 6,447,302	$ 6,392,313
Contributions as a percentage of covered-employee payroll	16.79%	17.63%	17.38%	16.36%	14.78%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 775,308	$ 619,361	$ 462,085	$ 355,149	$ 228,305
Contributions in relation to the contractually required contribution	775,308	619,361	462,085	355,149	228,305
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 5,977,564	$ 5,035,015	$ 4,280,309	$ 3,512,722	$ 2,499,259
Contributions as a percentage of covered-employee payroll	12.97%	12.30%	10.80%	10.11%	9.13%

HENDERSON COLLEGIATE, INC. **Schedule 3**

Schedule of the School's Proportionate Share of the Net OPEB Liability
Teachers' and State Employees' Retirement System
For the Last Nine Fiscal Years*

	2025	2024	2023	2022	2021
School's proportion of the net OPEB liability (asset)	0.0399%	0.0390%	0.0440%	0.0469%	0.0451%
School's proportionate share of the net OPEB liability (asset)	$ 13,561,952	$ 10,397,426	$ 10,450,821	$ 14,494,189	$ 12,512,094
School's covered-employee payroll	$ 8,192,083	$ 6,975,251	$ 6,447,302	$ 6,392,313	$ 5,977,564
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	165.55%	149.06%	162.10%	226.74%	209.32%
Plan fiduciary net position as a percentage of the total OPEB liability	9.79%	10.73%	10.58%	7.72%	6.92%

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

	2020	2019	2018	2017
School's proportion of the net OPEB liability (asset)	0.0373%	0.0345%	0.0285%	0.0197%
School's proportionate share of the net OPEB liability (asset)	$ 11,794,041	$ 9,830,555	$ 9,358,530	$ 8,571,277
School's covered-employee payroll	$ 5,035,015	$ 4,280,309	$ 3,512,722	$ 2,499,259
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	234.24%	229.67%	266.42%	342.95%
Plan fiduciary net position as a percentage of the total OPEB liability	4.40%	4.40%	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 Ten Fiscal Years

Schedule 4

	2025	2024	2023	2022	2021
Contractually required contribution	$ 624,596	$ 584,915	$ 480,595	$ 405,059	$ 427,006
Contributions in relation to the contractually required contribution	624,596	584,915	480,595	405,059	427,006
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 8,935,569	$ 8,192,083	$ 6,975,251	$ 6,447,302	$ 6,392,313
Contributions as a percentage of covered-employee payroll	6.99%	7.14%	6.89%	6.28%	6.68%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 386,757	$ 315,980	$ 259,333	$ 199,282	$ 139,704
Contributions in relation to the contractually required contribution	386,757	315,980	259,333	199,282	139,704
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 5,977,564	$ 5,035,015	$ 4,280,309	$ 3,512,722	$ 2,499,259
Contributions as a percentage of covered-employee payroll	6.47%	6.28%	6.06%	5.67%	5.59%

HENDERSON COLLEGIATE, INC. **Schedule 5**

Schedule of the School's Proportionate Share of the Net OPEB Asset
Disability Income Plan of North Carolina
For the Last Nine Fiscal Years*

	2025	2024	2023	2022	2021
School's proportion of the net OPEB liability (asset)	0.0529%	0.0477%	0.0471%	0.0480%	0.0456%
School's proportionate share of the net OPEB liability (asset)	$ (17,408)	$ 12,678	$ 14,005	$ 36,431	$ 22,423
School's covered-employee payroll	$ 8,192,083	$ 6,975,251	$ 6,447,302	$ 6,392,313	$ 5,977,564
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-0.21%	0.18%	0.22%	0.57%	0.38%
Plan fiduciary net position as a percentage of the total OPEB liability	114.99%	90.61%	90.34%	105.18%	115.57%

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

	2020	2019	2018	2017
School's proportion of the net OPEB liability (asset)	0.0412%	0.0369%	0.0311%	0.0217%
School's proportionate share of the net OPEB liability (asset)	$ 17,761	$ 11,215	$ 19,021	$ 13,476
School's covered-employee payroll	$ 5,035,015	$ 4,280,309	$ 3,512,722	$ 2,499,259
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	0.35%	0.26%	0.54%	0.54%
Plan fiduciary net position as a percentage of the total OPEB liability	113.00%	108.47%	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 Ten Fiscal Years

Schedule 6

	2024	2024	2023	2022	2021
Contractually required contribution	$ 11,616	$ 9,011	$ 6,975	$ 5,796	$ 5,753
Contributions in relation to the contractually required contribution	11,616	9,011	6,975	5,796	5,753
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 8,935,569	$ 8,192,083	$ 6,975,251	$ 6,447,302	$ 6,392,313
Contributions as a percentage of covered-employee payroll	0.13%	0.11%	0.10%	0.09%	0.09%

	2020	2019	2018	2017	2016
Contractually required contribution	$ 5,978	$ 7,055	$ 6,001	$ 13,523	$ 10,244
Contributions in relation to the contractually required contribution	5,978	7,055	6,001	13,523	10,244
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 5,977,564	$ 5,035,015	$ 4,280,309	$ 3,512,722	$ 2,499,259
Contributions as a percentage of covered-employee payroll	0.10%	0.14%	0.14%	0.38%	0.41%

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, 2025

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
State of North Carolina	$ 12,130,773	$ 12,117,025	$ (13,748)
Boards of Education	2,121,202	2,066,827	(54,375)
U.S. Government	1,807,047	1,804,476	(2,571)
Contributions and donations	144,706	831,772	687,066
Student activities and fees		175,157	175,157
Investment earnings	137,494	151,711	14,217
Other	3,836,178	148,212	(3,687,966)
Total revenues	20,177,400	17,295,180	(2,882,220)
EXPENDITURES			
Salaries	7,460,144	7,774,880	(314,736)
Employer provided benefits	3,512,641	3,195,166	317,475
Books and supplies	351,315	485,640	(134,325)
Technology	278,000	213,643	64,357
Non-cap equipment and leases	216,854	90,045	126,809
Contracted student services	740,601	544,735	195,866
College counseling	2,500	-	2,500
Staff development	314,191	286,489	27,702
Administrative services	528,936	1,016,069	(487,133)
Insurances	129,355	131,722	(2,367)
Rent	805,393	5,613	799,780
Facilities	738,153	714,639	23,514
Utilities	452,734	321,198	131,536
Nutrition and food	1,018,075	597,142	420,933
Transportation and travel	205,000	305,461	(100,461)
Federal programs	1,807,047	1,804,477	2,570
Total expenditures	18,560,939	17,486,919	1,074,020
Capital outlay	2,190,975	3,989,518	(1,798,543)
Debt service:			
Principal	338,367	467,659	(129,292)
Interest and other charges	332,853	578,635	(245,782)
Total debt service	671,220	1,046,294	(375,074)
Total expenditures	21,423,134	22,522,731	(1,099,597)
Other financing sources (uses):			
Transfers	-	125,522	125,522
Loan proceeds	1,278,338	5,511,646	4,233,308
Proceeds from sale of assets	3,952	-	(3,952)
Total other financing sources (uses)	1,282,290	5,637,168	4,354,878
Excess of revenue over (under) expenditures	$ 36,556	$ 409,617	$ 2,572,255

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, 2025

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Food sales	$ -	$ 483	$ 483
Total revenues	-	483	483
EXPENDITURES			
Salaries and benefits	357,325	436,679	(79,354)
Non-cap equipment	8,000	27,173	(19,173)
Contracted services	22,000	22,923	(923)
Supplies and materials	6,000	4,795	1,205
Membership dues	250	206	44
Workshop expenses	4,000	5,576	(1,576)
Computer software and supplies	-	-	-
Food purchases	540,000	592,021	(52,021)
Depreciation	-	11,592	(11,592)
Total expenditures	937,575	1,100,965	(163,390)
Revenues over (under) expenditures	(937,575)	(1,100,482)	163,873
Other financing sources (uses):			
Federal reimbursements	1,807,047	1,013,700	(793,347)
Grant revenues	-	-	
Transfers	-	(125,522)	(125,522)
Total other financing sources	1,807,047	888,178	(918,869)
Revenues and other sources over (under) expenditures	$ 869,472	$ (212,304)	$ (754,996)

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, and the aggregate remaining fund information of Henderson Collegiate, Inc., as of and for the year ended June 30, 2025, 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 November 25, 2025.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Sharpe Patel PLLC

Raleigh, North Carolina

November 25, 2025

SHARPE PATEL CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE OMB 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* that could have a direct and material effect on each of Henderson Collegiate, Inc.'s major State programs for the year ended June 30, 2025. 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, 2025.

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 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 2025-001. 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 may exist that have not been identified. We identified certain deficiencies in internal control over compliance described in the accompanying schedules of findings and questioned costs as item 2025-001 to be a significant deficiency.

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 and State Single Audit Implementation Act. Accordingly, this report is not suitable for any other purpose.

Sharpe Patel PLLC

Raleigh, North Carolina

November 25, 2025

SHARPE PATEL CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH FEDERALMAJOR 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, 2025. 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, 2025.

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

December 11, 2025

HENDERSON COLLEGIATE, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report issued on whether the financial statements were prepared in accordance to GAAP:	Unmodified			
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
Noncompliance material to financial statements noted	_____	yes	✓	no

State Awards

Internal control over major State 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 the State Single Audit Implementation Act	✓	yes	_____	no

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, 2025

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
84.425-3	Education Stabilization Fund
84.010	Title I Grants to LEAs

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

Audit qualified as a low-risk auditee _____ yes ✓ no

HENDERSON COLLEGIATE, INC.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2024

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding 2025-001

Significant deficiency

Criteria:	Charter schools are required to have 50% of teachers licensed according to G.S. 115C-218.90.
Condition:	The School had less than 50% of teachers licensed during the year.
Cause:	Licenses for teachers at the School expired during the year, but were not renewed. The School hired more unlicensed teachers than licensed teachers during the year.
Effect:	The School had less than 50% of teachers licensed and is in violation of G.S. 115C-218.90.
Questioned costs:	None.
Recommendation:	We recommend that the School keep track of licensed and unlicensed teachers to ensure they meet the 50% requirement. The School should encourage uncertified teachers to obtain licenses and to remind certified teacher to renew their licenses.

SECTION IV - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

November 21, 2025

To Whom It May Concern:

It is the purpose of this letter to share with you the corrective actions already being undertaken by Henderson Collegiate to remedy the finding from our FY25 audit, namely that Henderson Collegiate did not meet the standard set forth in G.S. 115C-218.90 of having at least 50% of our teachers licensed for the 2024-25 school year.

In the past few years, Henderson Collegiate has faced the same challenges faced by our peers across the region, state and national landscape in identifying, recruiting, hiring and retaining highly qualified and credentialed instructional talent.

In response to this, the school has adopted a plan of action to improve the percentage of lead teachers throughout our school holding appropriate NC Professional Educator's Licenses. To date, the school has already done the following:

1. Cultivated a new talent pipeline of international teachers who either already possess or have already accumulated the credentials to apply for and obtain a NC Professional Educator's License
2. Provided reimbursement to staff for completion of qualified EPP programs to obtain their teaching licenses
3. Provided reimbursement to staff members for completion of the application to NC DPI to obtain their professional educator's licenses, as well as for completion of required tests (such as Pearson and PRAXIS tests) to apply for their licenses
4. Paid the tuition directly for several teachers to complete a qualified EPP to be able to apply for NC Professional Educator's Licenses
5. Dedicated additional current staff capacity to supporting these processes to ensure that all teachers are able to access and complete them

Throughout the course of the 2024-25 school year, as shared with the state in March 2025, we had taken significant steps to obtain licensure for several of our teachers by receiving processed applications from NCDPI, obtaining emergency licenses, and renewing licenses that had expired at or before the beginning of that school year. We have additionally provided supports to several teachers to enroll in EPPs, so that our pathways to increasing the total percentage of teachers licensed for the 2025-26 school year exceeds our plans from last year.

As of July 14, 2025, approximately 52.44% of Henderson Collegiate teachers are licensed, demonstrating the efforts the school has brought to bear since the presentation of this finding last year, and bringing Henderson Collegiate into compliance with G.S. 115C-218.90.

To continue this positive trend, as in prior years, we will review all current staff members' teaching credentials throughout the course of this year so that by April 15th

we are ready for any renewals or other key actions needed to ensuring ongoing compliance for the 2026-27 school year.

To provide additional detail on how Henderson Collegiate will continue to ensure proper teacher certification in compliance with G.S. 115C-218.90, please see the following enclosed supporting documents:

1. Documentation of our operating procedures to ensure that at least 50% of the teachers employed by the school have a current NC Professional Educator's License, and
2. Evidence that our controls described above have been implemented, including proof of the current percent of teachers licensed for the 2025-26 school year

If you have any questions, please do not hesitate to reach out to our Chief of Staff, Caitlin D. Terranova, at the contact information listed below.

Sincerely,

Caitlin D. Terranova
Chief of Staff
cterranova@hendersoncollegiate.org
c: 252-204-8750

Eric Sanchez
Chief Executive Officer & Co-Founder
esanchez@hendersoncollegiate.org
c: 252-204-5352

Cc: Stephanie Rogers, Chairperson, Henderson Collegiate Board of Directors

Standard Operating Procedure: Teacher Licensure

Henderson Collegiate believes that it is of critical importance to ensure that individuals charged with leading instruction for our students are highly qualified, as well as humble, hungry, and smart. In an effort to support our highly qualified staff with obtaining their appropriate North Carolina Professional Educator's Licenses, Henderson Collegiate has adopted the following standard operating procedure:

Prior to Hire

- During the interview process, our Director of Talent Acquisition obtains and submits, to the Director of Human Resources, credentials submitted by candidates through the application process.

During New Hire Onboarding

- When new hires begin at Henderson Collegiate, the Director of Human Resources works with them to submit all required new hire documentation. For teachers, this includes:
    - Submission of their completed transcripts for any post-secondary degrees attained,
    - Copies of their Pearson or Praxis test results, and
    - Copies of any North Carolina Professional Educator's License that the new hire currently or has previously held.
- On review of these documents, the Director of Human Resources then updates the Teacher Licensure Tracker Google Sheet in which licensure is tracked, annually, for the organization.
- The Director of Human Resources informs all newly hired lead teachers, in writing, of their options and how the school supports them, namely:
    - Newly hired teachers who are already in possession of a current, valid, NC Professional Educator's License, must log into the NCDPI Licsal system to associate themselves with Henderson Collegiate.
    - Newly hired teachers who do not yet possess an NC Professional Educator's License, but who have passed all relevant tests and completed the required coursework to obtain one, may request a time to meet with the Director of Human Resources to compile and submit their applications to NCDPI to obtain their license.
    - Newly hired teachers who do not yet possess an NC Professional Educator's License, and who have either not yet passed the required Pearson and/or Praxis tests, but have completed the required coursework, can meet with the Director of Human Resources to be advised on what tests they must complete, and how they can submit their passing test scores for reimbursement.
    - Newly hired teachers who have not yet completed the coursework to apply for their NC Professional Educator's License must meet individually with the Director of Human Resources to review their options to receive school support in order to complete the required coursework from a qualified EPP.

    - Lead teachers in the Exceptional Children's program, an exceptionally challenging area in which to hire already-licensed professional educators, may apply to have Henderson Collegiate pay for their tuition to complete the EPP program offered by Teachers of Tomorrow, with whom Henderson Collegiate possesses a Memorandum of Understanding to offer a hybrid program for teachers.
    - Henderson Collegiate sets aside a small reserve of dedicated funds to offer tuition reimbursement of up to $2,500 per year to lead teachers in other content areas in exchange for the teacher's commitment to remain teaching at Henderson Collegiate for a set period of time.
    - The Director of Human Resources is offers guidance, as needed, to all lead teachers advising them on how they may take advantage of our flexible schedule offerings, as needed, in support of completing their needed coursework (this policy can be found in our Employee Handbook).
- The Director of Human Resources sets deadlines for each newly hired teacher to inform him of their progress toward obtaining their NC Professional Educator's License based on their individualized success plan for license attainment.

After New Hire Onboarding

- The Director of Human Resources tracks the progress of:
    - Teachers completing Pearson and/or Praxis tests
    - Teachers completing EPP coursework
    - Teachers' applications as they are submitted to and approved by NC DPI
- The Director of Human Resources then continues to follow up with staff accordingly, and update the tracker for the org. She reports back directly to the Chief of Staff, who reports back to the Chief Executive Officer and Board of Directors regarding Henderson Collegiate's total status of licensed lead teachers.

	Total lead teachers	Currently licensed teachers (updated 7/14/25)	% of Licensed Teachers
Elementary	29	17	58.62%
Middle	23	12	52.17%
High	30	14	46.67%
Total	82	43	**52.44%**

HENDERSON COLLEGIATE, INC.
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2025

SCHEDULE OF PRIOR YEAR FINDINGS

Finding 2024-001

Significant deficiency

Not corrected.

HENDERSON COLLEGIATE, INC.
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2025

Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	State/Pass-Through Grantor's Number	Expenditures
FEDERAL GRANTS			
U.S. Department of Education			
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction			
Special Education Cluster:			
IDEA Part B Preschool	84.027	PRC 049	$ 3,326
IDEA Part B	84.027	PRC 060	269,086
Total Special Education Cluster			272,412
Title I Grants to LEAs	84.010	PRC 050	632,786
Supporting Effective Instruction State Grants	84.367	PRC 103	75,215
Student Support and Academic Enrichment Program	84.424	PRC 108	49,549
Rural and Low Income Schools	84.358	PRC 109	48,488
Stronger Connections Grant	84.424F	PRC 145	337,500
Education Stabilization Fund			
ARP - K-12 Emergency Relief Fund	84.425-3	PRC 181	350,000
ARP	84.425-3	PRC 188	31,581
ARP - Cyberbullying & Suicide Prevention Grants	84.425-3	PRC 192	6,945
Total Education Stabilization Fund			388,526
Total U.S. Department of Education			1,804,476
U.S. Department of Agriculture			
Cash Assistance:			
Pass-through the N.C. Department of Public Instruction			
Child Nutrition Cluster:			
School Breakfast Program	10.553-CL	PRC 035	312,671
National School Lunch Program	10.553-CL	PRC 035	701,029
Total Child Nutrition Cluster			1,013,700
Total U.S. Department of Agriculture			1,013,700
Total federal assistance			2,818,176

HENDERSON COLLEGIATE, INC.
Schedule of Expenditures of Federal and State Awards (Continued)
For the Year Ended June 30, 2025

Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	State/Pass-Through Grantor's Number	Expenditures
STATE GRANTS			
Cash Assistance:			
N.C. Department of Public Instruction:			
State Public School Fund - Charter Schools		PRC 036	11,941,926
State Public School Fund - Charter Schools		PRC 016	16,478
State Public School Fund - School Safety Grant		PRC 040	102,830
State Public School Fund - Test Result Bonus		PRC 048	29,281
State Public School Fund - Literacy Intervention		PRC 085	26,510
Total State assistance			12,117,025
Total federal and State assistance			$ 14,935,201

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, 2025. 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.

Note 4: Loan Balances
The School has the following loan balances outstanding at June 30, 2025 for loans that still have imposed continuining compliance requirements. Loans outstanding at the beginnning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2025 consist of:

	Assistance Listing No.	Balance
Community Facilities Loans and Grants	10.766	$ 11,164,277