

**Cape Fear Center for Inquiry  
Board of Directors Agenda  
January 18, 2018- 6:00pm**

***Nurturing a Sense of Wonder.** Cape Fear Center for Inquiry is committed to promoting students' abilities to think and create in personally meaningful ways through an inquiry-based, integrated curriculum in a nurturing and empowering environment.*

**Roll Call** Ashley Cooksley, Lisa Sharpe, Kelly Rooney, Jennifer LaFleur, Todd Fischer, Lauren Lombardi, Stephen Hill, Beth Carter, Lisa Buchanan, Kristin Hudson, Cathi Mintz, Lori Roy

<b>Time</b>	<b>Subject</b>	<b>Chair/Presenter</b>	<b>Activity</b>
6:00pm	<b><i>Call to Order</i></b>	<b>Ashley Cooksley</b>	Action
6:01	<b><i>Approval of Minutes: 11/16/17, 12/2/17, 12/15/17, 12/18/17</i></b>	<b>Ashley Cooksley</b>	Action
6:02	<b><i>Visiting Faculty*</i></b>	<b>TBD</b>	Information
6:07	<b><i>Visiting Parent or Community Members*</i></b>	<b>TBD</b>	Information
	<b><i>Committee Reports:</i></b>		
6:15	<b><i>Finance</i></b> <ul style="list-style-type: none"> <li>No Committee Report</li> <li>Monthly Budgets/Dashboard</li> <li>Audit Presentation</li> </ul>	<b>Kathy Rettig</b>	Information/ Discussion/Action
6:45	<b><i>Partnership</i></b> <ul style="list-style-type: none"> <li>Committee Report</li> </ul>	<b>Stephen Hill</b>	Information
6:50	<b><i>Life Long Learning</i></b> <ul style="list-style-type: none"> <li>No Report – Meeting 1/25</li> </ul>		Information
6:50	<b><i>Director's Report</i></b> <ul style="list-style-type: none"> <li>PCN Update (no meeting due to illness and weather) – next meeting Feb. 6<sup>th</sup> 8:15</li> <li>K-3 Fence Update</li> <li>Welcome Kim McCormick!</li> <li>Testing Coordinator Recommendation</li> <li>Inclement Weather Make Up</li> <li>Inclement Weather Decision Making</li> <li>EC Compliance Update</li> <li>Charter School Performance Framework Update</li> </ul>	<b>Lori Roy</b>	Information/ Discussion/ Action
7:20	<b><i>Technology Committee</i></b> <ul style="list-style-type: none"> <li>No Committee Report- canceled due to weather. Next meeting Feb. 6<sup>th</sup>- 3:30</li> </ul>	<b>Cathi Mintz</b>	Information

7:20	<b><i>Policy and Procedure Review</i></b> <ul style="list-style-type: none"> <li>No Committee Report</li> </ul>	Jennifer Solomon	Information
7:20	<b><i>Development Committee</i></b> <ul style="list-style-type: none"> <li>Committee Report</li> <li>Grant Committee Opportunity- Sandy Eyles (visiting parent)</li> <li>Feasibility Study Update- <i>closed session</i></li> </ul>	Todd Fischer/ Lori Roy	Information/Discussion/ Action
7:55	<b><i>Executive Committee</i></b> <ul style="list-style-type: none"> <li>Committee report</li> </ul>	Ashley Cooksley	Information / Discussion
8:00	<b><i>Other Announcements and/or Upcoming events:</i></b> <ul style="list-style-type: none"> <li>Next Executive Committee Meeting: <b>TBD</b></li> <li>Next Board Meeting- Feb. 20, 2018 6pm</li> </ul>	Ashley Cooksley	Information
8:05	<b><i>Closed Session for meeting critique (NC statute 143-318.11)</i></b>	Ashley Cooksley	Discussion
8:05	<b><i>Adjournment</i></b>	Ashley Cooksley	Action

***Board Agenda Requests:*** If you would like to request that an item be added to the Board agenda, please e-mail the Board Secretary, Beth Carter at [bcarter@cfc.net](mailto:bcarter@cfc.net) with “CFCI Board Agenda” in the subject line, or place the request in his box in the main school office. The agenda request must include the subject, a brief synopsis of what you would like to present, the amount of time requested, any handouts you would like to distribute, and whether your request is informational, discussion, and/or requests board action.

**All requests and materials need to be submitted by noon on the first Friday of the month.** Items not received by this time will not be considered for the following month’s Board meeting. The Board Executive Committee reserves the right to determine whether the item is added to the agenda, to ask for additional information, or to redirect the request to an appropriate committee or person.

**Cape Fear Center for Inquiry  
Board of Directors Agenda  
January 18, 2018- 6:00pm**

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**Roll Call** Ashley Cooksley, Lisa Sharpe, Kelly Rooney, Jennifer LaFleur, Todd Fischer, Stephen Hill, Beth Carter, Lisa Buchanan, Kristin Hudson, Lori Roy

**Absent:** Lauren Lombardi, Cathi Mintz

<b>Time</b>	<b>Subject</b>	<b>Chair/Presenter</b>	<b>Activity</b>
6:00pm	<i><b>Call to Order</b></i>	<b>Ashley Cooksley</b>	Lisa Buchanan motioned to come to order. Kristen Hudson seconded. Motion passed.
6:01	<i><b>Approval of Minutes: 11/16/17, 12/2/17, 12/15/17, 12/18/17</b></i>	<b>Ashley Cooksley</b>	<p>Kristin Hudson made the motion to approve the November 16 minutes. Todd Fischer seconded. Motion passed.</p> <p>Kristin Hudson made the motion to approve the Dec. 2 minutes. Lisa Buchanan seconded. Motion passed.</p> <p>Lisa Buchanan made the motion to approve the December 15 meeting minutes. Todd Fischer seconded. Motion passed.</p> <p>Todd Fischer made the motion to approve the Dec. 18 closed meeting minutes. Kristin Hudson seconded. Motion passed.</p>
6:02	<i><b>Visiting Faculty*</b></i>	<b>TBD</b>	<p>Nancy Kachadurian.</p> <p>Nancy thanked the board for getting involved in Curriculum Coordinator hiring. She appreciates the board's time and effort in that effort, and suggested that CFCI consider adding a board member to interview panels.</p>
6:07	<i><b>Visiting Parent or Community Members*</b></i>	<b>TBD</b>	None.
	<i><b>Committee Reports:</b></i>		
6:15	<b><i>Finance</i></b> <ul style="list-style-type: none"> <li>No Committee Report</li> <li>Monthly Budgets/Dashbo ard</li> <li>Audit</li> </ul>	<b>Kathy Rettig</b>	Kathy Coke introduced Jay Sharpe, our auditor. We received the audit electronically in November, and he presented copies of highlights of the audit. The scope and timing of the audit were on track. CFCI was given an unmodified opinion, and there were no negative findings in the audit. There were no management letter points. There were no accounting

	Presentation		policy changes or disagreements with management or difficulties encountered. This was a clean audit. All good news! Thank you, Jay. We have to now submit a 990 to the IRS, and the Board has already approved this. Thank you Kathy! Financial statements will be sent out soon for the past month.
6:45	<b><i>Partnership</i></b> <ul style="list-style-type: none"> <li>Committee Report</li> </ul>	<b>Stephen Hill</b>	Family Fun night went well on Jan. 18. Next major event is BINGO on Feb. 9, 5:30-7:30. The Partnership has \$15,000.00 cash on hand. Partnership has agreed to provide significant funding in helping CFCI pay for Responsive Classroom training for teachers. Lori is trying to determine how best to accomplish this. Specialists are going for training on Feb. 2 <sup>nd</sup> . Lori and Mikhal are going to bullying training, and Kim McCormick is going to training also. Thanks Partnership!
6:50	<b><i>Life Long Learning</i></b> <ul style="list-style-type: none"> <li>No Report – Meeting 1/25</li> </ul>		No report.
6:50	<b><i>Director's Report</i></b> <ul style="list-style-type: none"> <li>PCN Update (no meeting due to illness and weather) – next meeting Feb. 6<sup>th</sup> 8:15</li> <li>K-3 Fence Update</li> <li>Welcome Kim McCormick!</li> <li>Testing Coordinator Recommendation</li> <li>Inclement Weather Make Up</li> <li>Inclement Weather Decision Making</li> <li>EC Compliance Update</li> <li>Charter School Performance Framework Update</li> </ul>	<b>Lori Roy</b>	<p>The City is allowing us to move forward with replacing the retaining wall and K-3 playground fence. No permitting is required.</p> <p>Kim McCormick started today as Curriculum Coordinator. The BT meeting was held this afternoon and she got to attend. She got into lots of classrooms. Welcome Kim!</p> <p>We just completed our EC audit and the state said they had never seen a school perform as well on an EC audit! Thanks Lori Benazzi!</p> <p>CFCI also passed all sections of the 2017 Charter School Performance Framework except for the ELL section. We are getting more details about that so that we can clear that up.</p> <p><b>Action items:</b> 1. Lori and the hiring panel are unanimously recommending that CFCI hire Christine Born as our testing coordinator. Beth Carter moved that we accept this recommendation. Lisa Buchannan seconded. Motion passed.</p> <p>2. <b>Make ups for Inclement Weather:</b> The faculty proposes to make up the 940 minutes missed by: making Feb. 22<sup>nd</sup> a full student day, making June 8<sup>th</sup> a full student day, and adding 5 minutes to the beginning and ending of the day.</p>

			<p>Todd Fischer feels that adding the minutes to the beginning and ending of the day doesn't really add valuable instructional time. Also, he is concerned about how this affects families' plans after school.</p> <p>Lisa Buchanan motioned to approve this recommendation. Kristen Hudson seconded. Motion passed.</p> <p>3. Lori would like CFCI to change the Weather Closing/Delay Decision Making to read that "CFCI will take New Hanover County closure and delay decisions into account when making the decision to cancel, delay or dismiss due to weather. "</p> <p>Lisa Buchanan suggested adding something about parents using discretion about whether or not to attempt to come to school in adverse weather.</p> <p>Todd moved that we adopt this change adding Lisa's suggestion – which is very similar to what UNCW's weather closing statement is - about family discretion. Kristin seconded. Motion passed.</p>
7:20	<b><i>Technology Committee</i></b> <ul style="list-style-type: none"> <li>•</li> </ul>	<b>Cathi Mintz</b>	No report. Next meeting on Feb. 6 at 3:30.
7:20	<b><i>Policy and Procedure Review</i></b>	<b>Jennifer Solomon</b>	No report
7:20	<b><i>Development Committee</i></b> <ul style="list-style-type: none"> <li>• Committee Report</li> <li>• Grant Committee Opportunity- Sandy Eyles (visiting parent)</li> <li>• Feasibility Study Update- <i>closed session</i></li> </ul>	<b>Todd Fischer/ Lori Roy</b>	<p>Sandy Eyles, a CFCI parent, is suggesting that the board consider adding a grant committee that could address raising money for some of the major needs of the school. We have CFCI parents who know how to write grants and fund-raise. We also need to make better connections within our community and give the community a chance to invest in us. Schools like Island Montessori and GLOW are doing this well.</p> <p>Todd suggested that Sandy get together a purpose statement and then come to Development committee on the 13<sup>th</sup> at 3:30.</p> <p>Kristi Hudson moved we go into closed session. Todd</p>

			<p>Fischer seconded. Motion passed.</p> <p>Kristin Hudson motioned to come out of closed session. Todd seconded. Motion passed.</p> <p>Todd Fischer moved to authorize the expenditure of up to \$5000.00 to an architectural/design firm for concept design services. Kristin Hudson seconded. Motion passed.</p>
7:55	<i>Executive Committee</i>	Ashley Cooksley	No report.
7:55	<i>Other Announcements and/or Upcoming events:</i>	Ashley Cooksley	<ul style="list-style-type: none"> <li>• Next Executive Committee Meeting: Feb. 12 at 2:00 p.m.</li> <li>• Next Board Meeting- Feb. 20, 2018 6pm</li> </ul>
8:00	<i>Adjournment</i>	Ashley Cooksley	Todd Fischer motioned to adjourn. Kristen Hudson seconded. Motion passed.

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## Inclement Weather Make Ups

CFCI Faculty Proposes that we make up the 940 minutes missed due to inclement weather thus far by:

Make February 22<sup>nd</sup> a FULL Student Day

Make June 8<sup>th</sup> a FULL Student Day

For the remainder of the time, adding five minutes to the front and end of each day. With the additional 2-hour delay, this would mean starting the new drop off and pick up time on January 29<sup>th</sup> and continuing that through March 23<sup>rd</sup> which is the week before Spring Break. This would mean at 8:00am start time and walkers would be dismissed at 3:05 instead of 3:00, cars would start being called at 3:10 instead of 3:05.

Our Teacher Workdays are critical for professional development and planning. Teachers need time to collaborate, analyze data, make changes to units, field trips, etc. AND learn new techniques for providing inquiry instruction. Our Workdays are so important! We hope that the board recognizes this.

## Weather Closing/Delay Decision Making

See proposed changes to handbook procedures below:

### Emergency Closing

When CFCI must dismiss students unexpectedly due to adverse weather conditions or other types of emergencies, the early dismissals will be announced through local television and radio stations as well as email and through the use of our mass phone/texting system. When snow, ice or other adverse weather conditions cause school to be cancelled or delayed, information will be broadcast over local radio and television stations. ~~CFCI will follow New Hanover County schools in cancellations and dismissals due to weather.~~ CFCI will take New Hanover County closure and delay decisions into account when making the decision to cancel, delay or dismiss due to weather. Please do not call the school office for this information.

**CAPE FEAR CENTER FOR INQUIRY  
WILMINGTON, NORTH CAROLINA**

Financial Statements and  
Supplementary Information

Year Ended June 30, 2017



**Rives & Associates, LLP**  
Certified Public Accountants and Consultants



# CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA

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June 30, 2017

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## **FINANCIAL SECTION**

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**Rives & Associates, LLP**  
Certified Public Accountants

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Certified Public Accountants

Member:  
North Carolina Association of  
Certified Public Accountants

## **Independent Auditors' Report**

To the Board of Directors  
Cape Fear Center for Inquiry  
Wilmington, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cape Fear Center for Inquiry, North Carolina, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Cape Fear Center for Inquiry's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cape Fear Center for Inquiry, North Carolina as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 and the schedule of proportionate share of the net pension liability and the schedule of school contributions on pages 41 and 42, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cape Fear Center for Inquiry, North Carolina'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 the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 1, 2017 on our consideration of Cape Fear Center for Inquiry'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 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 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 Cape Fear Center for Inquiry's internal control over financial reporting and compliance.

*Rives & Associates LLP*

Raleigh, North Carolina

October 1, 2017

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## **Management's Discussion and Analysis**

### **Cape Fear Center for Inquiry**

#### **June 30, 2017**

As management of Cape Fear Center for Inquiry, we offer readers of Cape Fear Center for Inquiry's audited financial statements this narrative overview and analysis of the financial activities of Cape Fear Center for Inquiry for the fiscal year ended June 30, 2017. We encourage readers to read the information presented herein in conjunction with additional information that we have furnished in the School's financial statements, which follow this narrative.

#### **Financial Highlights**

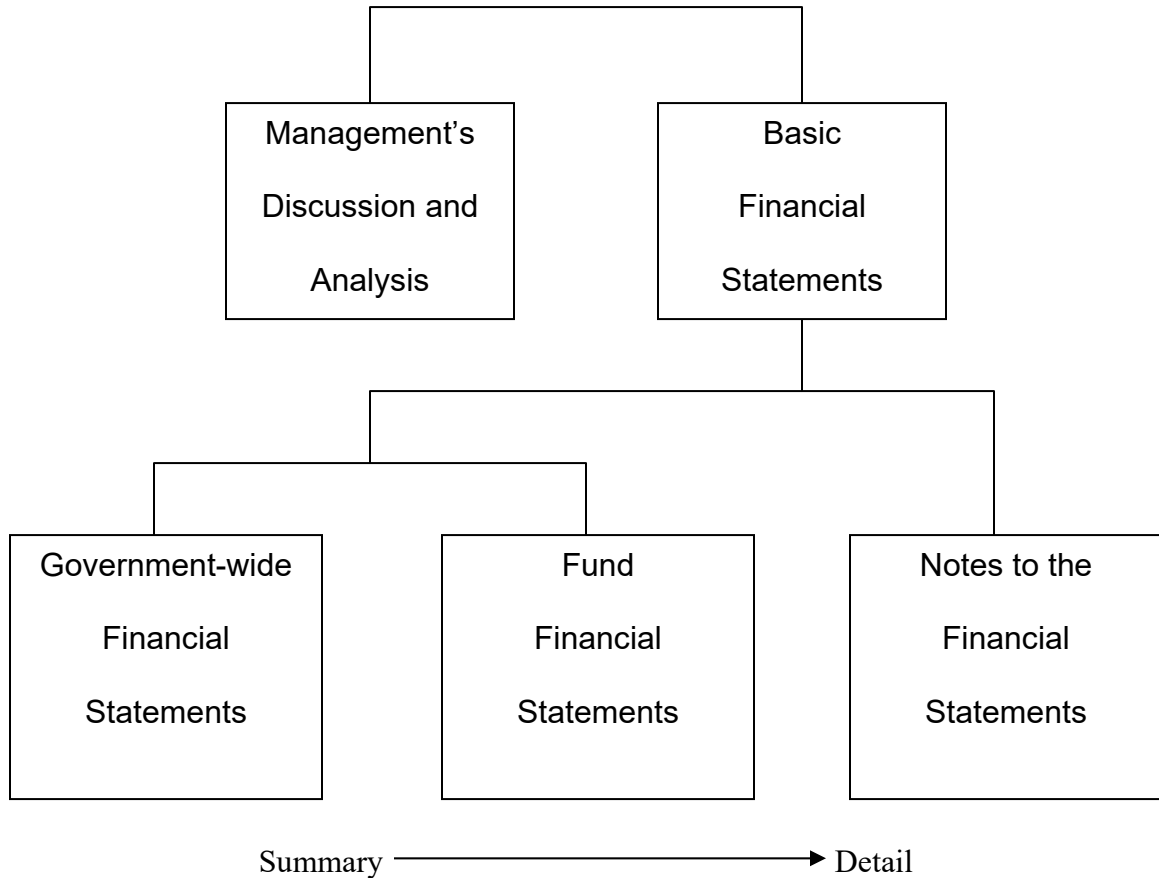
- The assets of Cape Fear Center for Inquiry exceeded its liabilities and deferred inflows at the close of the fiscal year by \$2,646,930 (*net position*).
- The school's total net position increased by \$155,597 at fiscal year end.
- As of the close of the current fiscal year, Cape Fear Center for Inquiry's governmental funds reported combined ending fund balances of \$1,425,114, an increase of \$153,640, in comparison with the prior year.
- Enrollment at the School has remained stable. The State funded Average Daily Membership (ADM) was 397 in 2011-12, 376 in 2012-13, 372 in 2013-14, 409 in 2014-15, 405 in 2015-16, and 408 in the current fiscal year.
- Cape Fear Center for Inquiry's long-term debt consists of compensated absences and a loan. Total debt decreased by \$197,575 during the year.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Cape Fear Center for Inquiry's basic financial statements. The School's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two distinct financial perspectives of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Cape Fear Center for Inquiry.

Figure 1

Required Components of Annual Financial Report



**Basic Financial Statements**

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

The next statements (Exhibits 3 through 5) are **Fund Financial Statements**. These statements focus on the activities of the individual segments of the School's government. These statements are more detailed than the government-wide financial statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

Immediately following the fund financial statements are the **Notes to the Financial Statements** (i.e. "Notes"). The Notes offer a detailed explanation of the data contained in those statements. Next, **supplemental information** is provided to show details about



**Management's Discussion and Analysis**  
**Cape Fear Center for Inquiry**  
**June 30, 2017**

the School's funds. Budgetary information for the School can also be found in this section of the statements.

**Government-wide Financial Statements**

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the School's basic functions such as instructional services and business services. These functions are funded almost entirely through state, county, and federal educational funds. The business-type activities are those services that the School charges its students and other customers. Cape Fear Center for Inquiry has no business-type activities.

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

**Fund Financial Statements**

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

**Governmental Funds** – Governmental funds are used to account for functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies remaining at year-end that will be available for spending in the next fiscal year. Governmental funds are reported using the modified accrual accounting method, which provides a short-term spending focus. The governmental fund financial statements assist the reader in determining whether there has been an increase or a decrease in the financial resources available to finance the School's programs. The relationship between government

**Management's Discussion and Analysis**  
**Cape Fear Center for Inquiry**  
**June 30, 2017**

activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is an integral part of the fund financial statements.

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

**Proprietary Funds** – Cape Fear Center for Inquiry had no proprietary funds, which are enterprise funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Cape Fear Center for Inquiry has no enterprise funds.

**Notes to the Financial Statements** – The notes provide additional information essential to facilitating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 17 of this report.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as one useful indicator of a school's financial condition. The assets of Cape Fear Center for Inquiry exceeded liabilities by \$2,646,930 as of June 30, 2017. As of June 30, 2016, the net position of Cape Fear Center for Inquiry stood at \$2,491,333. The School's net position increased by \$155,597 for the fiscal year ended June 30, 2017, compared to an increase of \$407,382 in 2016. The amount of \$1,740,713 reflects the School's investment in capital assets (e.g. land, leasehold improvements, school equipment, and electronic equipment), less any related debt still outstanding that was issued to acquire those items. Cape Fear Center for Inquiry uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. The remaining balance of \$906,217 is unrestricted. In 2016, the amount of net investment in capital assets totaled \$1,686,668, with unrestricted net position standing at \$804,665.

**Management's Discussion and Analysis**  
**Cape Fear Center for Inquiry**  
**June 30, 2017**

**Figure 2**  
**Cape Fear Center for Inquiry's Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Current and other assets</b>	\$ 1,496,508	\$ 1,287,773	\$ -	\$ -	\$ 1,496,508	\$ 1,287,773
<b>Capital assets, net of depreciation</b>	5,023,759	5,168,726	-	-	5,023,759	5,168,726
<b>Total assets</b>	<u>6,520,267</u>	<u>6,456,499</u>	<u>-</u>	<u>-</u>	<u>6,520,267</u>	<u>6,456,499</u>
<b>Deferred inflows of resources</b>	<u>752,852</u>	<u>173,345</u>	<u>-</u>	<u>-</u>	<u>752,852</u>	<u>173,345</u>
<b>Other liabilities</b>	71,394	13,268	-	-	71,394	13,268
<b>Long-term liabilities outstanding</b>	4,497,595	4,025,084	-	-	4,497,595	4,025,084
<b>Total liabilities</b>	<u>4,568,989</u>	<u>4,038,352</u>	<u>-</u>	<u>-</u>	<u>4,568,989</u>	<u>4,038,352</u>
<b>Deferred inflows of resources</b>	<u>57,200</u>	<u>100,159</u>	<u>-</u>	<u>-</u>	<u>57,200</u>	<u>100,159</u>
<b>Net Position:</b>						
<b>Net investment in capital assets</b>	1,740,713	1,686,668	-	-	1,740,713	1,686,668
<b>Unrestricted</b>	906,217	804,665	-	-	906,217	804,665
<b>Total net position</b>	<u>\$ 2,646,930</u>	<u>\$ 2,491,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,646,930</u>	<u>\$ 2,491,333</u>

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

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

**Management's Discussion and Analysis**  
**Cape Fear Center for Inquiry**  
**June 30, 2017**

**Figure 3**  
**Cape Fear Center for Inquiry's Changes in Net Position**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Donations and Other Revenues	\$ 145,694	\$ 135,543	\$ -	\$ -	\$ 145,694	\$ 135,543
Charges for Services	-	-	-	-	-	-
Operating Grants and Contributions	55,791	112,714	-	-	55,791	112,714
County, State, and Federal Funds	3,420,698	3,288,371	-	-	3,420,698	3,288,371
<b>Total revenues</b>	<b>3,622,183</b>	<b>3,536,628</b>	<b>-</b>	<b>-</b>	<b>3,622,183</b>	<b>3,536,628</b>
Instructional Programs	2,861,155	2,526,812	-	-	2,861,155	2,526,812
Support services	495,463	487,314	-	-	495,463	487,314
Non-programmed charges	5,079	6,823	-	-	5,079	6,823
Interest on long-term debt	104,889	108,297	-	-	104,889	108,297
School food service	-	-	-	-	-	-
<b>Total expenses</b>	<b>3,466,586</b>	<b>3,129,246</b>	<b>-</b>	<b>-</b>	<b>3,466,586</b>	<b>3,129,246</b>
<b>Increase (Decrease) in net position before transfers</b>	<b>155,597</b>	<b>407,382</b>	<b>-</b>	<b>-</b>	<b>155,597</b>	<b>407,382</b>
Transfers	-	-	-	-	-	-
<b>Increase (Decrease) in net position</b>	<b>155,597</b>	<b>407,382</b>	<b>-</b>	<b>-</b>	<b>155,597</b>	<b>407,382</b>
<b>Net position, July 1</b>	<b>2,491,333</b>	<b>2,083,951</b>	<b>-</b>	<b>-</b>	<b>2,491,333</b>	<b>2,083,951</b>
<b>Net position, June 30</b>	<b>\$ 2,646,930</b>	<b>\$ 2,491,333</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,646,930</b>	<b>\$ 2,491,333</b>

**Governmental activities.** Governmental activities increased the School's net position by \$155,597.

**Business-type activities.** Cape Fear Center for Inquiry had no Business-type activities.

### **Financial Analysis of the School's Funds**

As noted earlier, Cape Fear Center for Inquiry uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The general fund is the chief operating fund of Cape Fear Center for Inquiry. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,424,442, while total fund balance reached \$1,425,114.

**Proprietary Funds.** The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Cape Fear Center for Inquiry has no proprietary funds.

**Management's Discussion and Analysis**  
**Cape Fear Center for Inquiry**  
**June 30, 2017**

**Capital Asset and Debt Administration**

**Capital assets.** Cape Fear Center for Inquiry's investment in capital assets for its governmental fund as of June 30, 2017, totals \$5,023,759 (net of accumulated depreciation). Capital assets include land, construction in progress, a building, land improvements, school equipment, and electronic equipment.

**Figure 4**  
**Cape Fear Center for Inquiry's Capital Assets**  
 (net of depreciation)

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Land</b>	\$ 1,114,500	\$ 1,114,500	\$ -	\$ -	\$ 1,114,500	\$ 1,114,500
<b>Construction in Progress</b>	58,826	58,826	-	-	58,826	58,826
<b>Building</b>	3,161,435	3,247,282	-	-	3,161,435	3,247,282
<b>Land Improvements</b>	641,693	687,087	-	-	641,693	687,087
<b>School equipment</b>	28,125	41,851	-	-	28,125	41,851
<b>Electronic equipment</b>	19,180	19,180	-	-	19,180	19,180
<b>Total</b>	<u>\$ 5,023,759</u>	<u>\$ 5,168,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,023,759</u>	<u>\$ 5,168,726</u>

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

**Long-term Debt.** As of June 30, 2017, Cape Fear Center for Inquiry had total long-term obligations of \$4,497,595, which includes compensated absences totaling \$107,030, net pension liability totaling \$1,107,519, and a Note Payable totaling \$3,283,046.

**Management's Discussion and Analysis**  
**Cape Fear Center for Inquiry**  
**June 30, 2017**

**Economic Factors**

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

- The growth rate in the multiple feeder LEAs that currently supply the school with children is expected to continue which will serve to maintain the ADM funding.
- The Board of Directors has carefully tracked the Fund Balance year to year and has internally set it aside for future possible expansion and/or improvement facilities projects.
- Base funding from the State increased by \$36.81 per pupil compared to the previous year; an increase of 0.75%.

**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 Finance Officer, Cape Fear Center for Inquiry, 2525 Wonder Way, Wilmington, North Carolina 28401, telephone (910) 362-0422.

## CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA

Exhibit 1

## Statement of Net Position

June 30, 2017

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,474,778
Due from other governments	17,796
Receivables (net)	3,262
Prepaid items	672
	<u>1,496,508</u>
Capital assets (Note II. A) 2.):	
Land	1,114,500
Construction in progress	58,826
Other capital assets, net of depreciation	3,850,433
Total capital assets	<u>5,023,759</u>
Total assets	<u>6,520,267</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>752,852</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	71,394
Long-term liabilities:	
Net pension liability	1,107,519
Due within one year	312,293
Due in more than one year	3,077,783
Total liabilities	<u>4,568,989</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>57,200</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,740,713
Unrestricted	906,217
Total net position	<u>\$ 2,646,930</u>

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

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**

**Exhibit 2**

**Statement of Activities  
For the Year Ended June 30, 2017**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>	<b>Net (Expense) Revenue and Changes in Net Position</b>
		<b>Operating Grants and Contributions</b>	<b>Primary Government</b>
<b>Primary government:</b>			
Governmental activities:			
Instructional services	\$ 2,861,155	\$ 55,791	\$ (2,805,364)
System-wide support services	495,463	-	(495,463)
Non-programmed charges	5,079	-	(5,079)
Interest on long-term debt	104,889	-	(104,889)
Total governmental activities	<u>3,466,586</u>	<u>55,791</u>	<u>(3,410,795)</u>
Total primary government	<u>\$ 3,466,586</u>	<u>\$ 55,791</u>	<u>(3,410,795)</u>
General revenues:			
Unrestricted county appropriations			1,071,444
Unrestricted State appropriations			2,349,254
Donations- general			28,306
Fines and forfeitures			34,752
Investment earnings, unrestricted			2,606
Miscellaneous, unrestricted			80,030
Total general revenues			<u>3,566,392</u>
Change in net position			155,597
Beginning net position			<u>2,491,333</u>
Ending net position			<u>\$ 2,646,930</u>

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



## CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA

Exhibit 3

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	<u>Major Funds</u>		<u>Non-major Fund</u>	
	<u>General</u>	<u>State Public School</u>	<u>Federal Grants</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,474,778	\$ -	\$ -	\$ 1,474,778
Due from other governments	17,796	-	-	17,796
Receivables (net)	3,262	-	-	3,262
Prepaid items	672	-	-	672
Total assets	<u>\$ 1,496,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,496,508</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 71,394	\$ -	\$ -	\$ 71,394
Total liabilities	<u>71,394</u>	<u>-</u>	<u>-</u>	<u>71,394</u>
Fund balances:				
Nonspendable:				
Prepaid items	672	-	-	672
Unassigned	<u>1,424,442</u>	<u>-</u>	<u>-</u>	<u>1,424,442</u>
Total fund balances	<u>1,425,114</u>	<u>-</u>	<u>-</u>	<u>1,425,114</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,496,508</u>	<u>\$ -</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	5,023,759
Net pension liability	(1,107,519)
Deferred inflows of resources related to pensions	(57,200)
Deferred outflows of resources related to pensions	752,852
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	<u>(3,390,076)</u>
Net position of governmental activities	<u>\$ 2,646,930</u>

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

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

**Exhibit 4**

	<b>Major Funds</b>		<b>Non-major Fund</b>	<b>Total Governmental Funds</b>
	<b>General</b>	<b>State Public School</b>	<b>Federal Grants</b>	
<b>REVENUES</b>				
State of North Carolina	\$ -	\$ 2,349,254	\$ -	\$ 2,349,254
Boards of education	1,071,444	-	-	1,071,444
U.S. Government	-	-	55,791	55,791
Contributions and donations	28,306	-	-	28,306
Fines and forfeitures	34,752	-	-	34,752
Interest income	2,606	-	-	2,606
Other	80,030	-	-	80,030
Total revenues	<u>1,217,138</u>	<u>2,349,254</u>	<u>55,791</u>	<u>3,622,183</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional services	669,589	1,927,366	55,791	2,652,746
System-wide support services	119,348	380,677	-	500,025
Non-programmed charges	5,079	-	-	5,079
<b>Capital outlay</b>	6,792	-	-	6,792
<b>Debt service:</b>				
Principal	167,330	31,682	-	199,012
Interest and other charges	95,360	9,529	-	104,889
Total expenditures	<u>1,063,498</u>	<u>2,349,254</u>	<u>55,791</u>	<u>3,468,543</u>
Excess of revenues over (under) expenditures	<u>153,640</u>	<u>-</u>	<u>-</u>	<u>153,640</u>
Net change in fund balance	153,640	-	-	153,640
Beginning fund balance	<u>1,271,474</u>	<u>-</u>	<u>-</u>	<u>1,271,474</u>
Ending fund balance	<u>\$ 1,425,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,425,114</u>

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

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2017**

**Exhibit 5**

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

Net changes in fund balances- total governmental funds	\$ 153,640
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(144,967)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	199,012
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Contributions to the pension plan in the current fiscal year are not included on the statement of activities	170,972
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense	(221,623)
Compensated absences	<u>(1,437)</u>

Total changes in net position of governmental activities	<u><u>\$ 155,597</u></u>
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The accompanying notes to the financial statements are an integral part of these statements.

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Cape Fear Center for Inquiry, North Carolina (the School) conform to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities. Because of the authority of the State Board of Education (SBE) to unilaterally abolish a school with all the assets reverting to a local education agency, the charter schools in North Carolina follow the governmental reporting model, as used by local education agencies. The following is a summary of the more significant accounting policies.

**A) Reporting Entity**

The Cape Fear Center for Inquiry, North Carolina is a public school operated by a non-profit corporation, serving approximately 408 students. The School operates under an approved charter received from the SBE, and applied for under the provisions of General Statute (G.S.) 115C-238.29B. G.S. 115C-238.29F(f)(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). G.S. 115C-447 also requires financial statements to be prepared in accordance with GAAP.

**B) Basis of Presentation**

**Government-wide Financial 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 School had no business-type activities during the year ended June 30, 2017.

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

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

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B) Basis of Presentation (Continued)**

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.

**C) Measurement Focus and Basis of Accounting**

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

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

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

**D) Budgetary Data**

The School adopts a unit-wide budget that reflects all revenues and expenditures against the estimated revenue and appropriations for the School. Additionally, the School adopts an individual fund budget for the Federal Grants Fund that reflects all revenues and expenditures. The budgets are prepared using the modified accrual basis of accounting.

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D) Budgetary Data (Continued)**

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 supplementary information represents the budget of the School at June 30, 2017. 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 two local banks, whose accounts are FDIC insured. Also, the School has established time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

**2. Cash and Cash Equivalents**

The School pools money from several funds to facilitate disbursement and investment and to maximize investment income. All cash 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 \$2,500 with an estimated useful life of two or more years. In addition, other items which are purchased and used in large quantities such as student desks and office furniture are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**4. Capital Assets (Continued)**

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Buildings	5 - 40
Land improvements	20
School equipment	5 - 10
Electronic equipment	5 - 10

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School has one item that meets the criterion for this category – pension related deferrals. 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 meet the criterion for this category – deferred grant revenue and pension related deferrals.

**6. Long-term Obligations**

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

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

**7. Compensated Absences**

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual leave balances. Employees may accumulate up to thirty (30) days earned vacation leave with such leave being fully vested when earned. The School accounts for its leave on a first-in, first-out basis, such that the oldest available leave is used first. The current portion of the liability is recorded as such in the government-wide financial statements.

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**7. Compensated Absences (Continued)**

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

**8. Net Position/Fund Balances**

Net Position

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

Fund Balance

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

The governmental fund types classify fund 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 operating expenses 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.



**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**8. Net Position/Fund Balances (Continued)**

Committed Fund Balance – portion of fund balance that can only be used for a specific purpose imposed by a majority vote of the 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.

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.

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.

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**9. Reconciliation of Government-wide and Fund Financial Statements**

The governmental fund balance sheet includes a reconciliation between for governmental funds' total fund balance and governmental activities' net position as reported in the government-wide statement of net position. The net adjustment of \$1,221,816 consists of several elements as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
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).	\$ 6,028,146
Less accumulated depreciation	(1,004,387)
Pension related deferred outflows of resources:	
Changes of assumptions	163,332
Net difference between projected and actual earnings on pension plan investments	394,977
Contributions made to the pension plan in current fiscal year	170,972
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Net pension liability	(1,107,519)
Deferred inflows of resources related to pensions:	
Differences between expect and actual experience	(52,343)
Differences between contributions and proportional share of contributions and changes in proportion	<u>18,714</u>
Bonds, leases, and installment financing	(3,283,046)
Compensated absences	<u>(107,030)</u>
Total adjustment	<u>\$ 1,221,816</u>

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**10. Defined Benefit Pension 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) and additions to/deductions from TSERS' fiduciary net position have been determined on the same basis as they are reported by TSERS. 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. Investments are reported at fair value.

**F) Revenues, Expenditures, and Expenses**

**1. Funding**

The School is funded by the State Board of Education, 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 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-238.29H(a)]. Additionally, the School receives, for each student who resides in the local administrative unit and attends the charter school, an amount equal to the per pupil local current expense appropriation to the respective local school administrative unit for the fiscal year which is transferred by the appropriate local school administrative unit(s). [G.S. 115C-238.29H(b)]. For the fiscal year ended June 30, 2017, the School received funding from the Boards of Education for New Hanover, Brunswick, Duplin and Pender Counties.

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

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**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 a reconciliation between the change in governmental funds' fund balance and the change in governmental activities' net position as reported on the government-wide statement of activities. The net difference of \$1,957 between the two amounts consists of the following elements:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ 6,792
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(151,759)
New debt issued during the year is recorded as a source of funds on the fund statements but has no effect on the statement of activities, only the statement of net position.	-
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.	199,012
Contributions to the pension plan in the current fiscal year are not included on the statement of activities	170,972
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:	
Compensated absences are accrued in the government-wide statements but not in the fund statements, as they do not use current resources.	(1,437)
Pension expense	<u>(221,623)</u>
Total	<u>\$ 1,957</u>

**G) Use of Estimates and Assumption**

Management uses estimates and assumptions in preparing the 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.

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**II. DETAIL NOTES ON ALL FUNDS**

**A) Assets**

**1. Deposits**

At June 30, 2017, the School had deposits with banks with a carrying amount of \$1,474,358. The bank balance with the financial institutions was \$1,515,170. Of this balance, \$1,014,913 was not covered by federal depository insurance. As required by the revenue bond agreement (Note II.B)4.a.), the School maintains the majority of its cash at the same financial institution that services the revenue bond. The School does not have a deposit policy for custodial credit risk. The School holds \$420 in petty cash.

**2. Capital Assets**

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,114,500	\$ -	\$ -	\$ 1,114,500
Construction in progress	58,826	-	-	58,826
	<u>1,173,326</u>	<u>-</u>	<u>-</u>	<u>1,173,326</u>
Capital assets being depreciated:				
Building	3,703,111	6,792	-	3,709,903
Land improvements	907,875	-	-	907,875
School equipment	116,428	-	-	116,428
Electronic equipment	120,614	-	-	120,614
Total assets being depreciated	<u>4,848,028</u>	<u>6,792</u>	<u>-</u>	<u>4,854,820</u>
Less accumulated depreciation for:				
Building	455,829	92,639	-	548,468
Land improvements	220,788	45,394	-	266,182
School equipment	74,577	13,726	-	88,303
Electronic equipment	101,434	-	-	101,434
Total accumulated depreciation	<u>852,628</u>	<u>151,759</u>	<u>-</u>	<u>1,004,387</u>
Total capital assets being depreciated, net	<u>3,995,400</u>			<u>3,850,433</u>
Total governmental activities capital assets, net	<u>\$ 5,168,726</u>			<u>\$ 5,023,759</u>

Depreciation expense was charged to governmental functions as follows:

Instructional services	\$ 146,981
System-wide support services	4,778
	<u>\$ 151,759</u>

At June 30, 2017, capital assets included land held for sale in the amount of \$364,500.

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities**

**1. Pension Plan and Other Postemployment Obligations**

**a. Teachers' and State Employees' Retirement System**

*Plan Description.* Cape Fear Center For Inquiry is a participating employer in the statewide Teachers' and State Employees' Retirement System (TSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. TSERS membership is comprised of employees of the State (state agencies and institutions), universities, community colleges, and certain proprietary component units along with the employees of Local Education Agencies and charter schools. Article 1 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the TSERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the state Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Teachers' and State Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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](http://www.osc.nc.gov).

*Benefits Provided.* TSERS provides retirement and survivor benefits. Retirement benefits are determined as 1.82% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. General employee plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. General employee plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (or 10 years of creditable service for members joining TSERS on or after August 1, 2011). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age or have completed five years of service and have reach age 60 (10 years for members joining on or after August 1, 2011). Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan. TSERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer (or 10 years of creditable service for members joining TSERS on or after August 1, 2011), or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50,

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**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)

or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 135-8 and may be amended only by the North Carolina General Assembly. School employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the TSERS Board of Trustees. The School's contractually required contribution rate for the year ended June 30, 2017, was 9.98% 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 \$173,170 for the year ended June 30, 2017.

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

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

At June 30, 2017, the School reported a liability of \$1,107,519 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2015. The total pension liability was then rolled forward to the measurement date of June 30, 2016 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, 2016 and at June 30, 2015, the School's proportion was .0120% and .0110%, respectively.

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**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)

For the year ended June 30, 2017, the School recognized pension expense of \$221,623. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 52,343
Changes in assumptions	163,332	-
Net difference between projected and actual earnings on pension plan investments	394,977	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,571	4,857
Employer contributions subsequent to the measurement date	170,972	-
Total	<u>\$ 752,852</u>	<u>\$ 57,200</u>

\$173,170 was 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 position liability in the year ending June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2018	\$ 92,260
2019	93,792
2020	218,571
2021	120,056
2022	-
Thereafter	-
	<u>\$ 524,679</u>



**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**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)**

*Actuarial Assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

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

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**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 target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016 are summarized in the following table:

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

The information above is based on 30 year expectations developed with the consulting actuary for the 2015 asset liability and investment policy study for the North Carolina Retirement Systems, including TSERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.05%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	<b>1% Decrease (6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
School's proportionate share of the net pension liability (asset)	\$ 2,083,030	\$ 1,107,519	\$ 287,249

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

b. Other Postemployment Benefits

1. Healthcare Benefits

*Plan Description.* The postemployment healthcare benefits are provided through a cost-sharing multiple-employer defined benefit plan administered by the Executive Administrator and the Board of Trustees of the Comprehensive Major Medical Plan (the Plan). The Executive Administrator and the Board of Trustees of the Plan establishes premium rates except as may be established by the General Assembly in an appropriation act. The Plan's benefit and contribution provisions are established by Chapter 135-7, Article 1, and Chapter 135, Article 3 of the General Statutes and may be amended only by the North Carolina General Assembly. By General Statute, the Plan accumulates contributions from employers and any earnings on those contributions in the Retiree Health Benefit Fund. These assets shall be used to provide health benefits to retired and disabled employees and their applicable beneficiaries. These contributions are irrevocable. Also by law, these assets are not subject to the claims of creditors of the employers making contributions to the Plan.

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**1. Pension Plan and Other Postemployment Obligations (Continued)**

b. Other Postemployment Benefits (Continued)

1. Healthcare Benefits (Continued)

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the State's Comprehensive Major Medical Plan (also, referred to as the State Health Plan). An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

*Funding Policy.* The Comprehensive Major Medical Plan is administered by the Executive Administrator and Board of Trustees of the Plan, which establishes premium rates except as, may be established by the General Assembly in an appropriation act. The healthcare benefits for retired and disabled employees are the same as for active employees, except that the coverage becomes secondary when former employees become eligible for Medicare. For employees first hired on and after October 1, 2006, future coverage as retired employees 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 and after October 1, 2006 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 total noncontributory premium. For employees hired before October 1, 2006, healthcare benefits are provided to retirees (at no charge to the retirees) who have at least five years of contributing retirement membership prior to disability or retirement. In addition, persons who became surviving spouses of retirees prior to October 1, 1986, receive the same coverage as retirees at the State's expense.

Contributions are determined as a percentage of covered monthly payroll. Annually, the monthly contribution rates to the Plan, 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 fiscal years ended June 30, 2017, 2016, 2015, and 2014, the School paid all annual required contributions to the Plan for postemployment healthcare benefits of \$99,487, \$84,956, \$92,663, and \$89,046 respectively. These contributions represented 6.02%, 5.60%, and 5.49% of covered payroll, respectively.

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**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

*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. The DIPNC is administered by the Board of Trustees of the Teachers' and State Employees' Retirement System. Long-term disability benefits are payable as an other postemployment benefit 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. 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 accumulates contributions from employers and any earnings on those contributions in the Disability Income Plan Trust Fund. The Plan does not provide for automatic post-retirement benefit increases.

The State of North Carolina issues a publicly available financial report that includes financial statements and required supplementary information for the DIPNC. An electronic version of this report is available by accessing the North Carolina Office of the State Controller's Internet home page <http://www.ncosc.net/> and clicking on "Financial Reports", or by calling the State Controller's Financial Reporting Section at (919) 981-5454.

*Funding Policy.* An employee is eligible to receive long-term disability benefits provided the following requirements are met: (1) the employee has five or more years of contributing membership service in the Teachers' and State Employees' Retirement System of North Carolina, 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 the Retirement System; and (6) the employee must terminate employment as a permanent, full-time employee. An employee is eligible to receive an unreduced retirement benefit from the Retirement System after (1) reaching the age of 65 and completing five years of creditable service, or (2) reaching the age of 60 and completing 25 years of creditable service, or (3) completing 30 years of creditable service, at any age.

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**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)

The monthly long-term disability benefit is equal to 65% of one-twelfth of an employee's annual base rate of compensation last payable to the participant or beneficiary prior to the beginning of the short-term disability period, plus the like percentage of one twelfth of the annual longevity payment to which the participant or beneficiary would be eligible. The monthly benefits are subject to a maximum of \$3,900 per month reduced by any primary Social Security disability benefits and by monthly payments for workers' compensation to which the participant or beneficiary may be entitled. The monthly benefit shall be further reduced by the amount of any monthly payments from the Department of Veterans Affairs, any other federal agency or any payments made under the provisions of G.S.127A-108, to which the participant or beneficiary may be entitled on account of the same disability. Provided in any event, the benefits payable shall be no less than \$10 a month. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

For members who obtain five years of membership service on or after August 1, 2007, the monthly long-term disability benefit is reduced by the primary Social Security retirement benefit to which one might be entitled should one become age 62 during the first 36 months. After 36 months of long-term disability, there will be no further payments from the DIPNC unless the member is approved for and is in receipt of primary Social Security disability benefits. It is payable so long as the member remains disabled and is in receipt of a primary Social Security disability benefit until eligible for an unreduced service retirement benefit. When an employee qualifies for an unreduced service retirement allowance from the Retirement System, the benefits payable from DIPNC will cease, and the employee will commence retirement under the TSERS.

The School's contributions are established in the Appropriations Bill by the General Assembly. 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 contributions cannot be separated between the amounts that relate to other postemployment benefits and employment benefits for active employees. Those individuals who are receiving extended short-term disability benefit payments cannot be separated from the number of members currently eligible to receive disability benefits as an other postemployment benefit. For the fiscal years ended June 30, 2017, 2016, 2015, and 2014, the Board paid all annual required contributions to the DIPNC for disability benefits of \$6,605, \$6,220, \$6,920, and \$7,256, respectively. These contributions represented 0.38%, 0.41%, 0.41%, and 0.44%, of covered payroll, respectively.

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Change in proportion and difference between employer contributions and proportionate share of contributions	\$ 23,571	\$ 4,857
Difference between projected and actual earnings on plan investments	394,977	-
Difference between expected and actual experience	-	52,343
Employer contributions subsequent to measurement date	170,972	-
Changes in assumptions	163,332	
Totals	<u>\$ 752,852</u>	<u>\$ 57,200</u>

**3. Risk Management**

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

The School also participates in the Teachers' and State Employees' Comprehensive Major Medical Plan, a self-funded risk financing pool of the State administered by Blue Cross and Blue Shield of North Carolina. Through the Plan, permanent full-time employees of the School are eligible to receive health care benefits up to a \$2 million lifetime limit. In addition, employees have the option of receiving health care benefits through one of the available health maintenance organizations (HMOs). The School pays the full cost of coverage for employees enrolled in the Comprehensive Major Medical Plan and makes an equal contribution for employees enrolled in one of the available HMO plan [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 of \$315,200 through a private insurance company.

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**B) Liabilities (Continued)**

**4. Long-Term Obligations**

a) Note Payable

The School refinanced its bond agreement as a note payable agreement in August 2015. The note bears interest at a rate of 3.05%. The note matures on August 15, 2022 with monthly payments, including principal and interest, of \$25,325. On June 30, 2017, the outstanding principal balance was \$3,283,046.

The future payments of the note payable for the years ending June 30 are as follows:

Year Ending June 30,	Principal
2018	\$ 205,263
2019	211,701
2020	218,109
2021	225,182
2022	232,245
Thereafter	2,190,546
Total	<u>\$ 3,283,046</u>

b) Changes in Long-Term Obligations

The following is a summary of changes in the School's long-term obligations for the fiscal year ended June 30, 2017:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017	Current Portion
Note payable	\$ 3,482,058	\$ -	\$ 199,012	\$3,283,046	\$ 205,263
Net pension liability	437,433	670,086	-	1,107,519	-
Compensated absences	105,593	1,437	-	107,030	107,030
	<u>\$ 4,025,084</u>	<u>\$ 671,523</u>	<u>\$ 199,012</u>	<u>\$4,497,595</u>	<u>\$ 312,293</u>



**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**II. DETAIL NOTES ON ALL FUNDS (Continued)**

**C) Interfund Balances and Activity**

There was no interfund transfer activity during the year ended June 30, 2017.

**D) 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 the General Fund balance that is available for appropriation.

Total fund balance	\$ 1,425,114
Less:	
Prepaid items	672
Remaining fund balance	<u>\$ 1,424,442</u>

**III. RELATED PARTY TRANSACTIONS**

Five employees of the School also serve as members of the governing board of Cape Fear Center for Inquiry. For the fiscal year ended June 30, 2017, these employees were paid salaries of \$222,770 from the State Public School Fund.

**IV. NET INVESTMENT IN CAPITAL ASSETS**

The net investment in capital assets at June 30, 2017 is as follows:

Total capital assets	\$ 5,023,759
Less: notes payable	<u>( 3,283,046)</u>
	<u>\$ 1,740,713</u>

**V. 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.

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2017**

**VI. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 1, 2017, the date of the issuance of these financial statements.

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## **SUPPLEMENTARY INFORMATION**

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**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Schedule of the School's Proportionate Share of the Net Pension Liability**  
**Teachers' and State Employees' Retirement System**  
**Last Four Fiscal Years \***

**Schedule 1**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
School's proportion of the net pension liability	0.012%	0.011%	0.011%	0.011%
School's proportionate share of the net pension liability	\$ 1,107,519	\$ 437,433	\$ 129,434	\$ 667,812
School's covered-employee payroll	\$ 1,738,097	\$ 1,517,079	\$ 1,593,104	\$ 1,530,000
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	63.72%	28.83%	8.12%	43.65%
Plan fiduciary net position as a percentage of the total pension liability	87.32%	94.64%	98.24%	90.60%

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

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Schedule of School Contributions**  
**Teachers' and State Employees' Retirement System**  
**Last Four Fiscal Years**

**Schedule 2**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 173,462	\$ 138,813	\$ 145,769	\$ 132,986
Contributions in relation to the contractually required contribution	173,462	138,813	145,769	132,986
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
School's covered-employee payroll	\$ 1,738,097	\$ 1,517,079	\$ 1,593,104	\$ 1,530,000
Contributions as a percentage of covered-employee payroll	9.98%	9.15%	9.15%	8.69%

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA** **Schedule 3**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**All Fund Types**  
**For the Fiscal Year Ended June 30, 2017**

	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
State of North Carolina	\$ 2,363,596	\$ 2,349,254	\$ (14,342)
Boards of education:			
New Hanover County	940,392	940,392	-
Brunswick County	120,232	120,232	-
Pender County	9,812	9,812	-
Duplin County	-	1,008	1,008
U.S. Government	55,792	55,791	(1)
Fines and forfeitures	29,911	34,752	4,841
Donations	28,095	28,306	211
Others	83,806	82,636	(1,170)
Total revenues	<u>3,631,635</u>	<u>3,622,183</u>	<u>(9,453)</u>
<b>EXPENDITURES</b>			
Salaries and bonuses	1,955,563	1,943,776	11,787
Employee benefits	631,128	609,647	21,481
Books and supplies	87,427	66,410	21,017
Technology	53,335	46,968	6,367
Non-capitalized equipment and leases	77,551	70,894	6,657
Contracted student services	92,533	87,742	4,791
Staff development	19,000	12,571	6,429
Administrative services	96,203	91,597	4,606
Insurance	44,322	36,672	7,650
Rent	5,525	5,300	225
Facilities	130,539	101,185	29,354
Utilities	59,792	58,442	1,350
Nutrition and food	8,903	5,722	3,181
New site development	50,000	-	50,000
Capital campaign	27,530	27,530	-
Transportation and travel	186	186	-
Total	<u>3,339,537</u>	<u>3,164,642</u>	<u>174,895</u>
Capital outlay	<u>9,598</u>	<u>-</u>	<u>9,598</u>
Debt service:			
Principal	199,012	199,012	-
Interest	104,889	104,889	-
Total debt service	<u>303,901</u>	<u>303,901</u>	<u>-</u>
Total expenditures	<u>3,653,036</u>	<u>3,468,543</u>	<u>184,493</u>
Other financing sources (uses):			
Loan proceeds	-	-	-
Fund balance appropriated	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenue over expenditures	<u>\$ (21,401)</u>	<u>\$ 153,640</u>	<u>\$ 175,041</u>

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## **COMPLIANCE SECTION**

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**Independent Auditors' Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With *Government Auditing Standards***

To the Board of Directors  
Cape Fear Center for Inquiry  
Wilmington, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cape Fear Center for Inquiry, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Cape Fear Center for Inquiry's basic financial statements, and have issued our report thereon dated October 1, 2017.

**Internal Control Over Financial Reporting**

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

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



## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Rives & Associates LLP*

Raleigh, North Carolina  
October 1, 2017



**Rives & Associates, LLP**  
Certified Public Accountants

Member:  
American Institute of  
Certified Public Accountants

Member:  
North Carolina Association of  
Certified Public Accountants

[www.rivescpa.com](http://www.rivescpa.com)

**Independent Auditors' Report On Compliance For Each Major State Program and on Internal Control Over Compliance Required By OMB Uniform Guidance and the State Single Audit Implementation Act**

To the Board of Directors  
Cape Fear Center for Inquiry  
Wilmington, North Carolina

**Report on Compliance for Each Major State Program**

We have audited Cape Fear Center for Inquiry, North Carolina, with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Cape Fear Center for Inquiry's major State programs for the year ended June 30, 2017. The Cape Fear Center for Inquiry's major State program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditors' Responsibility**

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State program. However, our audit does not provide a legal determination of the Cape Fear Center for Inquiry's compliance.

### **Opinion on Each Major State Program**

In our opinion, the Cape Fear Center for Inquiry complied, in all material respects, with the types of compliance requirements referred to that could have a direct and material effect on its major State program for the year ended June 30, 2017.

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a State program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Rivers & Associates LLP*

Raleigh, North Carolina  
October 1, 2017

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2017**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

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**Financial Statements**

Type of report issued on whether the financial statements  
were prepared in accordance with 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

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

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None reported.

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

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None reported.

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Summary Schedule of Prior Year Audit Finding**  
**For the Year Ended June 30, 2017**

No findings disclosed in the prior year

**CAPE FEAR CENTER FOR INQUIRY, NORTH CAROLINA**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2017**

Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	State/Pass- Through Grantor's Number	Expenditures
<b>FEDERAL GRANTS</b>			
<u>U.S. Department of Education</u>			
Cash Assistance:			
Passed-through the N.C. Department of Public Instruction			
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)			
Education of the Handicapped	84.027	PRC 060	\$ 54,322
Special Education - Special Needs			
Targeted Assistance	84.027	PRC 118	1,469
Total Special Education Cluster			55,791
Total U.S. Department of Education			55,791
Total federal assistance			55,791
<b>STATE GRANTS</b>			
Cash Assistance:			
<u>N.C. Department of Public Instruction:</u>			
State Public School Fund - Charter School		PRC 036	2,291,864
State Public School Fund - Behavioral Support		PRC 029	50,000
State Public School Fund - Summer Reading Program		PRC 016	7,390
Total State assistance			2,349,254
Total federal and State assistance			\$ 2,405,045

**Note 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 Cape Fear Center for Inquiry under the programs of the federal government and the State of North Carolina for the year ended June 30, 2017. 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.



# CAPE FEAR CENTER FOR INQUIRY

## Audit Presentation

Presented by Jay E. Sharpe, CPA, CFE  
January 22, 2018

# Status

- ▶ Fieldwork has been completed.
- ▶ Financial statements have been prepared.
- ▶ School has approved and the audit was submitted to the LGC before October 31st.
- ▶ LGC approved with no comments.





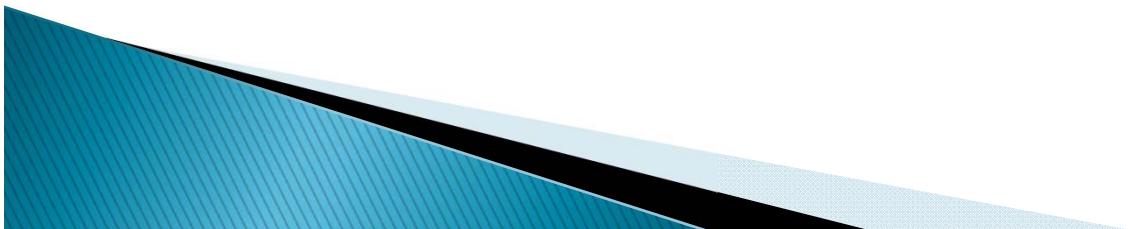
# Role and Objectives

- ▶ Plan (including obtaining an understanding of internal controls over key areas).
- ▶ Perform risk assessment (risk based audit approach)
- ▶ Perform audit procedures to obtain sufficient evidence to render an opinion.
- ▶ Opinion concentrates on whether the financials are free from material misstatement (reasonable assurance).



# Results

- ▶ Scope and timing of audit on track.
- ▶ Unmodified opinion.
- ▶ No findings.
- ▶ No management letter points.
- ▶ No adjusting journal entries as a result of audit procedures

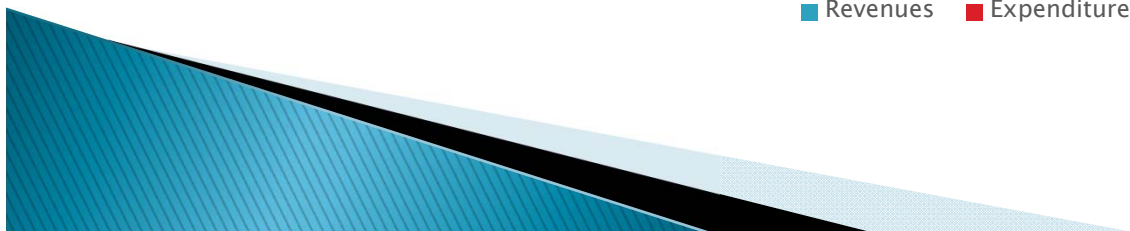
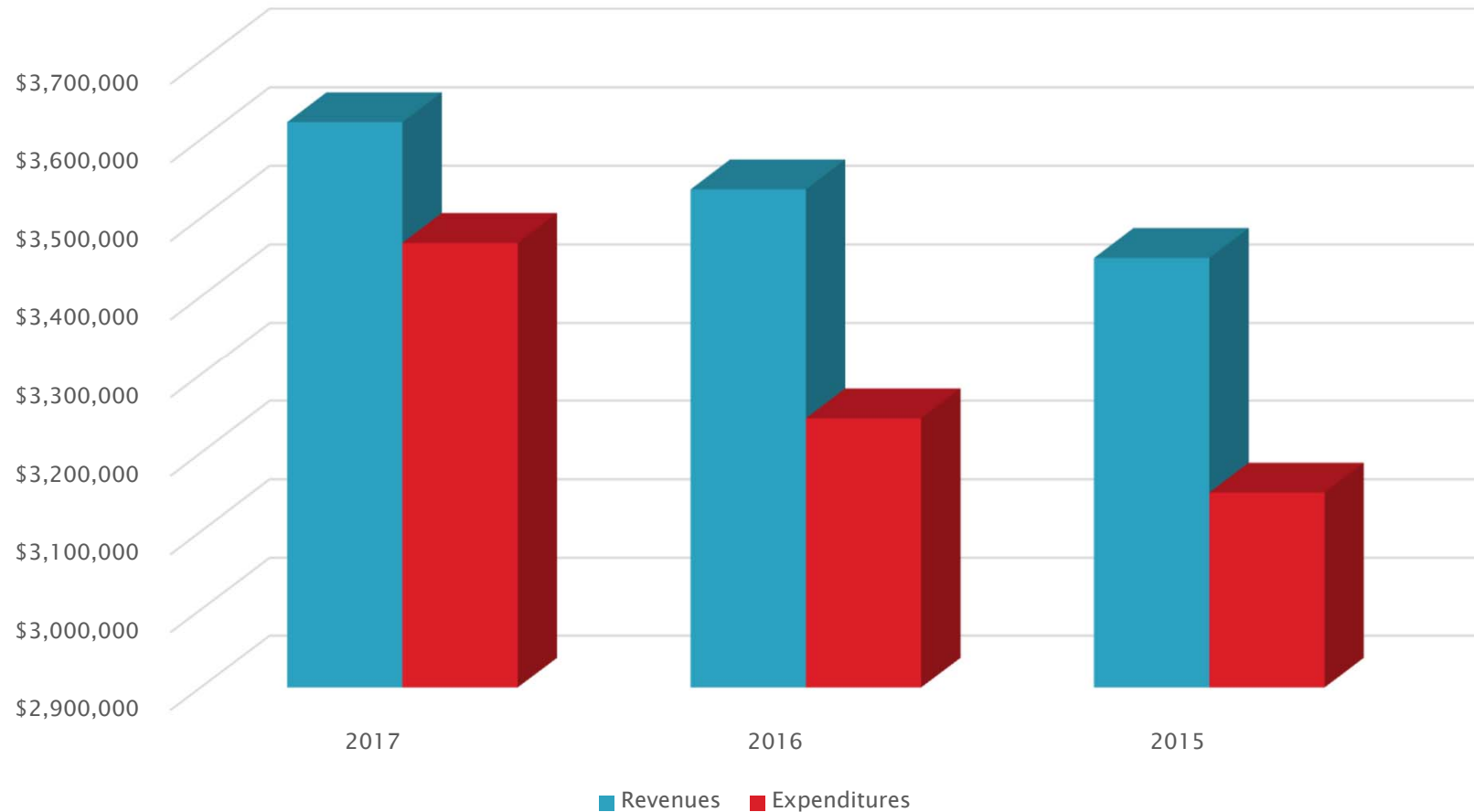


# Required Communications

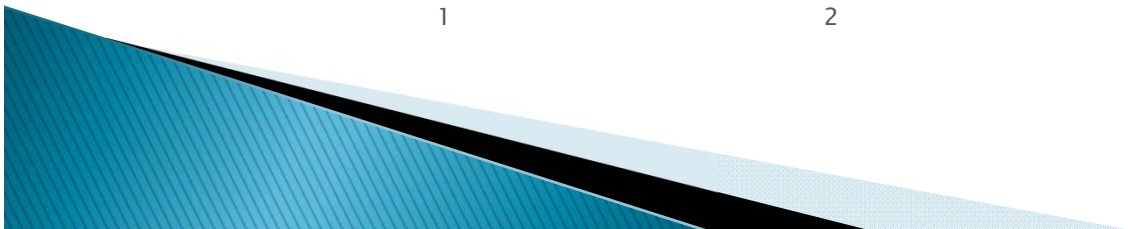
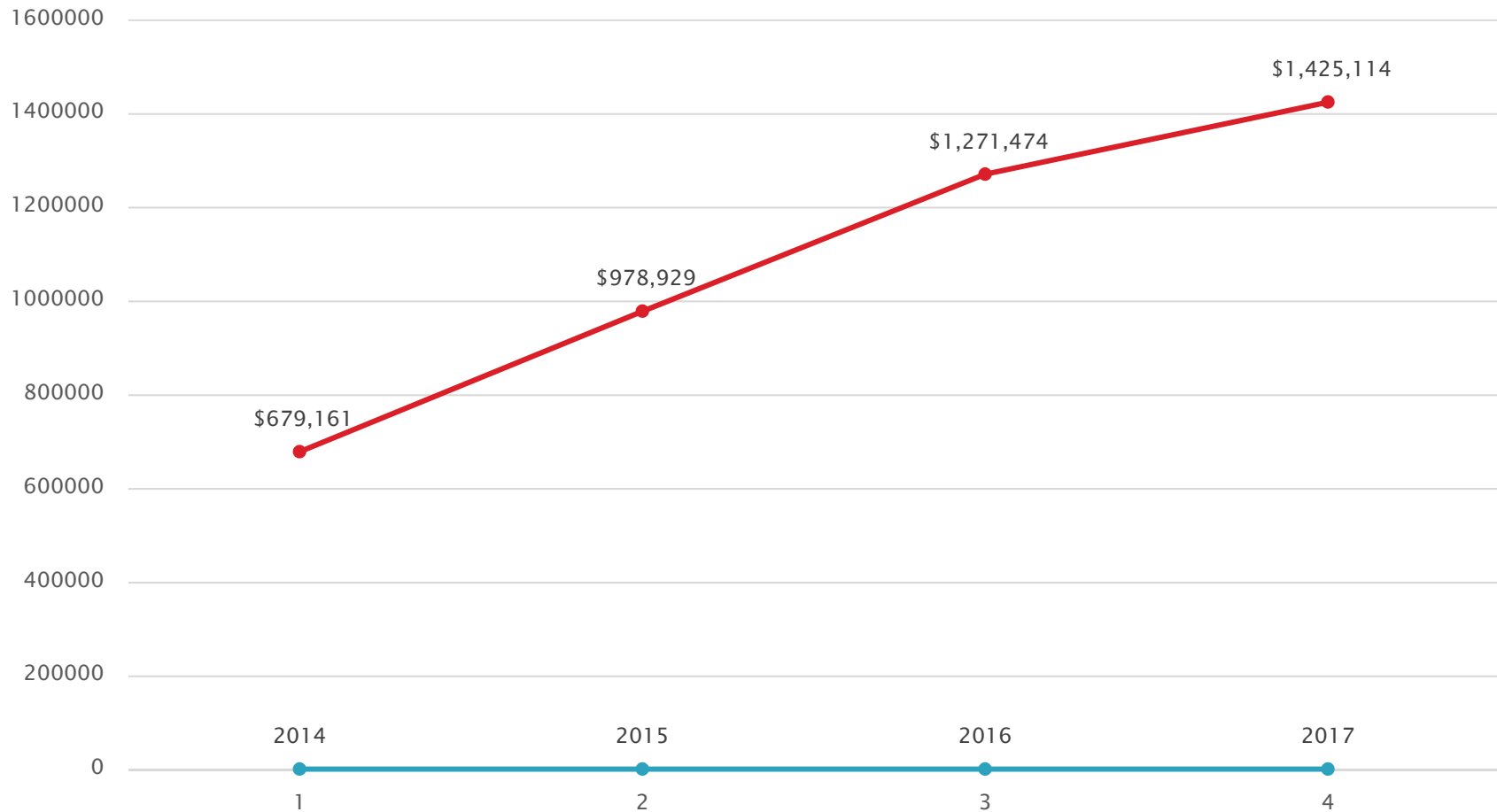
- ▶ No accounting policy changes.
- ▶ Estimates appear reasonable.
- ▶ No disagreements with management.
- ▶ No difficulties encountered.



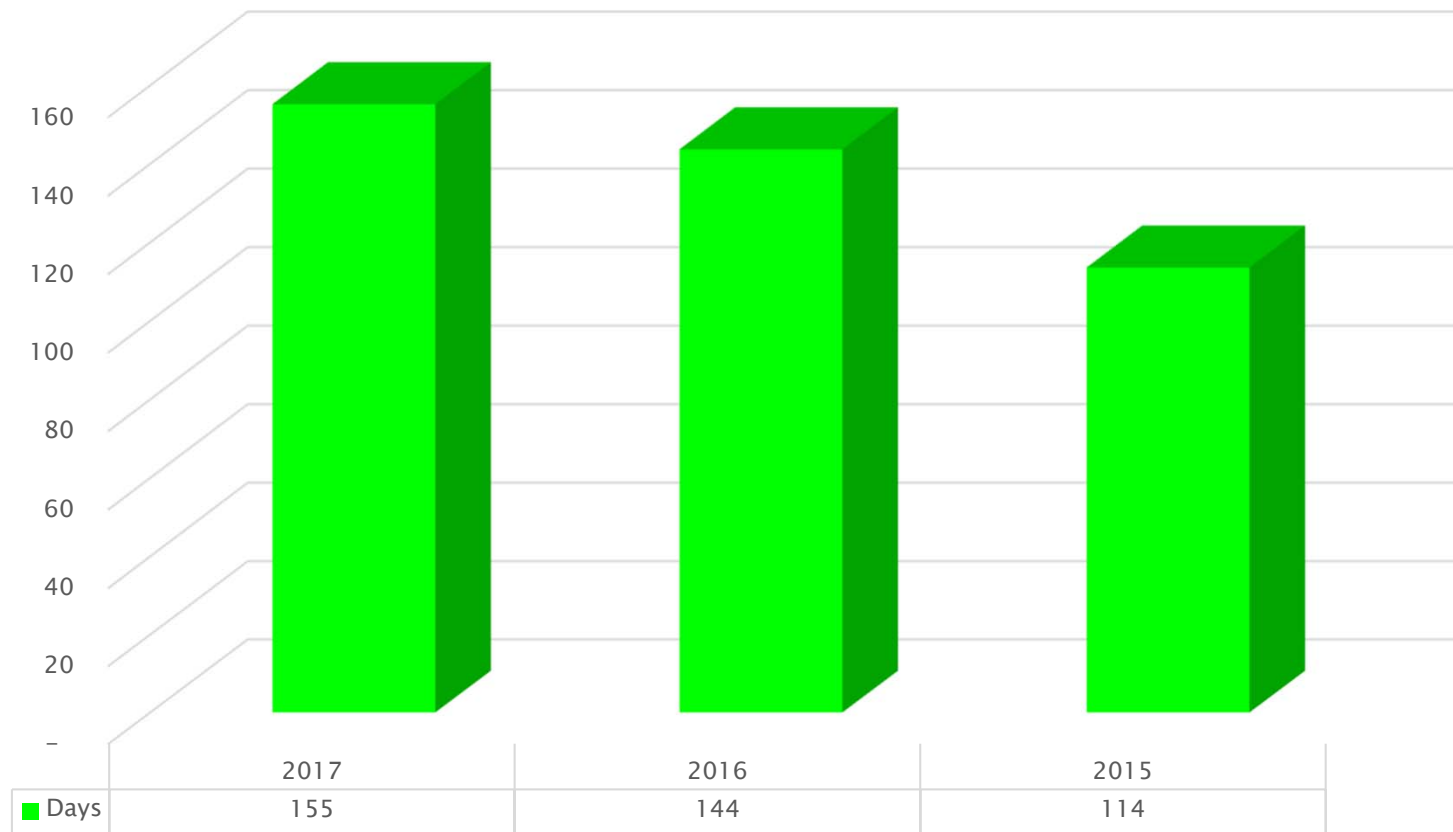
# Revenues and Expenses Summary



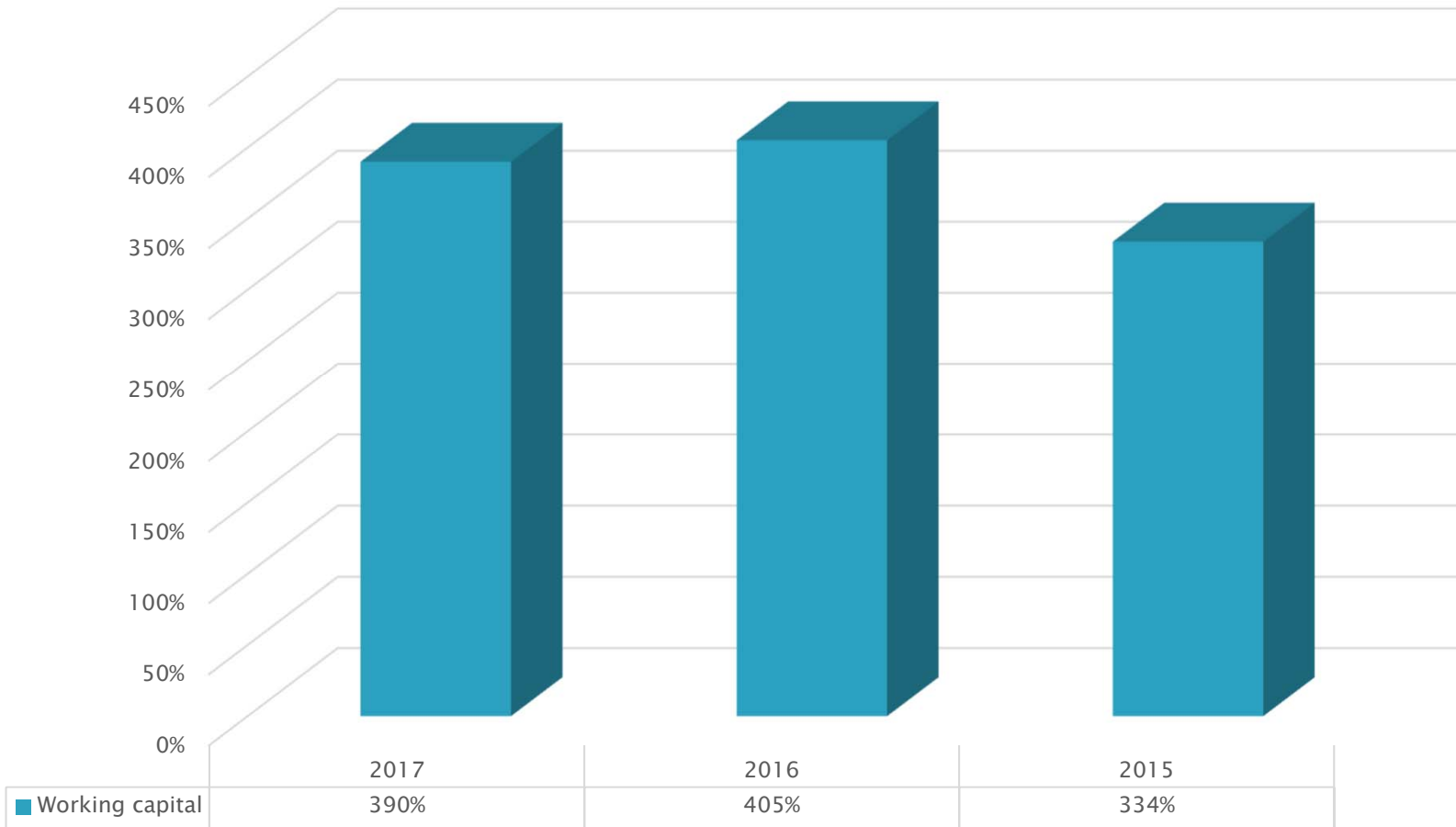
# Fund Balance



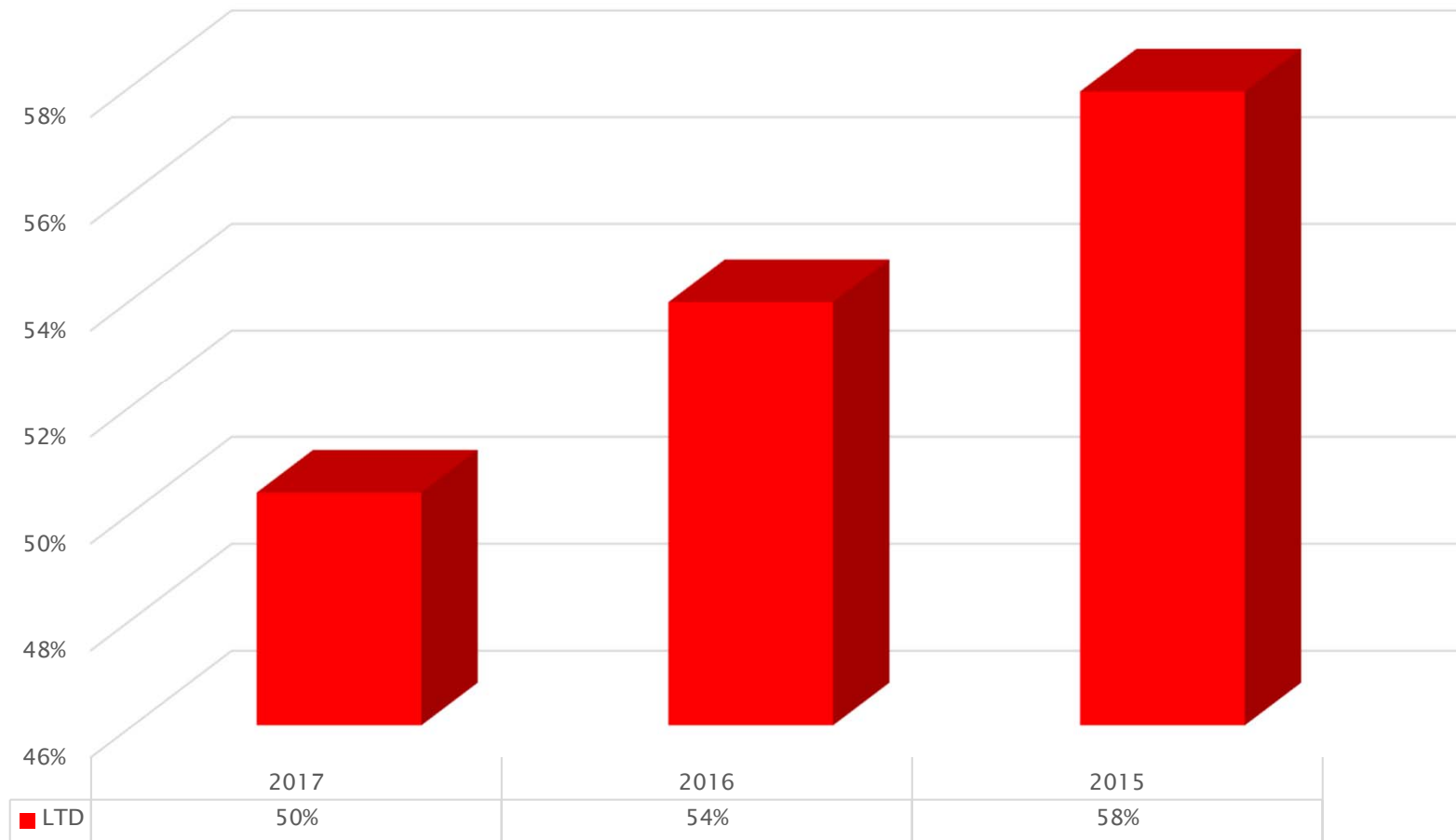
# Adequacy of Resources – cash on hand



# Working Capital Ratio

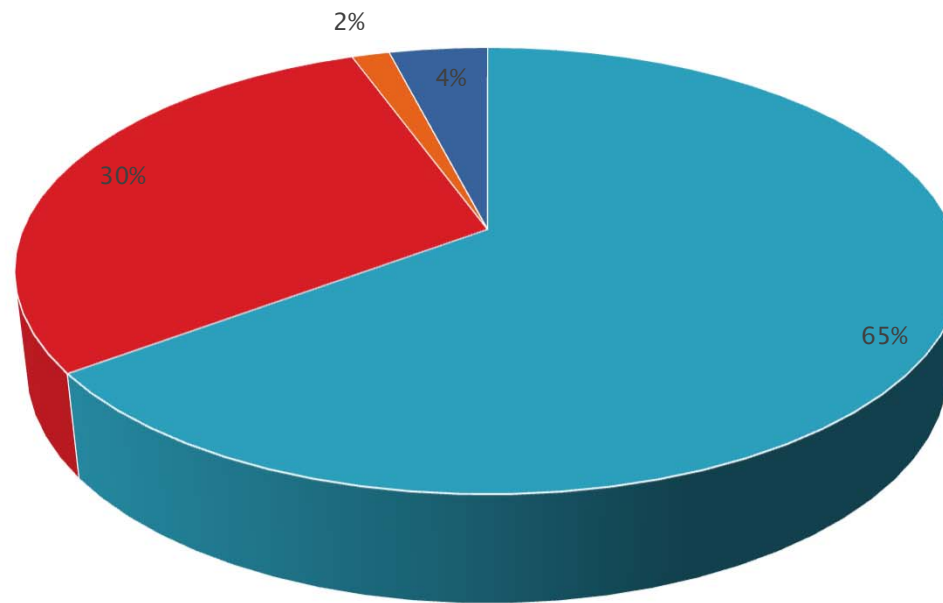


# LTD Liquidity





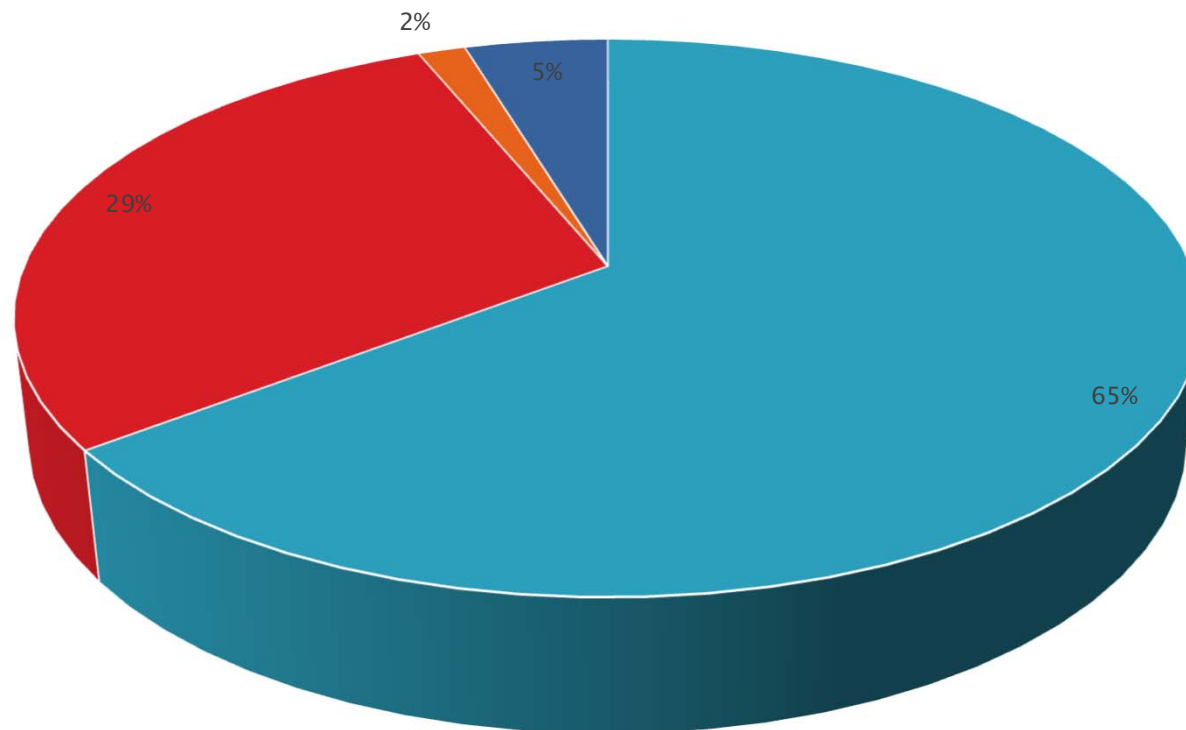
# Revenue breakdown – 2017



■ State ■ County ■ Federal ■ Other



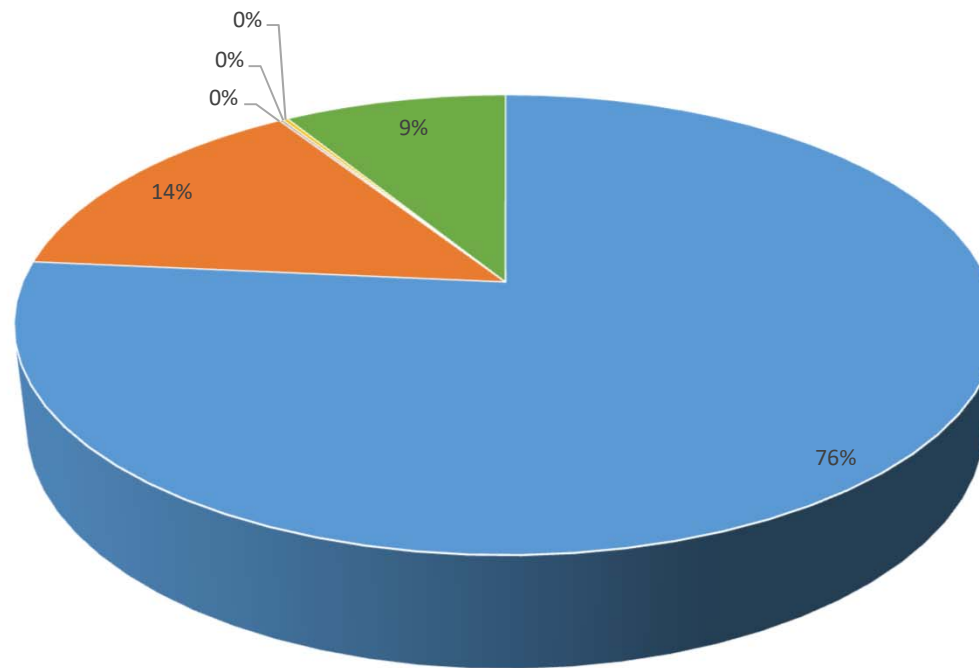
# Revenue breakdown – 2016



■ State ■ County ■ Federal ■ Other

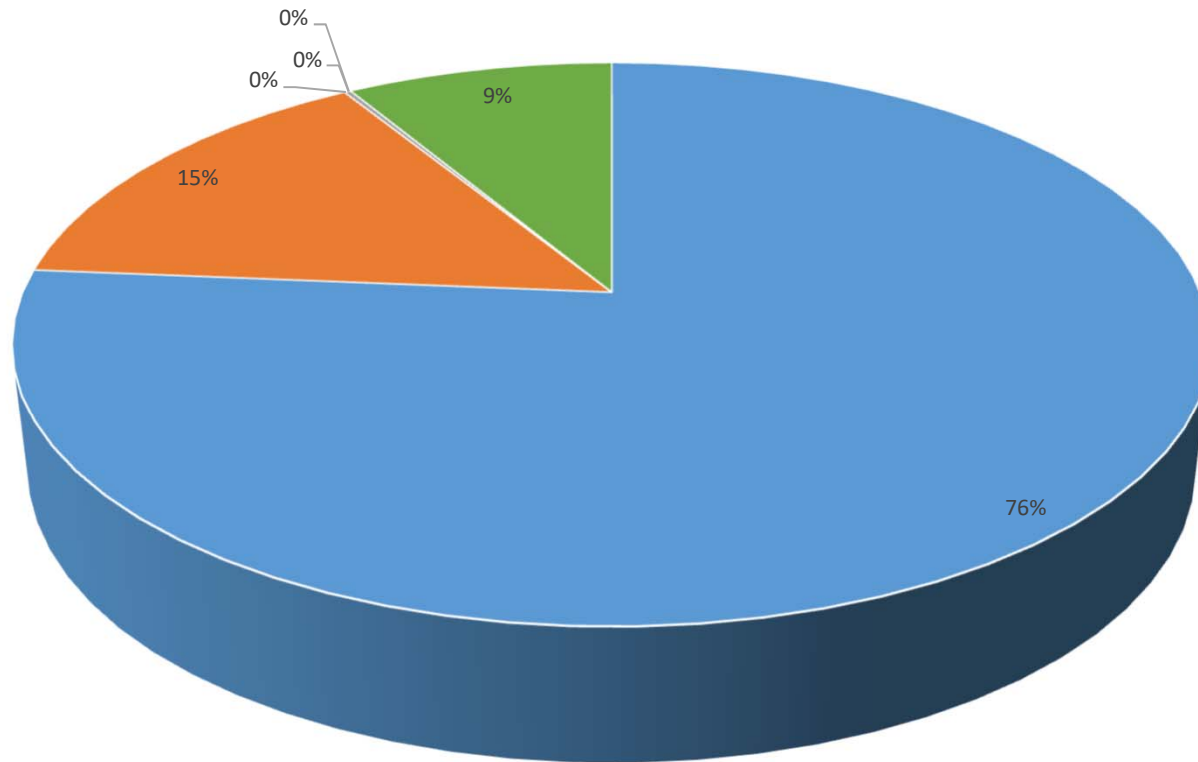


# Expenditure Breakdown – 2017



■ Instructional ■ Support Services ■ Community Services ■ Capital Outlay ■ Proprietary ■ Debt Service

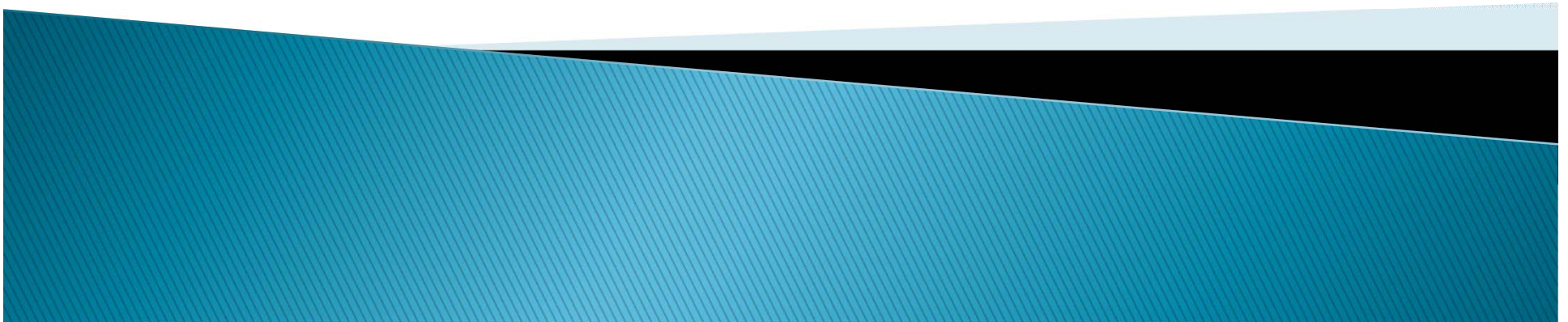
# Expenditure Breakdown – 2016



■ Instructional ■ Support Services ■ Community Services ■ Capital Outlay ■ Proprietary ■ Debt Service

# Questions ????

Jay E. Sharpe, CPA, CFE  
919-832-6848  
[jsharp@rivescpa.com](mailto:jsharp@rivescpa.com)



## CFCI Partnership Exec Board Meeting Minutes

Wednesday, Jan. 10, 2018, 6:30pm, Port City Java on Shipyard Blvd.

Attendees: Emily Luther, Angela Carson, Stephen Hill

Next Executive Board Meeting will be Tuesday, Feb. 13th at 6:30, Port City Java

Family Fun Pizza Night and Art Show is Thursday, Jan. 18th, 5:30-7. Partnership will sell pizza and cake for a dollar a slice. Will need everyone to help out!

Partnership will also sell t-shirts, (some \$5), freakers, and new car magnets!

T-shirt contest entries due Thursday, Emily and Angela will meet at school Friday morning to sort through and choose finalists.

Everyone who attends the pizza night can vote on the winner of the t-shirt contest. One vote per person. Each person will get a ticket upon arrival. Vote by dropping your ticket in the box for the t-shirt you like.

Partnership has rented 10 tables and 80 chairs at a cost of \$225 for this event. Mrs. Ritchie will need lots of tables for art displays. Last time we ran out of places for people to sit. Some were sitting on the floor.

Coming up soon! Pot Luck Bingo is Friday, Feb. 9th. Emily is working on prizes, Angela will get bingo cards. Will probably rent tables again for this event. We had a great turnout last year!

Book Fair Family Night is Tuesday, March 13th. 6-8pm.

Teacher Appreciation Week is May 7-11.

Angela will check with committee chairs from this year to see if they would like to keep the same job they did last year. We are putting a priority on finding a chairperson for Winter Festival. Any party planners in our midst?

Treasure's report: We have about \$15,000 in our account now, even after donating \$8,000 for Responsive Classroom. Still have spring stipends to contribute but should not have anymore big checks to write this year. Pot Luck Bingo and Family Fun Night are self sufficient.

Discovery Ed price changed from \$2500 last year to \$350 this year. Yay! We are so happy to keep this resource but at a much lower price. Thank you Jennifer Paetzold.

We feel confident we will leave a healthy balance for next school year.

Minutes by Angela Carson

# CFCI Partnership Save the Dates 2018



Family Fun Pizza Night  
*and Art Show*

Thursday, Jan. 18th, 5:30-7:00

**Pot Luck Bingo!**  
Friday, Feb. 9th, 5:30-7:30

**Parent's Book Club**

*The Opposite of Worry*, by Lawrence J. Cohen, Ph.D

Discussions 2/19 6-7:30pm and 3/7 8:15 til 9:30am

**BOOK FAIR FAMILY NIGHT**  
Tuesday, March 13th, 6-8pm

*Inquiry Night with Partnership Meeting*  
Thursday, May 10th

**Teacher Appreciation Week**

May 7-11

On January 19<sup>th</sup> a 3 member panel interviewed 2 candidates for the contract testing coordinator position. This position is an hourly position with variable hours projected to run through June 30, 2018.

The panel unanimously recommends Christine Born. Christine is a recently retired teacher from New Hanover County Schools. She has over 27 years of classroom experience as a K-8 teacher. In addition to coming highly recommended by her previous administrators, having first hand experience administering tests as a teacher herself, she also served as an EOG Test Item Writer/Evaluator and County Assessor for the Writing Test. Some of her other credentials and noteworthy accomplishments include Teacher of the year in 2000 and 2002, Outstanding math teacher of NHCS in 2001, and test score growth top 25% in NC and NHC in 2015/16. Since retiring, she has been teaching ESL online to students in Beijing ages 4-15. Christine is thrilled at the opportunity to join the CFCI community as a contract testing coordinator.