

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

FINANCIAL REPORT

JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Founders Academy Public Charter School
Manchester, New Hampshire 03103

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of The Founders Academy Public Charter School, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise The Founders Academy Public Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund net position of the governmental activities of The Founders Academy Public Charter School, as of June 30, 2021 and 2020, and the respective changes in fund net position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-5 and budgetary comparison information on pages 15-16 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021 on our consideration of The Founders Academy Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements on pages 17-18. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Founders Academy Public Charter School's internal control over financial reporting and compliance.

Nathan Nechelski & Company

Concord, New Hampshire
October 20, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of the financial position of The Founders Academy Public Charter School ("the School") provides an overview of the activities for the fiscal year ended June 30, 2021. This Management's Discussion and Analysis is unaudited and is intended to offer a summary of significant current year activities, resulting changes, and currently known economic conditions and facts.

FINANCIAL HIGHLIGHTS

- Fiscal year 2021 (July 1, 2020 through June 30, 2021) was the eighth year of operations for the School. This was the seventh year with a student population as the school opened to students in September 2014 and the prior year was a start-up year.
- The School received \$7,188 in State equitable aid for each attending student directly from the State of New Hampshire.
- The student population for this academic year averaged 360 students. The School's current charter allows up to 650 students.
- The School raised \$54,682 in cash contributions and received \$130,809 of in-kind goods and service contributions.
- The School also successfully continued ancillary activities including special education services, student activities and summer school.
- The School received several governmental grants for Covid expenses which were used to upgrade the school to CDC safety requirements amounting to \$246,479.

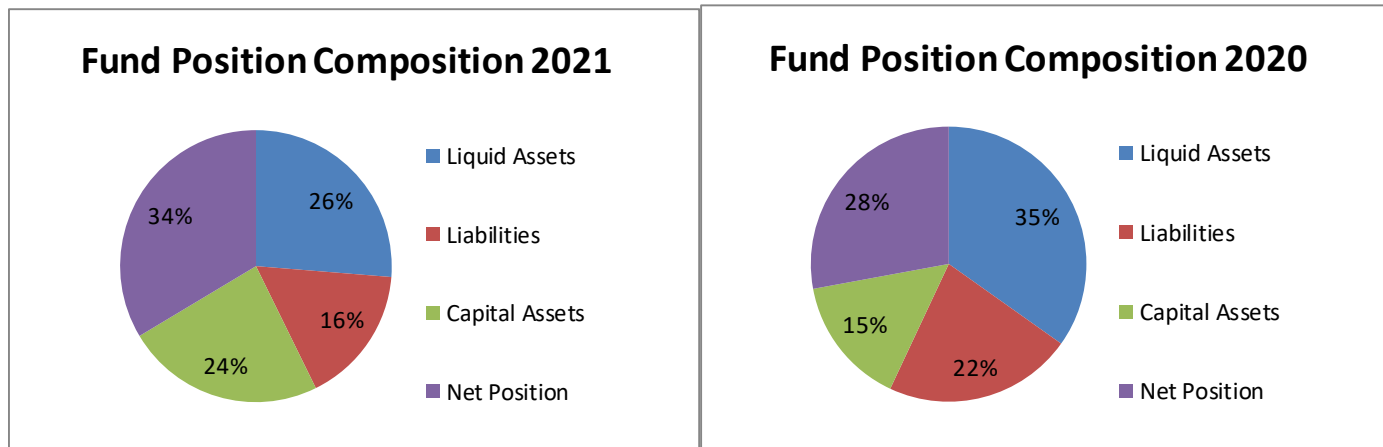
OVERVIEW OF THE FINANCIAL STATEMENTS

The School herewith present their basic financial statements for fiscal year 2021. The basic financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board which establishes generally accepted accounting principles for state and local governments. The School's basic financial statements are comprised of two components: 1) comprehensive financial statements and 2) notes to the financial statements. The comprehensive financial statements presented are the Statements of Fund Net Position, the Statements of Activities and Changes in Fund Net Position and the Statements of Cash Flows. The notes provide additional information and disclosures that are essential to a complete understanding of the data provided in the financial statements.

MANAGEMENT’S DISCUSSION AND ANALYSIS

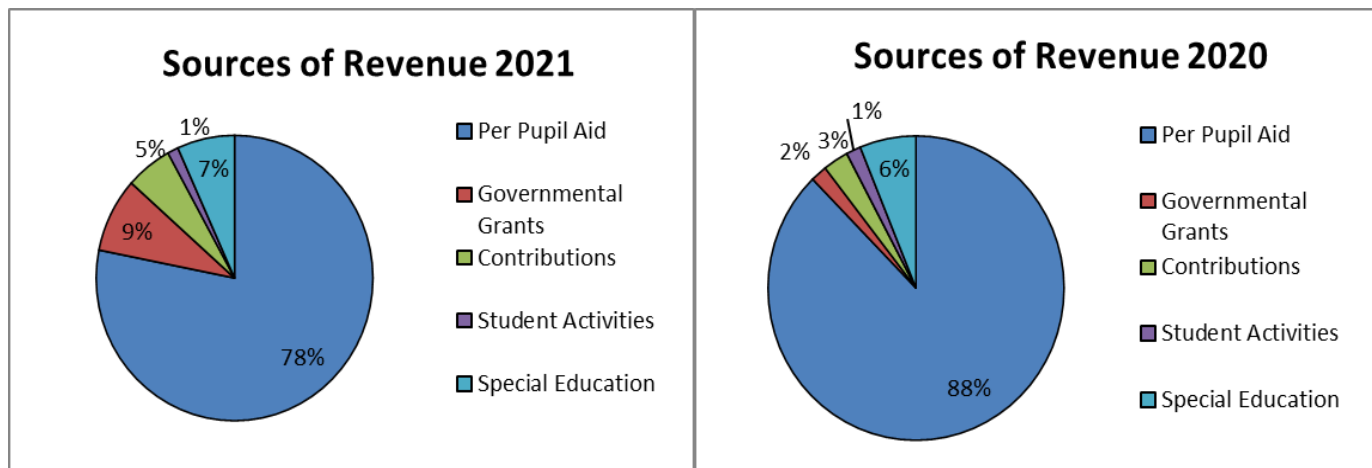
Statements of Fund Net Position

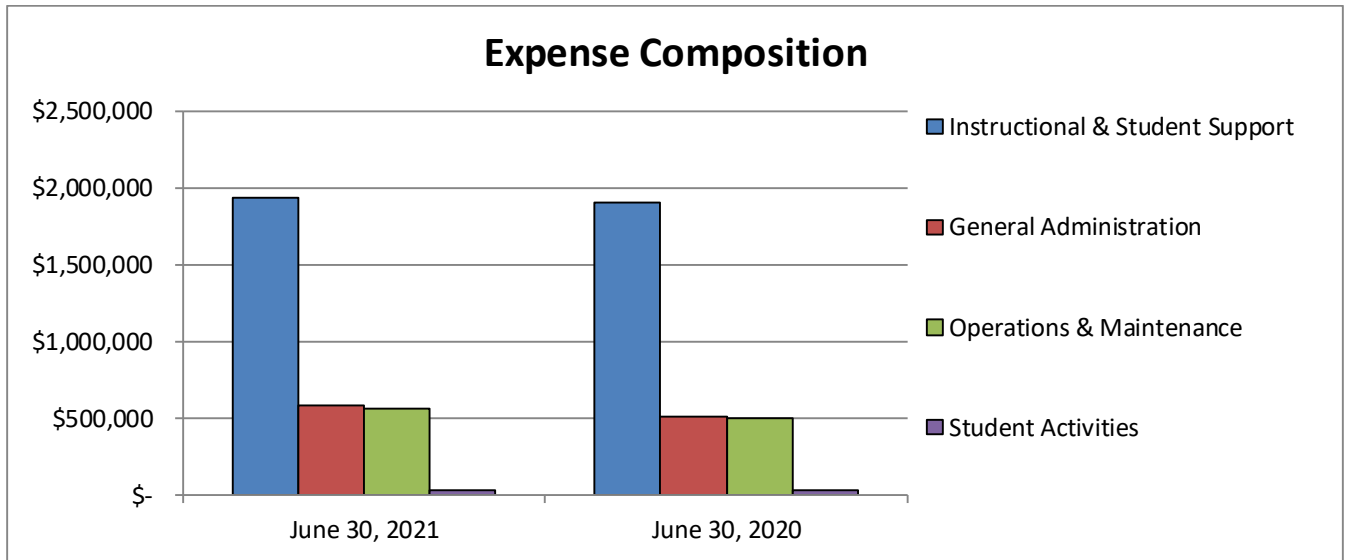
The Statements of Fund Net Position reflects all the School's assets and liabilities using the accrual basis of accounting and represents the financial position as of the conclusion of the fiscal year. Fund net position is the difference between the School’s total assets and total liabilities. Measuring fund net position is one way to gauge the School's financial condition.



Statements of Activities and Changes in Fund Net Position

The Statements of Activities and Changes in Fund Net Position identifies all of the School's revenues and expenses and measures the results of its operations during the fiscal year. All revenues and expenses are included when earned or incurred, regardless of when cash is received or paid. Revenues are separated into functional operating categories.





Fiscal Year 2021 Compared to 2020

The total per pupil aid received from the state for fiscal year 2021 amounted to \$2,683,357 for 360 students compared to \$2,666,975 for 360 students in 2020. Instructional expenses increased \$38,166 in 2021, as a result of staff raises given during the year. Administrative expenses increased \$74,406 in 2021, as a result of increased administrative salaries and support staff salaries. Operations and maintenance increased \$68,052 as a result of increased rent in accordance with the lease executed during the year. Other operating expenses relate primarily to the utilities and maintenance of the leased facilities and capital asset depreciation.

NEXT YEAR'S OPERATIONS

The School will enroll students for the ninth time in September 2021 and is expected to have 400 students, 650 is the maximum allowed under the charter for the 2021-2022 school year. Per pupil state aid is expected to remain the same at \$7,339 for the fiscal year ended June 30, 2022.

REQUEST FOR INFORMATION

This financial report is designed to present the user with a general overview of the School's finances and to demonstrate the School's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to The Founders Academy Public Charter School, 5 Perimeter Road, Manchester, NH 03103.

BASIC FINANCIAL STATEMENTS

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

STATEMENTS OF FUND NET POSITION

June 30, 2021 and 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash	\$ 397,996	\$ 292,328
Due from State of New Hampshire	204,221	236,058
Accounts receivable	7,649	56,172
Prepaid expenses	16,382	12,925
<i>Total current assets</i>	<u>626,248</u>	<u>597,483</u>
CAPITAL ASSETS		
Building improvements	361,351	98,822
Furniture and equipment	558,358	425,641
Less accumulated depreciation	(355,458)	(264,323)
<i>Total capital assets, net</i>	<u>564,251</u>	<u>260,140</u>
<i>Total assets</i>	<u>\$ 1,190,499</u>	<u>\$ 857,623</u>

LIABILITIES AND FUND NET POSITION

	2021	2020
CURRENT LIABILITIES		
Paycheck Protection Program funds	\$ 329,100	\$ 329,100
Accounts payable	9,157	8,463
Deferred revenue	2,331	1,628
Accrued expenses	50,449	40,277
<i>Total liabilities</i>	<u>391,037</u>	<u>379,468</u>
COMMITMENTS (See Notes)		
FUND NET POSITION		
Net investment in capital assets	564,251	260,140
Unrestricted	214,478	198,525
Restricted	20,733	19,490
<i>Total fund net position</i>	<u>799,462</u>	<u>478,155</u>
<i>Total liabilities and fund net position</i>	<u>\$ 1,190,499</u>	<u>\$ 857,623</u>

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

STATEMENTS OF ACTIVITIES AND CHANGES IN FUND NET POSITION
Years Ended June 30, 2021 and 2020

	2021	2020
UNRESTRICTED:		
REVENUES AND SUPPORT		
State per pupil aid	\$ 2,683,357	\$ 2,666,975
Governmental grants	290,169	54,210
Student activities	41,202	40,740
Summer school	1,118	7,176
Contributions	54,682	56,923
In-kind contributions	130,809	27,533
Special education services	230,800	187,114
Other income	5,322	4,467
	<hr/>	<hr/>
<i>Total revenues and support</i>	3,437,459	3,045,138
	<hr/>	<hr/>
Funds released from restrictions for fulfillment of program restrictions	1,337	260
	<hr/>	<hr/>
<i>Total unrestricted revenues, support and funds released from restrictions</i>	3,438,796	3,045,398
	<hr/>	<hr/>
EXPENSES		
Instructional	1,938,805	1,900,639
Student activities	28,751	30,991
Administrative	586,469	512,063
Operations and maintenance	564,707	496,655
	<hr/>	<hr/>
<i>Total expenses</i>	3,118,732	2,940,348
	<hr/>	<hr/>
<i>Total increase in unrestricted fund net position</i>	320,064	105,050
	<hr/>	<hr/>
RESTRICTED:		
Student activities	2,580	7,854
Funds released from restriction for fulfillment of program restrictions	(1,337)	(260)
	<hr/>	<hr/>
<i>Increase in restricted fund net position</i>	1,243	7,594
	<hr/>	<hr/>
SPECIAL ITEM:		
Loss on disposal of assets	-	(662)
	<hr/>	<hr/>
<i>Total increase in fund net position</i>	321,307	111,982
	<hr/>	<hr/>
Fund net position, beginning of year	478,155	366,173
	<hr/>	<hr/>
<i>Fund net position, end of year</i>	<u>\$ 799,462</u>	<u>\$ 478,155</u>

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for per pupil aid	\$ 2,717,015	\$ 2,652,983
Cash received for contributions and grants	344,851	111,133
Cash received for student activities income	43,782	48,594
Cash received for special education services	279,323	166,487
Cash received for other income	5,322	4,467
Cash paid to suppliers, employees, and others	(2,995,667)	(2,850,649)
<i>Net cash provided by operating activities</i>	394,626	133,015
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of capital assets	(288,958)	(70,581)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayments on line of credit	-	(175,000)
Funds received from Paycheck Protection Program	-	329,100
<i>Net cash provided by operating activities</i>	-	154,100
<i>Net increase in cash</i>	105,668	216,534
Cash, beginning of year	292,328	75,794
<i>Cash, end of year</i>	\$ 397,996	\$ 292,328
RECONCILIATION OF CHANGE IN FUND NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase in fund net position	\$ 321,307	\$ 111,982
Adjustments to reconcile increase in fund net position to net cash provided by operating activities:		
Depreciation	91,135	63,298
Loss on disposal of assets	-	662
In-kind capital contributions	(106,288)	-
Changes in assets and liabilities:		
(Increase) decrease in receivables	80,360	(38,248)
Increase in prepaid expenses	(3,457)	(12,485)
Increase in accounts payable and accrued expenses	10,866	11,353
Increase (decrease) in deferred revenue	703	(3,547)
<i>Net cash provided by operating activities</i>	\$ 394,626	\$ 133,015
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 1,018	\$ 3,589
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment:		
Cost of property and equipment	\$ 395,246	\$ -
In-kind capital contributions	(106,288)	-
<i>Cash paid for property and equipment</i>	\$ 288,958	\$ -

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization

The Founders Academy Public Charter School ("the School") was established in July 2013 after receiving its charter from the State of New Hampshire Department of Education under Chapter 194: B Charter Schools and Open Enrollment Act of the State of New Hampshire's Revised Statutes. The charter is for a five-year period and is subject to renewal at the discretion of the State of New Hampshire Department of Education. The School received renewal of their charter during the year ended June 30, 2019. The School has all the rights and privileges of other public schools and operates as a public school.

The School's vision is: *The Founders Academy Public Charter School prepares wise, principled leaders by offering a classical education and providing a wide array of opportunities to lead.*

The School strives to develop leaders who understand and apply the lessons of the past, demonstrate exceptional character and lead by example. The School recognizes the importance of balance in the development of the whole person and respects each student's journey.

Note 2. Significant Accounting Policies

The accounting policies of the School are in accordance with accounting principles generally accepted in the United States as applicable to governmental units. The following is a summary of the School's significant accounting policies.

Financial statement presentation: The School, in accordance with *Governmental Accounting Standards Board (GASB) Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*, is considered a special purpose governmental entity (Cod. Sec. SP20.105) that engages in only governmental type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the governmental fund.

Criteria for determining if other entities are potential component units which should be reported within the School's financial statements are identified and described in the GASB's *Codification of Government Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

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

The School's restricted funds are composed of amounts for various student activities programs.

Fund balance: The School adheres to GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Under GASB 54, the School is required to report information regarding its financial position and activities in a hierarchy based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources reported in the funds.

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

Gifts and contributions: The School accounts for contributions received in accordance with the GASB Statement 33, Accounting and Financial Reporting for Nonexchange Transactions. In accordance with GASB 33, contributions received are recorded as restricted or unrestricted depending on the existence or nature of any donor restrictions.

The School has adopted the policy of reporting contributions restricted by the donor as increases in unrestricted funds if the restrictions expire in the reporting period in which the revenue is recognized.

Included in support are gifts in-kind which are valued at fair value at the date of the gift.

Basis of accounting: The accrual method of accounting is used for all governmental entities that operate as business type entities. Accordingly, revenue is recognized when they are earned and become measurable, without regard to availability; capital assets and expenditures are recorded when received and incurred, respectively. Grants and contributions are recognized when all eligible requirements are met.

Tax status: The School was established under a charter granted by the State of New Hampshire Department of Education and operates as part of the State of New Hampshire and is therefore generally exempt from income taxes under Section 115. The School is also exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is required to file Form 990 annually.

The School has adopted the provisions of FASB ASC 740, Accounting for Uncertainty in Income Taxes. Accordingly, management has evaluated the School's tax positions and concluded the School had maintained its tax-exempt status, does not have any significant unrelated business income and had taken no uncertain tax positions that require adjustment or disclosure in the financial statements. With few exceptions, the School is no longer subject to income tax examinations by the U.S. Federal or State tax authorities for tax years before 2018.

Estimates and assumptions: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Accounts receivable: Accounts receivable are presented net of an allowance for doubtful accounts. Accounts receivables are written off when deemed uncollectible. At June 30, 2021 and 2020, no allowance for doubtful accounts was deemed necessary, as management believes all such receivables will be collected. Actual bad debts amount to \$- and \$27,315 for the years ended June 30, 2021 and 2020, respectively.

Capital assets: Capital assets are recorded at cost if purchased or at fair value at the date of donation. Furniture and equipment or building improvements purchased with a cost or value greater than \$1,000 are capitalized. Depreciation is computed on the straight-line basis using the estimated useful lives of 3-7 years for furniture and equipment and 5-39.5 years for building improvements.

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets:				
Building improvements	\$ 98,822	\$ 262,529	\$ -	\$ 361,351
Furniture and equipment	425,641	132,717	-	558,358
<i>Total capital assets</i>	<u>524,463</u>	<u>395,246</u>	<u>-</u>	<u>919,709</u>
Less accumulated depreciation for:				
Building improvements	1,666	21,651	-	23,317
Furniture and equipment	262,657	69,484	-	332,141
<i>Total accumulated depreciation</i>	<u>264,323</u>	<u>91,135</u>	<u>-</u>	<u>355,458</u>
Total capital assets, net	<u>\$ 260,140</u>	<u>\$ 304,111</u>	<u>\$ -</u>	<u>\$ 564,251</u>

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets:				
Building improvements	\$ 62,500	\$ 36,322	\$ -	\$ 98,822
Furniture and equipment	398,695	34,259	7,313	425,641
<i>Total capital assets</i>	<u>461,195</u>	<u>70,581</u>	<u>7,313</u>	<u>524,463</u>
Less accumulated depreciation for:				
Building improvements	4,614	2,793	5,741	1,666
Furniture and equipment	203,062	60,505	910	262,657
<i>Total accumulated depreciation</i>	<u>207,676</u>	<u>63,298</u>	<u>6,651</u>	<u>264,323</u>
Total capital assets, net	<u>\$ 253,519</u>	<u>\$ 7,283</u>	<u>\$ 662</u>	<u>\$ 260,140</u>

Depreciation expense for the years ended June 30, 2021 and 2020 amounted to \$91,135 and \$63,298, respectively, and was charged to operations and maintenance on the accompanying statements of activities and changes in fund net position.

Advertising costs: The School expenses all advertising costs as incurred. Advertising and recruitment expense amounted to \$1,480 and \$7,918 for the years ended June 30, 2021 and 2020, respectively.

Recent accounting pronouncement: In June 2017, GASB issued Statement 87, *Leases*, which will be effective for the School on July 1, 2021. Under GASB 87, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. Management is currently evaluating the impact GASB 87 will have on the School's financial statements.

Note 3. Operating Lease

During the year ended June 30, 2019, the School entered into a two-year lease agreement to lease its building facilities located in Manchester, NH commencing on September 1, 2018, for \$12,083 per month. The agreement has an option to renew for five additional two-year terms.

During the year ended June 30, 2021, the school renewed the lease for two years commencing on September 1, 2020, for \$12,083 per month. In November 2020, the rent was increased to \$14,083 per month.

At June 30, 2021, the future minimum lease payments required under operating leases is as follows:

2022		\$	168,996
2023			28,166
	<i>Total</i>	\$	<u>197,162</u>

Total rent expense for the years ended June 30, 2021 and 2020 amounted to \$180,150 and \$162,123, respectively. Rent expense includes the Foundation's portion of property and liability insurance.

Note 4. Concentrations

During the year ended June 30, 2020, approximately \$2,729,000 or 90% of the School's revenues were provided by the State of New Hampshire.

During the year ended June 30, 2021, approximately \$2,976,000 or 87% of the School's revenues were provided by the State of New Hampshire.

Note 5. Contributed Equipment, Materials, and Services

The School records various types of in-kind contributions. Contributed services are recognized at fair value if services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as contributions are offset by like amounts included in expenses or additions to property and equipment. The School received contributed professional services amounting to \$4,307 and \$6,600 for the years ended June 30, 2021 and 2020, respectively. The School received contributed tangible assets amounting to \$106,288 and \$6,270 for the years ended June 30, 2021 and 2020, respectively. The School received contributed supplies amounting to \$20,214 and \$14,663 for the years ended June 30, 2021 and 2020, respectively.

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

Note 6. Line of Credit

During the year ended June 30, 2018, the School opened an unsecured line of credit at a local bank with maximum borrowings of \$175,000, bearing interest at a fixed rate of 5.5%. There was no outstanding balance on the line of credit at June 30, 2021 and 2020. The line automatically renews annually. Interest expense for the years ended June 30, 2021 and 2020, amounted to \$1,018 and \$2,464, respectively.

During the year ended June 30, 2021, the School opened an unsecured line of credit at a local bank with maximum borrowings of \$200,000, bearing interest at a fixed rate of 4.25%. There was no outstanding balance on the line of credit during the year ended June 30, 2021. The line automatically renews annually. There was also no interest expense incurred during the year ended June 30, 2021 for this line of credit.

Note 7. Retirement Plan

During the year ended June 30, 2020, the School established a 401k plan. Under the plan, employees can contribute any amount up to IRS limitations. Benefits are available to all full-time employees on the first day of the month after 30 days of employment. The School does not currently match any contributions.

Note 8. Related Parties

Prior to the year ended June 30, 2019, the School and the Founders Academy Foundation (“the Foundation”), a voluntary not-for-profit corporation, shared a majority of common members of their Boards of Directors and were under common control. During the year ended June 30, 2021, the Foundation board composition changed, and School board members were no longer the majority of the Foundation board. School board members still hold seats on the Foundation board. The Foundation is organized for the purpose of establishing new charter schools, maintaining, or providing maintenance services to charter schools and supporting education of children in public charter schools. As a supporting organization the Foundation provides the School with certain services and is the owner of the building the School leases at below market rates.

Note 9. COVID-19, Related Support, and Subsequent Event

During the year ended June 30, 2020, the School qualified for and received \$329,100 in funds from the federal Paycheck Protection Program (PPP Loan), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid Relief and Economic Security Act. The PPP Loan proceeds were designed to provide a direct incentive for small businesses to keep their workers on the payroll. SBA will forgive loans if all employees are kept on the payroll for the specified period of time and the money is used for payroll, rent, mortgage interest, or utilities. Any amounts not forgiven at the end of the program period convert into a loan with 1% interest, payable over 2 years. GASB released guidance that until legally forgiven the funds must be recorded as a liability in accordance with paragraph 12 of GASB Statement 70. The cash received under the PPP Loan is recorded as a liability until the School is legally released from the debt. As of June 30, 2021, the School has not received forgiveness for the loan which is recorded as a current liability on the statement of fund net position. The School received forgiveness for this loan subsequent to year end on August 16, 2021.

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NOTES TO FINANCIAL STATEMENTS

In October 2020, the School received \$17,482 in funds from the State of New Hampshire CARES-ESSER Grant. In November and December 2020, the School received \$228,997 in funds from the State of New Hampshire's Supplemental Public School Response Fund Discretionary Reserve Fund (SPSRF). The funds from both grants were used for COVID-related expenses.

Note 10. Subsequent Events

The School has evaluated subsequent events through October 20, 2021 the date which the financial statements were issued and have not evaluated subsequent events after that date. Other than noted in Note 9, no other subsequent events were identified that would require disclosure in the financial statements for the year ended June 30, 2021.

REQUIRED SUPPLEMENTAL INFORMATION

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF BUDGETARY COMPARISON

Year Ended June 30, 2021

	Budgeted (Original and Final)	Actual Amounts	Variance Favorable (Unfavorable)	
REVENUES:				
State per pupil aid	\$ 2,758,456	\$ 2,683,357	\$ (75,099)	(1)
Grants	242,446	290,169	47,723	(2)
Contributions	224,000	185,491	(38,509)	(3)
Student activities	19,500	43,782	24,282	(4)
Summer school	1,000	1,118	118	
Special education reimbursement	228,763	230,800	2,037	
Other miscellaneous income	3,270	5,322	2,052	
<i>Total income</i>	<u>3,477,435</u>	<u>3,440,039</u>	<u>(37,396)</u>	
EXPENDITURES:				
Salaries	2,134,201	2,022,510	111,691	(5)
Employee benefits	130,333	125,591	4,742	
Payroll taxes	159,554	156,124	3,430	
Rent, related utilities, and building expenses	411,300	321,567	89,733	(6)
Supplies and textbooks	94,406	45,839	48,567	(7)
Equipment	40,700	15,983	24,717	(8)
Professional development	2,750	3,696	(946)	
Professional fees	35,000	25,693	9,307	
Outside services	145,550	147,216	(1,666)	
Student activities	7,725	28,751	(21,026)	(4)
Depreciation expense	80,000	91,135	(11,135)	
Other	149,800	134,627	15,173	(9)
<i>Total expenditures</i>	<u>3,391,319</u>	<u>3,118,732</u>	<u>272,587</u>	
<i>Change in fund net position</i>	<u>\$ 86,116</u>	<u>\$ 321,307</u>	<u>\$ 235,191</u>	

Explanation of variances:

- (1) Per Pupil Aid was budgeted for 380 students, actual number of students was 360. The per pupil aid amount remained the same as the prior year at \$7,188 per student.
- (2) The School received more Covid funding than was anticipated when creating the budget.
- (3) The School budgeted for more gifts, philanthropic contributions, and restricted donations than were actually received.
- (4) Less was budgeted for the student activities as student clubs are expected to fund themselves and are not relied on to generate funding for the school.
- (5) Budget included a salary estimate based on budgeted enrollment. Since enrollment was less than budgeted, fewer teachers were needed.
- (6) Some building upgrades that were budgeted for were capitalized during the year instead of expensed.
- (7) Less State Title funding was used on supplies than was anticipated.
- (8) Some pieces of equipment that were budgeted for were capitalized during the year instead of expensed.
- (9) More expenses were budgeted for Covid related expenses that were not needed in the current year.

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF BUDGETARY COMPARISON
Year Ended June 30, 2020

	Budgeted (Original and Final)	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES:			
State per pupil aid	\$ 2,627,000	\$ 2,666,975	\$ 39,975 (1)
Grants	59,000	54,210	(4,790)
Contributions	70,500	84,456	13,956
Student activities	6,000	48,594	42,594 (2)
Summer school	5,000	7,176	2,176
Special education reimbursement	198,250	187,114	(11,136)
Other miscellaneous income	-	4,467	4,467
<i>Total income</i>	<u>2,965,750</u>	<u>3,052,992</u>	<u>87,242</u>
EXPENDITURES:			
Salaries	1,904,009	1,935,681	(31,672) (3)
Employee benefits	79,200	94,284	(15,084) (3)
Payroll taxes	143,880	152,892	(9,012) (3)
Rent, related utilities, and building expenses	352,100	313,721	38,379 (4)
Supplies and textbooks	29,500	49,875	(20,375) (5)
Equipment	33,700	15,486	18,214 (6)
Professional development	4,000	1,694	2,306
Professional fees	41,800	25,610	16,190 (7)
Outside services	133,550	140,985	(7,435)
Student activities	10,825	30,991	(20,166) (2)
Depreciation expense	52,000	63,298	(11,298)
Other	75,000	116,493	(41,493) (8)
<i>Total expenditures</i>	<u>2,859,564</u>	<u>2,941,010</u>	<u>(81,446)</u>
<i>Change in fund net position</i>	<u>\$ 106,186</u>	<u>\$ 111,982</u>	<u>\$ 5,796</u>

Explanation of variances:

- (1) Per Pupil Aid was budgeted for 370 students, actual number of students was 360. The increase in revenues is because it was expected that per pupil aid was going to be \$7,100 when it was actually \$7,188.
- (2) Less was budgeted for the student activities as student clubs are expected to fund themselves and are not relied on to generate funding for the school.
- (3) Budget included a salary estimate based on budgeted enrollment, however more teachers were needed to help with special education students and students that require one on one instruction.
- (4) Building repairs and maintenance were conservatively budgeted for, but fewer repairs and readiness expenses were incurred than expected.
- (5) Due to more force on applying for State Title funding, more money was spent on software licenses, IT services and the school website than expected.
- (6) Some pieces of equipment that were budgeted for were capitalized during the year instead of expensed.
- (7) Large legal expenses in the prior year that led to higher anticipated fees for the current year. In current year actual legal activity was minimal.
- (8) There was a large accounts receivable balance that was written off in the current year that was not anticipated to be written off and was not budgeted for.

**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**

Independent Auditor's Report

Board of Directors
The Founders Academy Public Charter School
Manchester, New Hampshire 03103

We have audited, 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, the financial statements of the governmental activities of The Founders Academy Public Charter School ("the School") as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 20, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described herein, we did identify a deficiency in internal control that we consider to be a material weakness.

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

We consider the following deficiency in internal control to be a material weakness:

1) **Financial Statement Preparation**

The School's management has demonstrated the ability to review the financial statements and has demonstrated an understanding of the footnote disclosures that are already included in the financial statements. However, we believe that management does not have the ability to adequately review the completeness of footnote disclosures in full compliance with generally accepted accounting principles, resulting in a deficiency which would potentially increase the likelihood of material misstatement in the financial statements.

Management's response: Due to the complexities and constantly changing reporting standards with respect to audited financial reports, management and the Board have chosen to engage a qualified CPA firm to advise us on the proper format for our annual reports rather than devote scarce staff resources toward maintaining our knowledge of the most current standards. We expect that our auditors will keep us informed of changes that may require us to modify our internal procedures. This has been viewed as an appropriate use of limited personnel resources in light of the minimal risks involved for this organization.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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.



Nathan Wechsler & Company
Professional Association