

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

FINANCIAL REPORT

JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities of The Founders Academy Public Charter School, as of and for the years ended June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective fund net position of the governmental activities of The Founders Academy Public Charter School, as of June 30, 2022 and 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Founders Academy Public Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Founders Academy Public Charter School's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-6 and budgetary comparison information on pages 16-17 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2022 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 18-19. 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 Wechsler & Company

Concord, New Hampshire
October 19, 2022

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, 2022. 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 2022 (July 1, 2021 through June 30, 2022) was the ninth year of operations for the School. This was the eighth 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 \$7,339 in State equitable aid for each attending student directly from the State of New Hampshire.
- The student population for this academic year averaged 372 students. The School's current charter allows up to 650 students.
- The School raised \$26,531 in cash contributions and received \$13,491 of in-kind goods and service contributions.
- The School also successfully continued ancillary activities including special education services, student activities and summer school.

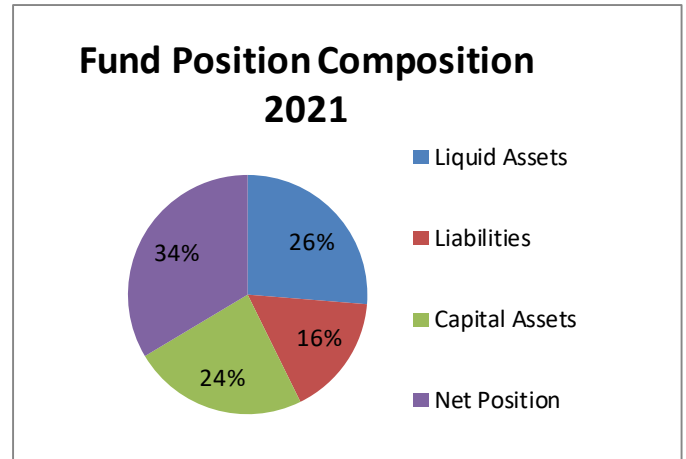
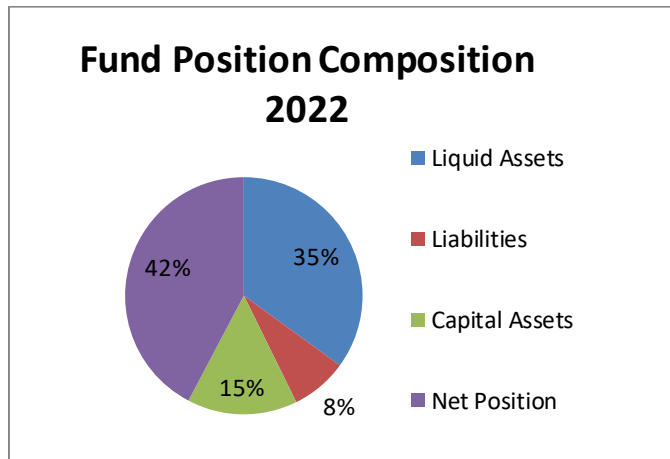
OVERVIEW OF THE FINANCIAL STATEMENTS

The School herewith present their basic financial statements for fiscal year 2022. 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

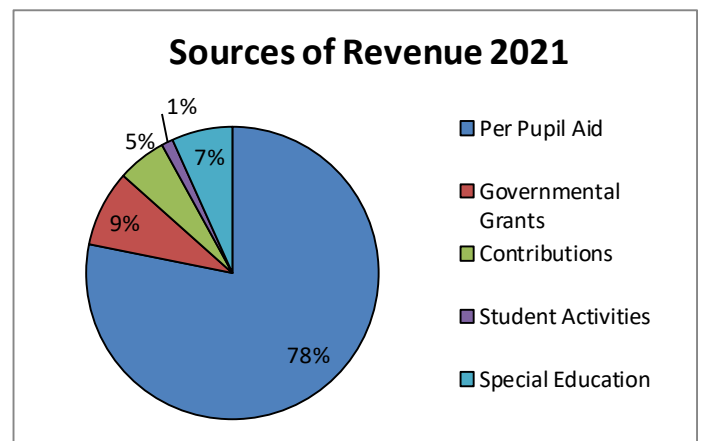
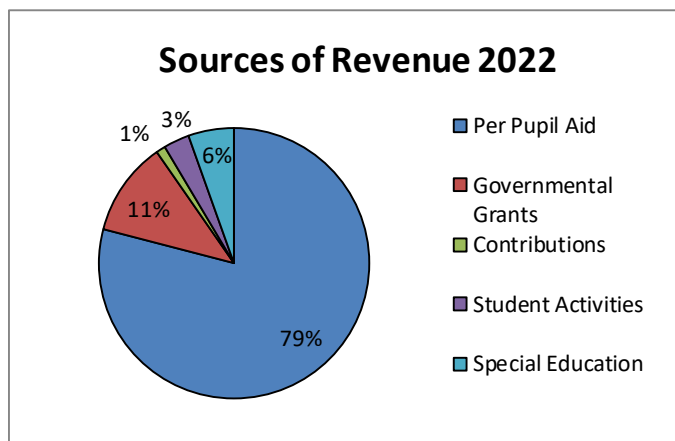
Statements of Fund Net Position

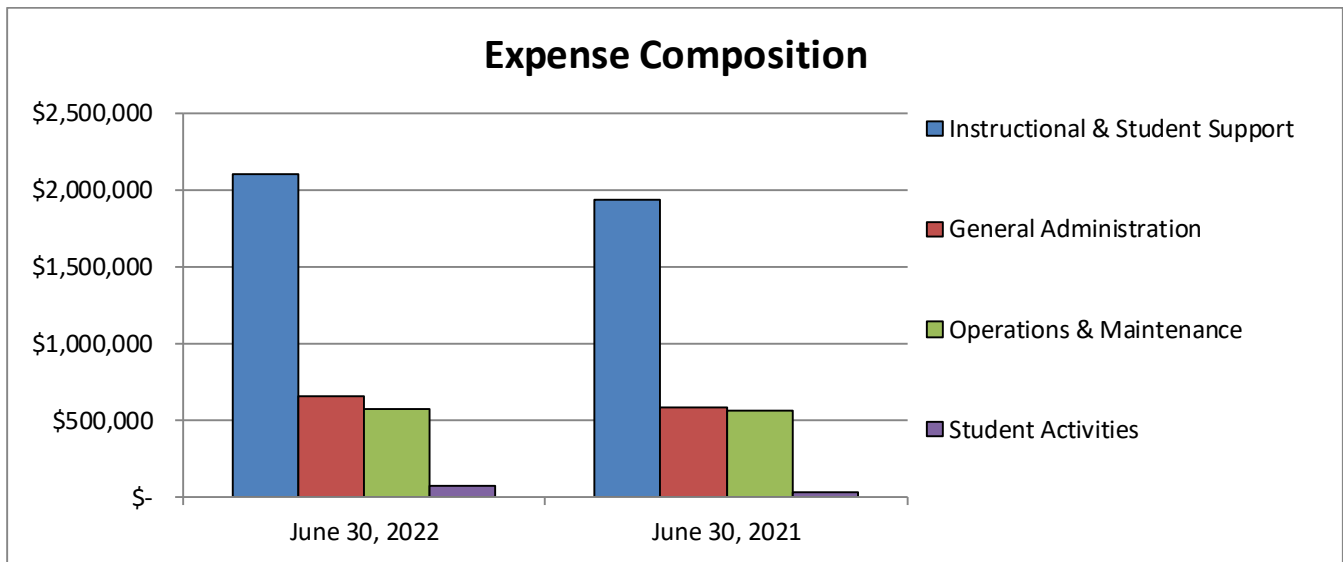
The Statements of Fund Net Position reflects all the School's assets and liabilities using the accrual basis of accounting and represents the financial position as of the conclusion of the fiscal year. Fund net position is the difference between the School’s total assets and total liabilities. Measuring 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 2022 Compared to 2021

The total per pupil aid received from the state for fiscal year 2022 amounted to \$2,857,968 for 372 students compared to \$2,683,357 for 360 students in 2021. Instructional expenses increased \$159,190 in 2022, as a result of staff raises given during the year. Administrative expenses increased \$69,750 in 2022, as a result of increased administrative salaries and support staff salaries. Operations and maintenance increased \$10,246 as a result of increased rent in accordance with the short-term lease in place for the current 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 tenth time in September 2022 and is expected to have over 400 students, 650 is the maximum allowed under the charter for the 2022-2023 school year. Per pupil state aid is expected to remain the same at \$7,339 for the fiscal year ended June 30, 2023.

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, 2022 and 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash	\$ 332,186	\$ 397,996
Due from State of New Hampshire	279,994	204,221
Grants receivable	325,546	7,649
Employee Retention Tax Credit receivable	581,224	-
Prepaid expenses	19,206	16,382
<i>Total current assets</i>	1,538,156	626,248
CAPITAL ASSETS		
Building improvements	521,945	361,351
Furniture and equipment	594,362	558,358
Less accumulated depreciation	(456,207)	(355,458)
<i>Total capital assets, net</i>	660,100	564,251
<i>Total assets</i>	\$ 2,198,256	\$ 1,190,499

LIABILITIES AND FUND NET POSITION

	2022	2021
CURRENT LIABILITIES		
Paycheck Protection Program funds	\$ -	\$ 329,100
Loan payable, related party	151,975	-
Accounts payable	117,630	9,157
Deferred revenue	1,402	2,331
Accrued expenses	68,394	50,449
<i>Total liabilities</i>	339,401	391,037
COMMITMENTS (See Notes)		
FUND NET POSITION		
Net investment in capital assets	660,100	564,251
Unrestricted	1,167,955	214,478
Restricted	30,800	20,733
<i>Total fund net position</i>	1,858,855	799,462
<i>Total liabilities and fund net position</i>	\$ 2,198,256	\$ 1,190,499

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

STATEMENTS OF ACTIVITIES AND CHANGES IN FUND NET POSITION
Years Ended June 30, 2022 and 2021

	2022	2021
UNRESTRICTED:		
REVENUES AND SUPPORT		
State per pupil aid	\$ 2,857,968	\$ 2,683,357
Governmental grants	408,109	290,169
Student activities	99,960	41,202
Summer school	3,328	1,118
Contributions	26,531	54,682
Contributions of nonfinancial assets	13,491	130,809
Special education services	198,610	230,800
Other income	4,056	5,322
	<hr/>	<hr/>
<i>Total revenues and support</i>	3,612,053	3,437,459
	<hr/>	<hr/>
Funds released from restrictions for fulfillment of program restrictions	1,364	1,337
	<hr/>	<hr/>
<i>Total unrestricted revenues, support and funds released from restrictions</i>	3,613,417	3,438,796
	<hr/>	<hr/>
EXPENSES		
Instructional	2,097,995	1,938,805
Student activities	75,548	28,751
Administrative	656,219	586,469
Operations and maintenance	574,953	564,707
	<hr/>	<hr/>
<i>Total expenses</i>	3,404,715	3,118,732
	<hr/>	<hr/>
<i>Total increase in unrestricted fund net position</i>	208,702	320,064
	<hr/>	<hr/>
RESTRICTED:		
Student activities	11,431	2,580
Funds released from restriction for fulfillment of program restrictions	(1,364)	(1,337)
	<hr/>	<hr/>
<i>Increase in restricted fund net position</i>	10,067	1,243
	<hr/>	<hr/>
<i>Total increase in fund net position, before special items</i>	218,769	321,307
	<hr/>	<hr/>
SPECIAL ITEMS:		
Income from Employee Retention Tax Credits	581,224	-
Gain on debt extinguishment related to the PPP Loan	329,100	-
Professional fees related to ERTC	(69,700)	-
	<hr/>	<hr/>
<i>Total increase in fund net position</i>	1,059,393	321,307
	<hr/>	<hr/>
Fund net position, beginning of year	799,462	478,155
	<hr/>	<hr/>
<i>Fund net position, end of year</i>	\$ 1,858,855	\$ 799,462
	<hr/>	<hr/>

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received for per pupil aid	\$ 2,782,195	\$ 2,715,194
Cash received for contributions and grants	116,743	344,851
Cash received for student activities income	111,391	43,782
Cash received for special education services	198,610	279,323
Cash received for summer school	2,399	1,821
Cash received for other income	4,056	5,322
Cash paid to suppliers, employees, and others	(3,236,581)	(2,995,667)
<i>Net cash (used in) provided by operating activities</i>	<u>(21,187)</u>	<u>394,626</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of capital assets	<u>(196,598)</u>	<u>(288,958)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on loan payable, related party	<u>151,975</u>	-
<i>Net increase (decrease) in cash</i>	<u>(65,810)</u>	<u>105,668</u>
Cash, beginning of year	397,996	292,328
<i>Cash, end of year</i>	<u>\$ 332,186</u>	<u>\$ 397,996</u>
RECONCILIATION OF CHANGE IN FUND NET POSITION TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
Increase in fund net position	\$ 1,059,393	\$ 321,307
Adjustments to reconcile increase in fund net position to net cash (used in) provided by operating activities:		
Depreciation	100,749	91,135
Gain on debt extinguishment related to the PPP Loan	(329,100)	-
Nonfinancial asset capital contributions	-	(106,288)
Changes in assets and liabilities:		
(Increase) decrease in receivables	(75,773)	80,360
Decrease in pledges receivable	(317,897)	-
Increase in Employee Retention Tax Credit receivable	(581,224)	-
Increase in prepaid expenses	(2,824)	(3,457)
Increase in accounts payable and accrued expenses	126,418	10,866
Increase (decrease) in deferred revenue	(929)	703
<i>Net cash (used in) provided by operating activities</i>	<u>\$ (21,187)</u>	<u>\$ 394,626</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 602	\$ 1,018
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquisition of property and equipment:		
Cost of property and equipment	\$ 196,598	\$ 395,246
Nonfinancial asset capital contributions	-	(106,288)
<i>Cash paid for property and equipment</i>	<u>\$ 196,598</u>	<u>\$ 288,958</u>

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 2019.

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.

Grants receivable: Grants receivable are recorded when all requirements of the grant are met. All grants are reimbursable grants based on expenses incurred by the end of the year. Grants receivable are presented net of an allowance for doubtful accounts and are written off when deemed uncollectible. At June 30, 2022, no allowance for doubtful accounts was deemed necessary as management believes all such receivables will be collected. Actual bad debts amounted to \$220 and \$- for the years ended June 30, 2022 and 2021, 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, 2022 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets:				
Building improvements	\$ 361,351	\$ 160,594	\$ -	\$ 521,945
Furniture and equipment	558,358	36,004	-	594,362
<i>Total capital assets</i>	<u>919,709</u>	<u>196,598</u>	<u>-</u>	<u>1,116,307</u>
Less accumulated depreciation for:				
Building improvements	23,317	32,290	-	55,607
Furniture and equipment	332,141	68,459	-	400,600
<i>Total accumulated depreciation</i>	<u>355,458</u>	<u>100,749</u>	<u>-</u>	<u>456,207</u>
Total capital assets, net	<u>\$ 564,251</u>	<u>\$ 95,849</u>	<u>\$ -</u>	<u>\$ 660,100</u>

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>

Depreciation expense for the years ended June 30, 2022 and 2021 amounted to \$100,749 and \$91,135, 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 \$954 and \$1,480 for the years ended June 30, 2022 and 2021, respectively.

Change in accounting principle: In June 2017, GASB issued Statement 87, *Leases*, which was 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 period presented in the financial statements.

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO 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.

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, 2022, the future minimum lease payments required under this operating lease to be paid during the year ended June 30, 2023, amount to \$28,166. The School is currently negotiating the terms of a long-term lease for the building and land.

Total rent expense for the years ended June 30, 2022 and 2021 amounted to \$188,957 and \$180,150, respectively. Rent expense includes the Foundation's portion of property and liability insurance.

Note 4. Concentrations

During the year ended June 30, 2021, approximately \$3,204,000 or 93% of the School's revenues were provided by the State of New Hampshire.

During the year ended June 30, 2022, approximately \$3,465,000 or 77% of the School's revenues were provided by the State of New Hampshire.

Note 5. Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statement of activities included for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Professional fees	\$ 4,973	\$ 4,307
Supplies	8,518	20,214
Building improvements	-	5,453
Furniture and equipment	-	100,835
<i>Total</i>	<u>\$ 13,491</u>	<u>\$ 130,809</u>

The School recognized contributed nonfinancial assets within revenue, including contributed building improvements, furniture and equipment, professional fees, and supplies. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

The contributed building improvements are used to improve the building in which the School operates. In valuing the contributed building improvements, the School received a quote from the contractors which stated the fair value of the improvements.

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

Contributed professional fees included fees for the audit of the School and groundwork performed on the School's grounds. The School received statements from the professional providers stating how much the donated services would cost if they were to charge the whole fee for the service provided.

Contributed supplies were utilized throughout the school year in normal school events or day to day activities. In valuing the supplies, the School estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Note 6. Lines of Credit and Loan Payable

In a prior year, 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, 2022 and 2021. The line automatically renews annually. Interest expense for the years ended June 30, 2022 and 2021, amounted to \$602 and \$1,018, 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 at June 30, 2022 and 2021. The line automatically renews annually. There was no interest expense incurred during the years ended June 30, 2022 and 2021 for this line of credit.

On June 29, 2022, The Founders Academy Foundation loaned the School \$151,975 for the down payment on its roof replacement. This balance remains outstanding at June 30, 2022. The loan has no stated maturity and does not accrue interest. The loan will be repaid upon receipt of Employer Retention Tax Credit payments (See Note 9) or as cash flow allows.

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

In prior years, 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 and Related Support

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.

The PPP Loan was forgiven during the year ended June 30, 2022, and therefore has been recognized in the statement of activities and changes in fund net position as a gain on debt extinguishment in accordance with GASB Statement 70.

The CARES Act provides an employee retention credit (“Employee Retention Tax Credit”), which is a refundable tax credit against certain employment taxes of up to \$7,000 per employee for eligible employers for the first three quarters of 2021. The tax credit is equal to 70% of qualified wages paid to employees during a quarter, capped at \$10,000 of qualified wages per employee through September 30, 2021. The Company qualifies for the tax credit under the CARES Act and expects to receive tax credits for qualified wages through September 30, 2021. During the year ended June 30, 2022, the Company recorded \$581,224 of Income from Employee Retention Tax Credits on the Statement of Activities and Changes in Fund Net Position. As of June 30, 2022, this full amount is reflected as a receivable and is expected to be received in the next fiscal year. Expenses incurred related to this credit amounted to \$69,700 and have been included in accounts payable and as a special expense item at June 30, 2022.

Note 10. Subsequent Events

The School has evaluated subsequent events through October 19, 2022 the date which the financial statements were issued and have not evaluated subsequent events after that date. No subsequent events were identified that would require disclosure in the financial statements for the year ended June 30, 2022.

REQUIRED SUPPLEMENTAL INFORMATION

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF BUDGETARY COMPARISON

Year Ended June 30, 2022

	Budgeted (Original and Final)	Actual Amounts	Variance Favorable (Unfavorable)	
REVENUES:				
State per pupil aid	\$ 3,035,576	\$ 2,857,968	\$ (177,608)	(1)
Grants	207,445	408,109	200,664	(2)
Contributions	76,500	40,022	(36,478)	(3)
Student activities	7,000	111,391	104,391	(4)
Summer school	1,000	3,328	2,328	
Special education reimbursement	282,217	198,610	(83,607)	(5)
Other miscellaneous income	4,000	4,056	56	
<i>Total income</i>	<u>3,613,738</u>	<u>3,623,484</u>	<u>9,746</u>	
EXPENDITURES:				
Salaries	2,297,668	2,246,418	51,250	(6)
Employee benefits	144,517	136,574	7,943	
Payroll taxes	165,284	167,257	(1,973)	
Rent, related utilities, and building expenses	420,700	350,342	70,358	(7)
Supplies and textbooks	41,010	28,439	12,571	
Equipment	68,500	15,843	52,657	(8)
Professional development	2,750	1,687	1,063	
Professional fees	35,000	28,500	6,500	
Outside services	147,150	160,004	(12,854)	
Student activities	9,725	75,548	(65,823)	(4)
Depreciation expense	100,000	100,749	(749)	
Other	102,500	93,354	9,146	
<i>Total expenditures</i>	<u>3,534,804</u>	<u>3,404,715</u>	<u>130,089</u>	
<i>Change in fund net position before special items</i>	<u>\$ 78,934</u>	<u>\$ 218,769</u>	<u>\$ 139,835</u>	

Explanation of variances:

- (1) Per Pupil Aid was budgeted for 400 students, actual number of students was 372. The per pupil aid amount increased to \$7,338 per student.
- (2) The School received a significant grant that was not 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) The School had less special education needs than anticipated when creating the budget.
- (6) Budget included a salary estimate based on budgeted enrollment. Since enrollment was less than budgeted, fewer teachers were needed.
- (7) Some building upgrades that were budgeted for were capitalized during the year instead of expensed.
- (8) Some pieces of equipment that were budgeted for were capitalized during the year instead of expensed.

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 before special items</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.



**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, 2022 and 2021, 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 19, 2022.

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.

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

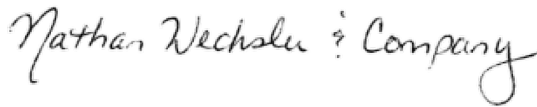
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in cursive script that reads "Nathan Wechsler & Company".

Nathan Wechsler & Company
Professional Association