

THE FOUNDERS ACADEMY AND
THE FOUNDERS ACADEMY FOUNDATION

FINANCIAL REPORT

JUNE 30, 2015

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT.....	1 and 2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3-5
BASIC CONSOLIDATED FINANCIAL STATEMENTS	
Consolidating statements of financial position.....	6 and 7
Consolidating statements of activities and changes in fund net position.....	8 and 9
Consolidating statements of cash flows.....	10-13
Notes to financial statements.....	14-19
REQUIRED SUPPLEMENTAL INFORMATION	
The Founders Academy: Statements of budgetary comparison.....	20 and 21
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	22-24



NATHAN WECHSLER & COMPANY
PROFESSIONAL ASSOCIATION
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Founders Academy and
The Founders Academy Foundation
Manchester, New Hampshire 03103

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The Founders Academy and The Founders Academy Foundation, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements which collectively comprise The Founders Academy and The Founders Academy Foundation's basic consolidated financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Founders Academy and The Founders Academy Foundation's management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 financial position of The Founders Academy and The Founders Academy Foundation, as of June 30, 2015 and 2014, and the changes in consolidated financial position and the consolidated results of cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 20-21 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 September 22, 2015 on our consideration of The Founders Academy and The Founders Academy Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose 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 and The Founders Academy Foundation's internal control over financial reporting and compliance.

Nathan Wechsler & Company

Concord, New Hampshire
September 22, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of the financial position of The Founders Academy (the "School") and The Founders Academy Foundation (the "Foundation") provides an overview of the activities for the fiscal year ended June 30, 2015. 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

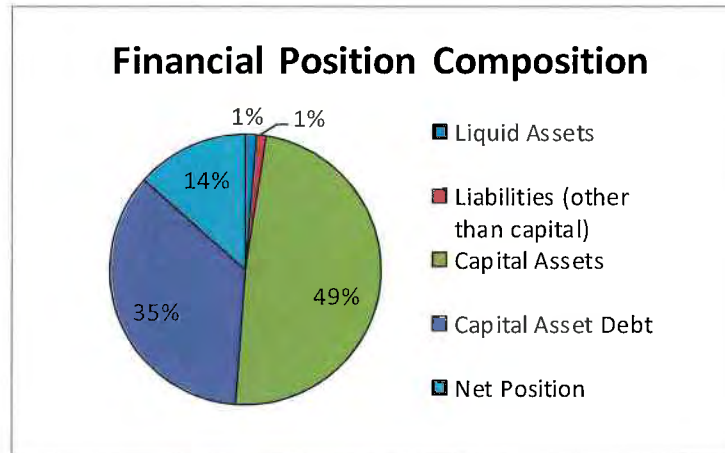
- Fiscal year 2015 (July 1, 2014 through June 30, 2015) was the second year of operations for The Founders Academy and The Founders Academy Foundation. This was the first year with a student population as the prior year was a start-up year.
- The School received \$5,498 in State equitable aid for each attending student directly from the State of New Hampshire.
- The student population for this academic year averaged 101 students. Current charter allows up to 100 students.
- The School received \$379,142 in federal grants related to charter school start-up.
- The Foundation received \$34,150 in philanthropic contributions and the School raised \$33,792 in contributions.
- The School also successfully began ancillary activities including student activities and summer school.
- The Foundation continued fit-up of the building purchased in the prior year to house the School's operations. The School began leasing this building from the Foundation in May of 2014. Construction is financed through a related party loan. The School makes monthly rent payments to the Foundation that are similar to cash expenses of the Foundation.

OVERVIEW OF THE FINANCIAL STATEMENTS

The School and Foundation herewith present their consolidated basic financial statements for fiscal year 2015. The School and the Foundation share common members of their Boards and are, therefore, under common control and are collectively referred to as the "Organization". 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 Organization's basic financial statements are comprised of two components: 1) comprehensive consolidated financial statements and 2) notes to the consolidated financial statements. The comprehensive consolidated financial statements presented are the Consolidating Statement of Financial Position, the Consolidating Statement of Activities and Changes in Fund Net Position and Consolidating 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.

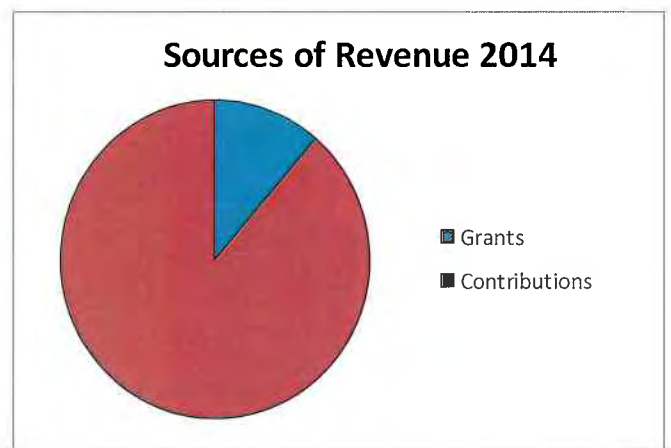
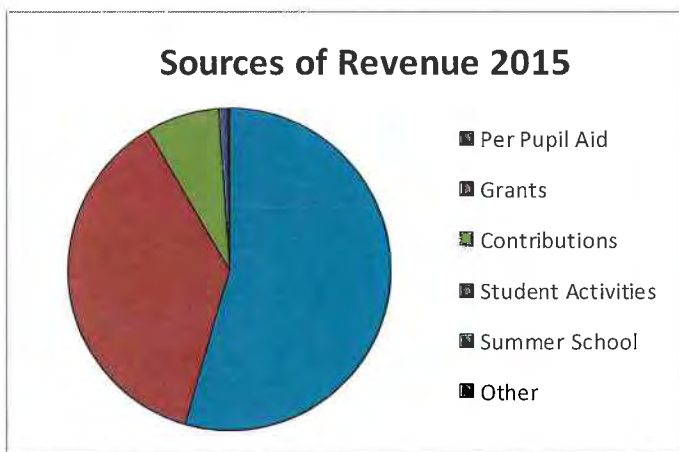
Consolidating Statement of Financial Position

The Consolidating Statement of Financial Position reflects all the Organization'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 Organization's total assets and total liabilities. Measuring fund net position is one way to gauge the Organization's financial condition.

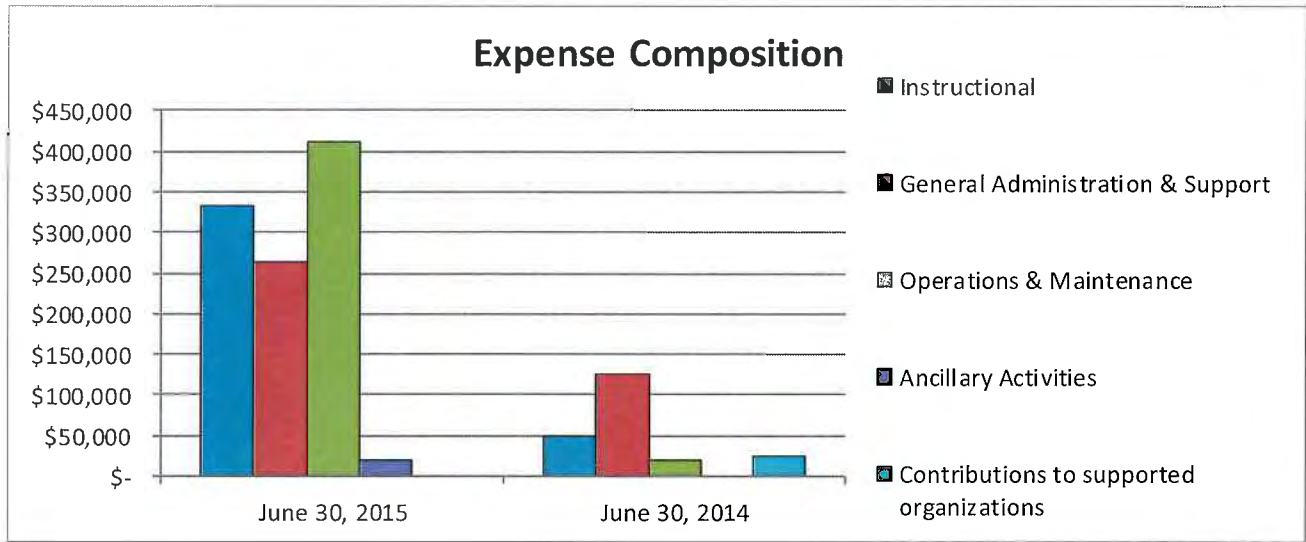


Consolidating Statement of Activities and Changes in Fund Net Position

The Consolidating Statement of Activities and Changes in Fund Net Position identifies all of the Organization'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.



(continued on next page)



Fiscal Year 2015 Compared to 2014

The total per-pupil aid received from the state for fiscal year 2015 amounted to \$555,163, no per pupil aid was received in 2014 as this was the start-up year and no students were enrolled. The School started fundraising through an annual fund and diversified contributors in the current year. Instructional expenses increased \$282,234 in 2015, as a result of hiring staff and purchasing supplies for the new student body. General administration expenses increased \$141,931 in 2015, as a result of increased staffing during the year and other legal, accounting and bank fees. Operations and maintenance relates primarily to the utilities, taxes, insurance, interest and depreciation related to facilities.

NEXT YEAR’S OPERATIONS

The School will enroll students for the second time in September 2015 and is expected to have 200 students, the maximum allowed under the charter for the 2015-2016 school year. Per pupil state aid is expected to increase to \$5,561 for the fiscal year ended June 30, 2016. The School will make the final draws on the federal start-up grant by October 2015 to receive the remaining \$25,000 of this grant award.

REQUEST FOR INFORMATION

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

BASIC CONSOLIDATED FINANCIAL STATEMENTS

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

Year ended June 30, 2015

<i>ASSETS</i>				
	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
ASSETS				
Cash	\$ 67,769	\$ 19,457	\$ -	\$ 87,226
Due from State of New Hampshire	30,781	-	-	30,781
Accounts receivable	-	22,168	-	22,168
Accounts receivable, related party	-	31,715	(31,715)	-
Prepaid expenses	3,005	891	-	3,896
Capital assets:				
Building	-	1,453,012	-	1,453,012
Building improvements	-	3,972,553	-	3,972,553
Furniture and equipment	175,801	16,500	-	192,301
Less accumulated depreciation	(26,168)	(98,092)	-	(124,260)
<i>Total capital assets, net</i>	<u>149,633</u>	<u>5,343,973</u>	<u>-</u>	<u>5,493,606</u>
 <i>Total assets</i>	 <u>\$ 251,188</u>	 <u>\$ 5,418,204</u>	 <u>\$ (31,715)</u>	 <u>\$ 5,637,677</u>

LIABILITIES AND FUND NET POSITION

	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
LIABILITIES				
Accounts payable	\$ 10,762	\$ 33,923	\$ -	\$ 44,685
Accounts payable, related parties	31,715	31,715	(31,715)	31,715
Deferred revenue	2,840	-	-	2,840
Accrued expenses	14,920	-	-	14,920
Short-term debt, related party	35,000	-	-	35,000
Long-term debt, related party	-	3,994,157	-	3,994,157
<i>Total liabilities</i>	<u>95,237</u>	<u>4,059,795</u>	<u>(31,715)</u>	<u>4,123,317</u>

COMMITMENTS (See Notes)

FUND NET POSITION

Net investment in capital assets	149,633	1,315,893	-	1,465,526
Unrestricted	1,463	42,516	-	43,979
Temporarily restricted	4,855	-	-	4,855
<i>Total fund net position</i>	<u>155,951</u>	<u>1,358,409</u>	<u>-</u>	<u>1,514,360</u>
 <i>Total liabilities and fund net position</i>	 <u>\$ 251,188</u>	 <u>\$ 5,418,204</u>	 <u>\$ (31,715)</u>	 <u>\$ 5,637,677</u>

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

Year ended June 30, 2014

<i>ASSETS</i>				
	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
ASSETS				
Cash	\$ 9,959	\$ 16,346	\$ -	\$ 26,305
Grant receivable	28,597	-	-	28,597
Accounts receivable, related party	-	13,672	(13,672)	-
Prepaid expenses	4,339	14,011	-	18,350
Capital assets:				
Building	-	1,469,512	-	1,469,512
Construction in progress	-	669,393	-	669,393
Furniture and equipment	26,567	-	-	26,567
Less accumulated depreciation	(2,599)	-	-	(2,599)
<i>Total capital assets, net</i>	<u>23,968</u>	<u>2,138,905</u>	<u>-</u>	<u>2,162,873</u>
<i>Total assets</i>	<u>\$ 66,863</u>	<u>\$ 2,182,934</u>	<u>\$ (13,672)</u>	<u>\$ 2,236,125</u>

LIABILITIES AND FUND NET POSITION

	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
LIABILITIES				
Accounts payable	\$ 16,500	\$ 31,798	\$ -	\$ 48,298
Accounts payable, capital assets	-	669,393	-	669,393
Accounts payable, related party	13,672	-	(13,672)	-
<i>Total liabilities</i>	<u>30,172</u>	<u>701,191</u>	<u>(13,672)</u>	<u>717,691</u>
FUND NET POSITION				
Net investment in capital assets	23,968	1,469,512	-	1,493,480
Unrestricted	12,723	12,231	-	24,954
<i>Total fund net position</i>	<u>36,691</u>	<u>1,481,743</u>	<u>-</u>	<u>1,518,434</u>
<i>Total liabilities and fund net position</i>	<u>\$ 66,863</u>	<u>\$ 2,182,934</u>	<u>\$ (13,672)</u>	<u>\$ 2,236,125</u>

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN FUND NET POSITION
Year ended June 30, 2015

	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
UNRESTRICTED:				
REVENUES AND SUPPORT				
State per pupil aid	\$ 555,163	\$ -	\$ -	\$ 555,163
Grants	379,142	-	-	379,142
Student activities	8,345	-	-	8,345
Summer school	2,160	-	-	2,160
Contributions	31,292	36,150	-	67,442
In-kind contributions	7,841	-	-	7,841
Rental income	-	234,914	(234,914)	-
Investment income, interest	-	29	-	29
<i>Total revenue and support</i>	983,943	271,093	(234,914)	1,020,122
EXPENSES				
Instructional	332,694	-	-	332,694
Student services	15,755	-	-	15,755
Student activities	4,018	-	-	4,018
Administrative	210,686	54,212	-	264,898
Operations and maintenance	306,385	340,215	(234,914)	411,686
<i>Total expenses</i>	869,538	394,427	(234,914)	1,029,051
<i>Total increase (decrease) in unrestricted fund net position</i>	114,405	(123,334)	-	(8,929)
RESTRICTED:				
Contribution income	2,500	-	-	2,500
Student activities	2,355	-	-	2,355
<i>Increase in restricted fund net position</i>	4,855	-	-	4,855
<i>Total increase (decrease) in fund net position</i>	119,260	(123,334)	-	(4,074)
Fund net position, beginning of year	36,691	1,481,743	-	1,518,434
<i>Fund net position, end of year</i>	\$ 155,951	\$ 1,358,409	\$ -	\$ 1,514,360

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN FUND NET POSITION
 Year ended June 30, 2014

UNRESTRICTED:	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
REVENUES AND SUPPORT				
Grants	\$ 195,858	\$ -	\$ -	\$ 195,858
Contributions	-	1,538,874	-	1,538,874
In-kind contributions	6,000	-	-	6,000
Rent	-	15,316	(15,316)	-
<i>Total revenue and support</i>	<u>201,858</u>	<u>1,554,190</u>	<u>(15,316)</u>	<u>1,740,732</u>
EXPENSES				
Instructional	50,460	-	-	50,460
Administrative	96,087	26,880	-	122,967
Operations and maintenance	18,620	20,067	(15,316)	23,371
Contributions	-	25,500	-	25,500
<i>Total expenses</i>	<u>165,167</u>	<u>72,447</u>	<u>(15,316)</u>	<u>222,298</u>
<i>Total increase in fund net position</i>	36,691	1,481,743	-	1,518,434
Fund net position, beginning of year	-	-	-	-
<i>Fund net position, end of year</i>	<u>\$ 36,691</u>	<u>\$ 1,481,743</u>	<u>\$ -</u>	<u>\$ 1,518,434</u>

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

CONSOLIDATING STATEMENT OF CASH FLOWS

Year ended June 30, 2015

	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received for tuition	\$ 529,382	\$ -	\$ -	\$ 529,382
Contributions and grants	441,531	36,150	-	477,681
Student activities income	10,700	-	-	10,700
Rents received	-	216,871	(216,871)	-
Interest income	-	29	-	29
Cash paid to suppliers and independent contractors	(809,569)	(296,330)	216,871	(889,028)
<i>Net cash provided by (used in) operating activities</i>	172,044	(43,280)	-	128,764
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchases of capital assets	(149,234)	(3,947,766)	-	(4,097,000)
<i>Net cash used in investing activities</i>	(149,234)	(3,947,766)	-	(4,097,000)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	35,000	3,994,157	-	4,029,157
<i>Net cash provided by financing activities</i>	35,000	3,994,157	-	4,029,157
<i>Net increase in cash</i>	57,810	3,111	-	60,921
Cash, beginning of year	9,959	16,346	-	26,305
<i>Cash, end of year</i>	\$ 67,769	\$ 19,457	\$ -	\$ 87,226
RECONCILIATION OF CHANGE IN FUND NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Increase (decrease) in fund net position	\$ 119,260	\$ (123,334)	\$ -	\$ (4,074)
Adjustments to reconcile increase in fund net position to net cash provided by (used in) operating activities:				-
Depreciation	23,569	98,092	-	121,661
Changes in assets and liabilities:				
Increase in accounts and grant receivable	(2,184)	(40,211)	18,043	(24,352)
Decrease in prepaid expenses	1,334	13,120	-	14,454
Increase in accounts payable and accrued expenses	27,225	9,053	(18,043)	18,235
Increase in deferred revenue	2,840	-	-	2,840
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 172,044	\$ (43,280)	\$ -	\$ 128,764

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)

Year ended June 30, 2015

	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
NONCASH FINANCING INFORMATION				
Purchase of property and equipment	\$ 149,234	\$ 3,303,160	\$ -	\$ 3,452,394
Change in accounts payable related to capital asset purchases	-	644,606	-	644,606
<i>Cash paid</i>	<u>\$ 149,234</u>	<u>\$ 3,947,766</u>	<u>\$ -</u>	<u>\$ 4,097,000</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Cash payments for interest	\$ -	\$ 19,634	\$ -	\$ 19,634

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

CONSOLIDATING STATEMENT OF CASH FLOWS

Year ended June 30, 2014

	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Contributions and grants	\$ 167,261	\$ 1,538,874	\$ -	\$ 1,706,135
Rents received	-	1,644	(1,644)	-
Cash paid to suppliers and independent contractors	(130,735)	(54,660)	1,644	(183,751)
<i>Net cash provided by operating activities</i>	36,526	1,485,858	-	1,522,384
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchases of capital assets	(26,567)	(1,469,512)	-	(1,496,079)
<i>Net cash used in investing activities</i>	(26,567)	(1,469,512)	-	(1,496,079)
<i>Net increase in cash</i>	9,959	16,346	-	26,305
Cash, beginning of year	-	-	-	-
<i>Cash, end of year</i>	\$ 9,959	\$ 16,346	\$ -	\$ 26,305
RECONCILIATION OF CHANGE IN FUND NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Increase in fund net position	\$ 36,691	\$ 1,481,743	\$ -	\$ 1,518,434
Adjustments to reconcile increase in fund net position to net cash provided by operating activities:				
Depreciation	2,599	-	-	2,599
Changes in assets and liabilities:				
Increase in accounts and pledges receivable	(28,597)	(13,672)	13,672	(28,597)
Increase in prepaid expenses	(4,339)	(14,011)	-	(18,350)
Increase in accounts payable	30,172	31,798	(13,672)	48,298
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 36,526	\$ 1,485,858	\$ -	\$ 1,522,384

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

CONSOLIDATING STATEMENT OF CASH FLOWS (CONTINUED)

Year ended June 30, 2014

	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
NONCASH FINANCING INFORMATION				
Purchase of property and equipment	\$ 26,567	\$ 2,138,905	\$ -	\$ 2,165,472
Accounts payable related to capital asset purchases	-	(669,393)	-	(669,393)
<i>Cash paid</i>	\$ 26,567	\$ 1,469,512	\$ -	\$ 1,496,079

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization

The Founders Academy (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 initial 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 has all the rights and privileges of other public schools and operates as a public school.

The School's vision is: *The Founders Academy 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.

The Founders Academy Foundation (the "Foundation") is a voluntary not-for-profit corporation, incorporated under the laws of the State of New Hampshire. It is not classified as a private foundation by the Internal Revenue Service. The Foundation was organized for the purpose of establishing new charter schools, maintaining or providing maintenance services to charter schools, supporting education of children in a public charter school, and to provide scholarships to students seeking higher education. The Foundation owns the real estate in which the school operates.

Note 2. Significant Accounting Policies

Principles of consolidation: The consolidating financial statements include the accounts of the School and the Foundation, collectively referred to as the "Organization." The School and the Foundation share a majority of common members on their Boards of Directors and are, therefore, under common control. All material inter-organizational transactions have been eliminated in the consolidation.

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.

(continued on the next page)

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

The Foundation accounts for contributions received in accordance with the FASB Accounting Standards Codification topic for revenue recognition (FASB ASC 958-605) and contributions made in accordance with FASB ASC 958-720-25 and FASB ASC 958-310. In accordance with FASB ASC 958-605-25, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. In addition, FASB ASC 958-310 requires that unconditional promises to give be recorded as receivables and recognized as revenues.

The Foundation adheres to the Presentation of Financial Statements for Not-for-Profit Organizations topic of the FASB Accounting Standards Codification (FASB ASC 958-205). Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Descriptions of the three net asset categories are as follows:

Unrestricted net assets include revenues and expenses and contributions pledged which are not subject to any donor-imposed restrictions or time restrictions. Unrestricted net assets also include amounts designated by the Board of Directors for future special purposes.

Temporarily restricted net assets include gifts and contributions receivable for which time and donor-imposed restrictions have not yet been met and also include the accumulated appreciation related to permanently restricted endowment gifts, which is a requirement of FASB ASC 958-205-45. The Organization had no temporarily restricted net assets at June 30, 2014.

Permanently restricted net assets include gifts which require, by donor restriction, that the corpus be invested in perpetuity and only the income or a portion thereof be made available for program operations in accordance with donor restrictions. The Organization had no permanently restricted net assets at June 30, 2015 and 2014.

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 and Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and are required to file Form 990 annually.

Estimates and assumptions: The preparation of consolidated 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 receivable are written off when deemed uncollectible. At June 30, 2015 and 2014, no allowance for doubtful accounts was deemed necessary, as management believes all such receivables will be collected.

(continued on the next page)

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Capital assets: Capital assets are recorded at cost if purchased or at fair value at the date of donation. Equipment, furniture and vehicles purchased with a cost or value greater than \$1,000 are capitalized. Building leasehold improvements with a cost or value greater than \$25,000 are capitalized. Depreciation is computed on the straight-line basis using the estimated useful lives of 3-7 years for equipment, furniture and fixtures and 40 years for buildings and improvements.

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets:				
Building	\$ 1,469,512	\$ -	\$ 16,500	\$ 1,453,012
Building improvements	-	3,972,553	-	3,972,553
Construction in progress	669,393	-	669,393	-
Furniture and equipment	26,567	165,734	-	192,301
<i>Total capital assets</i>	<u>2,165,472</u>	<u>4,138,287</u>	<u>685,893</u>	<u>5,617,866</u>
Less accumulated depreciation for:				
Furniture and equipment	2,599	121,661	-	124,260
<i>Total accumulated depreciation</i>	<u>2,599</u>	<u>121,661</u>	<u>-</u>	<u>124,260</u>
Total capital assets, net	<u>\$ 2,162,873</u>	<u>\$ 4,016,626</u>	<u>\$ 685,893</u>	<u>\$ 5,493,606</u>

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets:				
Building	\$ -	\$ 1,469,512	\$ -	\$ 1,469,512
Construction in progress	-	669,393	-	669,393
Furniture and equipment	-	26,567	-	26,567
<i>Total capital assets</i>	<u>-</u>	<u>2,165,472</u>	<u>-</u>	<u>2,165,472</u>
Less accumulated depreciation for:				
Furniture and equipment	-	2,599	-	2,599
<i>Total accumulated depreciation</i>	<u>-</u>	<u>2,599</u>	<u>-</u>	<u>2,599</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ 2,162,873</u>	<u>\$ -</u>	<u>\$ 2,162,873</u>

Depreciation expense for the years ended June 30, 2015 and 2014 amounted to \$121,661 and \$2,599, respectively and was charged to operations and maintenance on the accompanying consolidating statements of activities and changes in fund net position. At June 30, 2014 approximately \$2,138,905 related to the building and improvements had not been placed into service and accordingly no depreciation was recognized on this amount for the year ended June 30, 2014.

Gifts and contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

(continued on the next page)

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

All donor-restricted support is reported as an increase in temporarily or permanently restricted net position, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted amounts are reclassified to unrestricted balance and reported in the statement of changes in net positions as released from restrictions. The Organization has adopted the policy of reporting contributions restricted by the donor as increases in unrestricted amounts 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.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising costs: The Organization expenses all advertising costs as incurred. Advertising and recruitment expense amounted to \$2,334 and \$5,926 for the years ended June 30, 2015 and 2014, respectively.

Note 3. Operating Leases

The Foundation has entered into a land lease agreement with the Manchester-Boston Regional Airport to rent the land on which the building currently resides. The lease term expires June 30, 2043 and requires monthly payments to the City of Manchester in the amount of \$3,863. There is a ten year renewal extension available at the end of the lease term and built in rent payment increases beginning in 2018.

During the year ended June 30, 2014 the School entered into a three-year operating lease agreement for office equipment. Required monthly lease payments are \$298.

At June 30, 2015, the future minimum lease payments required under operating leases as follows:

2016	\$	49,932
2017		49,932
2018		50,383
2019		47,403
2020		46,807
Thereafter		<u>1,076,571</u>
	\$	<u>1,321,028</u>

Total rent expense for the years ended June 30, 2015 and 2014 amounted to \$49,704 and \$7,725, respectively.

The School leases all of the Foundation's building facilities located in Manchester, NH on a month to month basis with the rent amount determined monthly. In accordance with the principles of financial statement consolidation, as mentioned in Note 2, these intercompany transactions are eliminated upon consolidation of the School and Foundation financial statements. Currently the monthly rental payments from the Academy to the Foundation approximate the Foundation's costs to own and operate the facility. The School and the Foundation are in the process of finalizing a formal lease agreement.

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Note 4. Concentrations and Commitments

During the year ended June 30, 2014, approximately \$1,539,000 or 88% of the Organization's revenues were provided by a related party.

During the year ended June 30, 2015, approximately \$934,305 or 95% 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.

Note 6. Related Party Transactions

During the year ended June 30, 2014 substantially all support of the Foundation was derived from a member of the Board of Directors.

During the year ended June 30, 2015, the Foundation entered into a 1.81% line of credit agreement with a member of the Board of Directors to finance the fit-up construction of the building. Under the agreement borrowings cannot exceed four million dollars and payments of interest only are due, January 1 and July 1, beginning January 1, 2015. A balloon payment of all remaining principal and any remaining accrued interest outstanding shall be due and payable to the lender on June 30, 2017. The line of credit is collateralized by the building owned by the Foundation. During the year ended June 30, 2015 interest expense on the loan amounted to \$51,349. At June 30, 2015 \$31,715 of this interest was payable to the related party and is included on the statement of financial position as such.

During the year ended June 30, 2015, the School entered into a zero interest personal loan payable with a related party in the amount of \$35,000. Under the short-term agreement, the lender is to be paid in full by September 15, 2015.

During the year ended June 30, 2015 a related party deposited \$175,000 with a local bank to serve as collateral for the School to obtain a bridge loan (line of credit) with the bank. The exact terms of the bridge loan were determined after year-end. See Note 7 for loan terms and details.

Note 7. Subsequent Events

The School has evaluated subsequent events through September 22, 2015 the date which the financial statements were issued, and have not evaluated subsequent events after that date.

Subsequent to year-end the Foundation drew an additional \$24,787 on the line of credit to pay the final fit-up invoice and costs related to construction, that were included in accounts payable at June 30, 2015.

Subsequent to year-end the School obtained a line of credit for \$175,000 for which a related party had deposited funds to serve as collateral. Interest on the line of credit is equal to the Prime Rate plus 1% and is to be renewed annually. \$20,000 was drawn on this line subsequent to year-end.

No other subsequent events were indentified that would require disclosure in the financial statements for the year ended June 30, 2015.

REQUIRED SUPPLEMENTAL INFORMATION

THE FOUNDERS ACADEMY

STATEMENT OF BUDGETARY COMPARISON

Year ended June 30, 2015

	Budgeted (Original and Final)	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES:			
Per pupil aid	\$ 582,024	\$ 555,163	\$ (26,861) (1)
Grants	215,000	379,142	164,142 (2)
Contributions	-	41,633	41,633 (3)
Student activities	-	10,700	10,700 (3)
Summer school	-	2,160	2,160
<i>Total income</i>	797,024	988,798	191,774
EXPENDITURES:			
Salaries	466,000	424,100	41,900 (4)
Employee benefits	5,016	4,371	645 (4)
Payroll taxes	-	32,137	(32,137) (4)
Rent and related utilities	241,624	262,482	(20,858) (5)
Supplies and textbooks	34,600	32,680	1,920
Equipment	105,825	18,475	87,350 (6)
Professional development	500	324	176
Professional fees	17,000	20,360	(3,360)
Outside services	39,500	30,307	9,193
Student activities	-	5,387	(5,387)
Depreciation expense	-	23,569	(23,569) (6)
Other	12,010	15,346	(3,336)
<i>Total expenditures</i>	922,075	869,538	52,537
<i>Change in unrestricted net assets</i>	\$ (125,051)	\$ 119,260	\$ 244,311

Explanation of variances:

- (1) Actual Per Pupil Aid per student less than budgeted
- (2) Prior year grant draws were less than expected. Grant amounts were carried over to the current year and used for operations.
- (3) Contributions and student activities were not budgeted amounts in the current year.
- (4) Salaries and payroll taxes were combined into one line item for budget purposes.
- (5) Lease payments were less than expected but heating oil was more than budgeted. Also included in the current year is real estate taxes which will be abated in future years and was not budgeted for in the current year.
- (6) Budgeted expenses were capitalized according to the School's adopted capitalization policy. The depreciation related to these assets was not considered in the School's budget.

Note: There was no established budget for the Foundation in the current year and accordingly the Foundation has not been included in this schedule.

THE FOUNDERS ACADEMY

STATEMENT OF BUDGETARY COMPARISON

Year Ended June 30, 2014

	Budgeted (Original and Final)	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES:			
Grants	\$ 350,000	\$ 195,858	\$ (154,142) (1)
Contributions	-	6,000	6,000
<i>Total income</i>	<u>350,000</u>	<u>201,858</u>	<u>(148,142)</u>
EXPENDITURES:			
Salaries	70,000	-	70,000 (2)
Rent and related utilities	40,000	18,521	21,479 (3)
Supplies and textbooks	42,350	6,382	35,968 (1)
Equipment	77,150	9,088	68,062 (4)
Professional development	13,000	-	13,000 (2)
Professional fees	-	13,770	(13,770) (5)
Outside services	17,500	11,865	5,635 (2)
Consulting	90,000	102,942	(12,942) (2)
Depreciation expense	-	2,599	(2,599) (4)
<i>Total expenditures</i>	<u>350,000</u>	<u>165,167</u>	<u>184,833</u>
<i>Change in net assets</i>	<u>\$ -</u>	<u>\$ 36,691</u>	<u>\$ 36,691</u>

Explanation of variances:

- (1) Grant is a three year grant totaling \$600,000. Amounts not used in one year can be carried over into the next year. Due to the charter school moratorium the school got a late start and was not able to accomplish all the start-up items they had planned for the first year. These items will be done in the second year in order to open the school and these funds will be used then.
- (2) The Board of Directors elected to use all independent contractors in the current year. Teachers and new staff members starting in August will be employees. Since there were no employees yet there were no professional development costs.
- (3) Securing a space for the School took longer than anticipated.
- (4) Budgeted expenses were capitalized according to the School's adopted capitalization policy. The depreciation related to these assets was not considered in the School's budget. The School also delayed certain purchases until subsequent to year-end.
- (5) Amounts were not budgeted for start-up legal fees and annual audited financial statements.

Note: There was no established budget for the Foundation in the current year and accordingly the Foundation has not been included in this schedule.



NATHAN WECHSLER & COMPANY
PROFESSIONAL ASSOCIATION

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
The Founders Academy and
The Founders Academy Foundation
Manchester, New Hampshire 03103

We have audited the consolidating financial statements of The Founders Academy and The Founders Academy Foundation (the "Organization") as of and for the years ended June 30, 2015 and 2014, and have issued our report thereon dated September 22, 2015. 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.

Internal Control over Financial Reporting

Management of The Founders Academy and The Founders Academy Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audits, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures 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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 deficiencies in internal controls to be material weaknesses:

1) Financial Statement Preparation

The Organization's management does not currently have the resources to review the financial statements. The Organization's management 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.

2) Review of Journal Entries

During our audit, it was noted that journal entries were not being reviewed and approved. The review of journal entries ensures that transactions are valid, correct and approved. We recommend that management continue to categorize journal entries into recurring journal entries and nonrecurring journal entries as they are doing now, but with documented authorization for recurring journal entries established at the beginning of the year. Nonrecurring journal entries would require individual authorization by management, including initialing the support for the entries to document the approval which may be done on a monthly basis. This process would improve controls over adjustments to the general ledger.

Management's response: During the audit period there were several changes happening within management and operations. Adjustments to the accounting records were done through the accounting modules within the software. As operations normalized and additional personnel were hired subsequent to year end, the Business Office modified its process related to journal entries. Entries are now posted by the Assistant Dean of Finance and Admissions and reviewed and approved by the Dean.

3) Segregation of Duties

Due to the limited number of people working for the Organization, many critical duties are combined and given to the available employees. Presently, a single individual prepares and signs checks, reconciles bank accounts as well as maintains the general ledger. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system as possible. We feel segregation could be improved if different employees performed the separate duties of signing checks, processing cash receipts and cash disbursements, and maintaining books of original entry.

Management's response: The period under audit was a period of Organizational establishment and formularization of business processes. Because of the unique nature and the few people staffing the Organization during this period, management implemented overall mitigating controls such as financial statement and bank statement review. Subsequent to year end, these procedures have been modified to include participation from the Dean. The Dean now receives all checks for signing along with supporting documentation and forwards them to the front desk for mailing. The Dean now also reviews payroll reports from ADP, has on-line access to view account activity and reviews monthly bank reconciliations prepared by the Assistant Dean of Finance and Admissions.

Compliance

As part of obtaining reasonable assurance about whether the Organization'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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Nathan Wechsler & Company

Nathan Wechsler & Company
Professional Association