

THE FOUNDERS ACADEMY AND
THE FOUNDERS ACADEMY FOUNDATION

FINANCIAL REPORT

JUNE 30, 2017

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1 and 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-5
BASIC CONSOLIDATED FINANCIAL STATEMENTS	
Consolidating statements of fund net position	6 and 7
Consolidating statements of activities and changes in fund net position	8 and 9
Consolidating statements of cash flows.....	10 and 11
Notes to consolidated financial statements.....	12-17
REQUIRED SUPPLEMENTAL INFORMATION	
The Founders Academy: Statements of budgetary comparison	18 and 19
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.....	
	20 and 21



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, 2017 and 2016, and the related notes to the consolidated 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 are 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated fund net position of The Founders Academy and The Founders Academy Foundation, as of June 30, 2017 and 2016, and the changes in consolidated fund net 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.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-5 and budgetary comparison information on pages 18-19 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 20, 2017 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 on pages 20-21. 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 and The Founders Academy Foundation's internal control over financial reporting and compliance.

Nathan Wechsler & Company

Concord, New Hampshire
September 20, 2017

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, 2017. 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 2017 (July 1, 2016 through June 30, 2017) was the fourth year of operations for The Founders Academy and The Founders Academy Foundation. This was the third 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 \$6,597 in State equitable aid for each attending student directly from the State of New Hampshire.
- The student population for this academic year averaged 285 students. The School's current charter allows up to 300 students.
- The Foundation received \$1,600,000 in philanthropic contributions in the form of debt forgiveness and the School raised \$139,535 in contributions. The Foundation and the School received \$2,000 and \$18,507, respectively, of in-kind goods and service contributions.
- The School also successfully continued ancillary activities including student activities and summer school.
- In 2016 the Foundation completed fit-up of the building purchased in 2014 to house the School's operations. The School began leasing this building from the Foundation in May of 2014. Construction was financed through a related party loan. The School makes monthly rent payments to the Foundation that are similar to cash expenses of the Foundation.

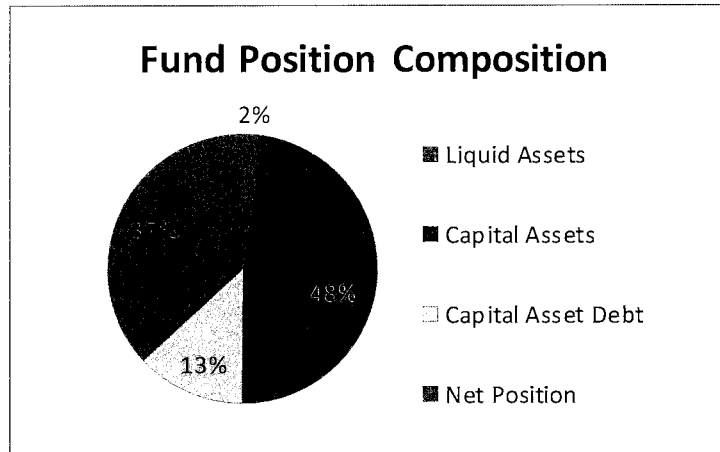
OVERVIEW OF THE FINANCIAL STATEMENTS

The School and Foundation herewith present their consolidated basic financial statements for fiscal year 2017. 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 Statements of Fund Net Position, the Consolidating Statements 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

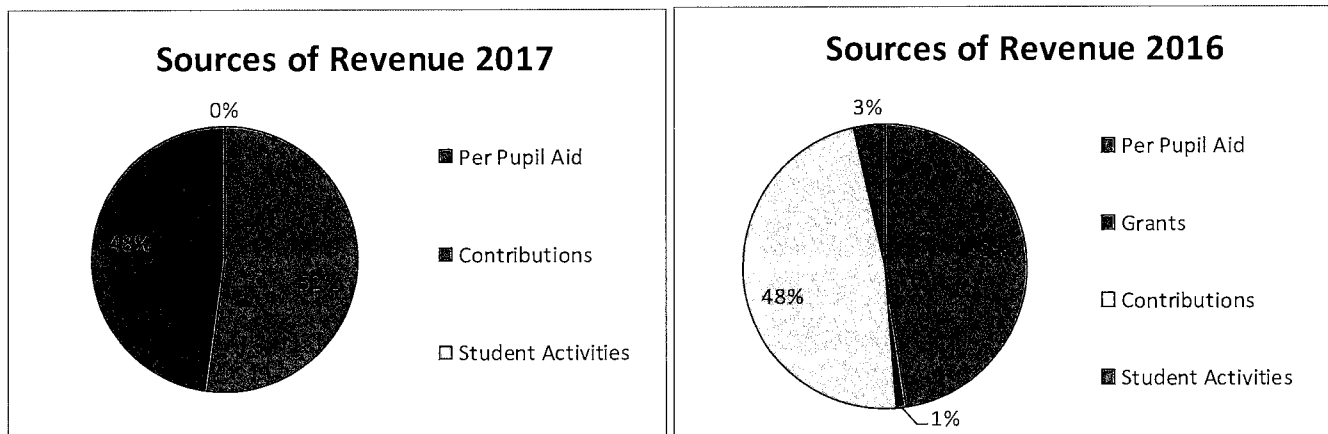
Consolidating Statement of Fund Net Position

The Consolidating Statement of Fund Net 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.



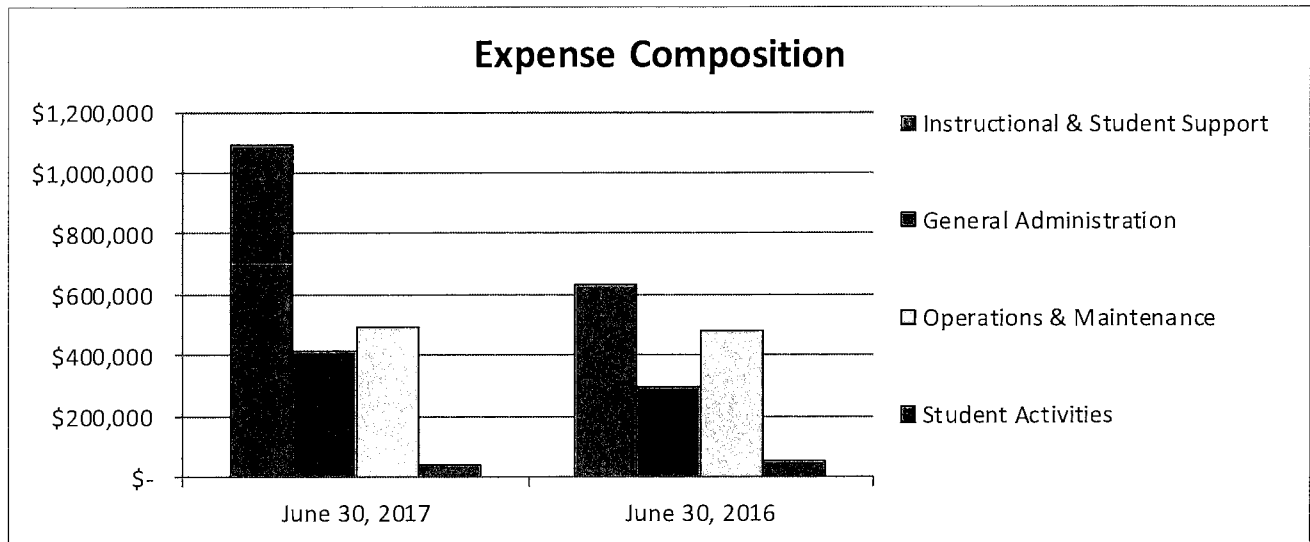
Consolidating Statement of Activities and Changes in Fund Net Position

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)

MANAGEMENT’S DISCUSSION AND ANALYSIS



Fiscal Year 2017 Compared to 2016

The total per pupil aid received from the state for fiscal year 2017 amounted to \$1,913,005 for 285 students compared to \$1,110,826 for 195 students in 2016. During both years the number of students enrolled was based on the maximum allowed under the Charter, 300 in 2017 and 200 in 2016. The last reimbursement from the Federal Start-Up Grant was received in July of 2016. The reduction in revenue from 2016 to 2017 related to this grant was \$25,000. The School continued to strengthen fundraising efforts through an expanded annual fund and began to diversify contributors in the current year which led to the increase in contributions of \$32,922. Instructional expenses increased \$461,305 in 2017, as a result of hiring staff and purchasing supplies for the growing student body. General administration expenses increased \$119,938 in 2017, as a result of increased staffing during the year. Operations and maintenance increased \$12,427 as a result of having a larger facility and larger student body and relates primarily to the utilities, maintenance and depreciation of those facilities.

NEXT YEAR’S OPERATIONS

The School will enroll students for the fourth time in September 2017 and is expected to have 400 students, the maximum allowed under the charter for the 2017-2018 school year. Per pupil state aid is expected to increase to \$6,922 for the fiscal year ended June 30, 2018.

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 FUND NET POSITION

June 30, 2017

	ASSETS			
	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
ASSETS				
Cash	\$ 116,469	\$ 1,291	\$ -	\$ 117,760
Due from State of New Hampshire	140,021	-	-	140,021
Prepaid expenses	2,584	-	-	2,584
Capital assets:				
Building	-	1,453,012	-	1,453,012
Building improvements	62,500	3,972,553	-	4,035,053
Furniture and equipment	237,710	-	-	237,710
Less accumulated depreciation	(104,236)	(370,467)	-	(474,703)
<i>Total capital assets, net</i>	195,974	5,055,098	-	5,251,072
<i>Total assets</i>	\$ 455,048	\$ 5,056,389	\$ -	\$ 5,511,437

LIABILITIES AND FUND NET POSITION

	LIABILITIES AND FUND NET POSITION			
	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
LIABILITIES				
Accounts payable	\$ 16,600	\$ 8,200	\$ -	\$ 24,800
Deferred revenue	5,175	-	-	5,175
Accrued expenses	5,400	-	-	5,400
Short-term debt, related party	-	1,418,944	-	1,418,944
<i>Total liabilities</i>	27,175	1,427,144	-	1,454,319

COMMITMENTS (See Notes)

FUND NET POSITION

Net investment in capital assets	195,974	3,636,154	-	3,832,128
Unrestricted	225,916	(6,909)	-	219,007
Temporarily restricted	5,983	-	-	5,983
<i>Total fund net position</i>	427,873	3,629,245	-	4,057,118
<i>Total liabilities and fund net position</i>	\$ 455,048	\$ 5,056,389	\$ -	\$ 5,511,437

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

CONSOLIDATING STATEMENT OF FUND NET POSITION

June 30, 2016

	ASSETS			
	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
ASSETS				
Cash	\$ 90,386	\$ 5,346	\$ -	\$ 95,732
Due from State of New Hampshire	106,350	-	-	106,350
Accounts receivable, related party	-	33,004	(33,004)	-
Prepaid expenses	5,817	-	-	5,817
Capital assets:				
Building	-	1,453,012	-	1,453,012
Building improvements	-	3,972,553	-	3,972,553
Furniture and equipment	195,838	-	-	195,838
Less accumulated depreciation	(61,377)	(233,111)	-	(294,488)
<i>Total capital assets, net</i>	134,461	5,192,454	-	5,326,915
Total assets	\$ 337,014	\$ 5,230,804	\$ (33,004)	\$ 5,534,814

LIABILITIES AND FUND NET POSITION

	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
LIABILITIES				
Line of credit	\$ 40,000	\$ -	\$ -	\$ 40,000
Accounts payable	10,684	8,000	-	18,684
Accounts payable, related parties	33,004	33,004	(33,004)	33,004
Deferred revenue	4,520	-	-	4,520
Accrued expenses	31,394	-	-	31,394
Short-term debt, related party	-	3,018,944	-	3,018,944
<i>Total liabilities</i>	119,602	3,059,948	(33,004)	3,146,546
COMMITMENTS (See Notes)				
FUND NET POSITION				
Net investment in capital assets	134,461	2,173,510	-	2,307,971
Unrestricted	76,265	(2,654)	-	73,611
Temporarily restricted	6,686	-	-	6,686
<i>Total fund net position</i>	217,412	2,170,856	-	2,388,268
Total liabilities and fund net position	\$ 337,014	\$ 5,230,804	\$ (33,004)	\$ 5,534,814

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2017

	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
UNRESTRICTED:				
REVENUES AND SUPPORT				
State per pupil aid	\$ 1,913,005	\$ -	\$ -	\$ 1,913,005
Student activities	37,349	-	-	37,349
Summer school	4,911	-	-	4,911
Contributions	139,535	1,600,000	(650)	1,738,885
In-kind contributions	18,507	2,000	-	20,507
Rental income	-	115,415	(115,415)	-
Other income	299	-	-	299
<i>Total revenue and support</i>	2,113,606	1,717,415	(116,065)	3,714,956
Funds released from restrictions for fulfillment of program restrictions	3,079	-	-	3,079
<i>Total unrestricted revenues, support and funds released from restrictions</i>	2,116,685	1,717,415	(116,065)	3,718,035
EXPENSES				
Instructional	1,093,276	-	-	1,093,276
Student activities	43,356	-	-	43,356
Administrative	399,284	16,676	-	415,960
Operations and maintenance	369,605	241,700	(115,415)	495,890
Contributions	-	650	(650)	-
<i>Total expenses</i>	1,905,521	259,026	(116,065)	2,048,482
<i>Total increase in unrestricted fund net position</i>	211,164	1,458,389	-	1,669,553
RESTRICTED:				
Student activities	2,376	-	-	2,376
Funds released from restriction for fulfillment of program restrictions	(3,079)	-	-	(3,079)
<i>Decrease in restricted fund net position</i>	(703)	-	-	(703)
<i>Total increase in fund net position</i>	210,461	1,458,389	-	1,668,850
Fund net position, beginning of year	217,412	2,170,856	-	2,388,268
<i>Fund net position, end of year</i>	\$ 427,873	\$ 3,629,245	\$ -	\$ 4,057,118

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2016

UNRESTRICTED:	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
REVENUES AND SUPPORT				
State per pupil aid	\$ 1,110,826	\$ -	\$ -	\$ 1,110,826
Grants	25,000	-	-	25,000
Student activities	78,193	-	-	78,193
Summer school	5,100	-	-	5,100
Contributions	106,613	1,000,000	(15,000)	1,091,613
In-kind contributions	20,774	2,000	-	22,774
Rental income	-	127,644	(127,644)	-
Investment income, interest	-	38	-	38
Other income	786	-	-	786
Gain on sale of asset	-	1,773	-	1,773
<i>Total revenue and support</i>	<u>1,347,292</u>	<u>1,131,455</u>	<u>(142,644)</u>	<u>2,336,103</u>
Funds released from restrictions for fulfillment of program restrictions	2,500	-	-	2,500
<i>Total unrestricted revenues, support and funds released from restrictions</i>	<u>1,349,792</u>	<u>1,131,455</u>	<u>(142,644)</u>	<u>2,338,603</u>
EXPENSES				
Instructional	631,971	-	-	631,971
Student activities	55,070	-	-	55,070
Administrative	282,419	13,603	-	296,022
Operations and maintenance	320,702	290,405	(127,644)	483,463
Contributions	-	15,000	(15,000)	-
<i>Total expenses</i>	<u>1,290,162</u>	<u>319,008</u>	<u>(142,644)</u>	<u>1,466,526</u>
<i>Total increase in unrestricted fund net position</i>	<u>59,630</u>	<u>812,447</u>	<u>-</u>	<u>872,077</u>
RESTRICTED:				
Student activities	4,331	-	-	4,331
Funds released from restriction for fulfillment of program restrictions	(2,500)	-	-	(2,500)
<i>Increase in restricted fund net position</i>	<u>1,831</u>	<u>-</u>	<u>-</u>	<u>1,831</u>
<i>Total increase in fund net position</i>	<u>61,461</u>	<u>812,447</u>	<u>-</u>	<u>873,908</u>
Fund net position, beginning of year	155,951	1,358,409	-	1,514,360
<i>Fund net position, end of year</i>	<u>\$ 217,412</u>	<u>\$ 2,170,856</u>	<u>\$ -</u>	<u>\$ 2,388,268</u>

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received for per pupil aid	\$ 1,884,900	\$ -	\$ -	\$ 1,884,900
Cash received for contributions and grants	139,535	-	(650)	138,885
Cash received for student activities income	39,725	-	-	39,725
Cash received for rents	-	148,419	(148,419)	-
Cash received for other income	299	-	-	299
Cash paid to suppliers and independent contractors	(1,894,004)	(152,474)	149,069	(1,897,409)
<i>Net cash provided by (used in) operating activities</i>	170,455	(4,055)	-	166,400
CASH FLOWS USED IN INVESTING ACTIVITIES				
Purchases of capital assets	(104,372)	-	-	(104,372)
CASH FLOWS USED IN FINANCING ACTIVITIES				
Repayments on borrowings	(40,000)	-	-	(40,000)
<i>Net increase (decrease) in cash</i>	26,083	(4,055)	-	22,028
Cash, beginning of year	90,386	5,346	-	95,732
<i>Cash, end of year</i>	\$ 116,469	\$ 1,291	\$ -	\$ 117,760

	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
RECONCILIATION OF CHANGE IN FUND NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Increase in fund net position	\$ 210,461	\$ 1,458,389	\$ -	\$ 1,668,850
Adjustments to reconcile increase in fund net position to net cash provided by (used in) operating activities:				
Depreciation	42,859	137,356	-	180,215
Debt forgiveness	-	(1,600,000)	-	(1,600,000)
Changes in assets and liabilities:				
Increase (decrease) in accounts receivable	(33,671)	33,004	(33,004)	(33,671)
Increase in prepaid expenses	3,233	-	-	3,233
Increase in accounts payable and accrued expenses	(53,082)	(32,804)	33,004	(52,882)
Increase in deferred revenue	655	-	-	655
<i>Net cash provided by (used in) operating activities</i>	\$ 170,455	\$ (4,055)	\$ -	\$ 166,400

NONCASH OPERATING ACTIVITIES				
Total contributions	\$ 139,535	\$ 1,600,000	\$ -	\$ 1,739,535
Debt forgiveness	-	(1,600,000)	-	(1,600,000)
<i>Total cash contributions</i>	\$ 139,535	\$ -	\$ -	\$ 139,535

NONCASH FINANCING INFORMATION				
Change in debt balance	\$ -	\$ (1,600,000)	\$ -	\$ (1,600,000)
Debt forgiveness	-	1,600,000	-	1,600,000
<i>Cash paid for debt</i>	\$ -	\$ -	\$ -	\$ -

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION				
Cash payments for interest	\$ 3,086	\$ 86,419	\$ -	\$ 89,505

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

CONSOLIDATING STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received for per pupil aid	\$ 1,042,037	\$ -	\$ -	\$ 1,042,037
Cash received for contributions and grants	131,613	-	(15,000)	116,613
Cash received for student activities income	82,524	-	-	82,524
Cash received for rents	-	126,355	(126,355)	-
Cash received for interest income	-	38	-	38
Bad debt expense	-	22,169	-	22,169
Cash received for other income	786	-	-	786
Cash paid to suppliers and independent contractors	(1,219,306)	(202,460)	141,355	(1,280,411)
<i>Net cash provided by (used in) operating activities</i>	<u>37,654</u>	<u>(53,898)</u>	<u>-</u>	<u>(16,244)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of asset	-	15,000	-	15,000
Purchases of capital assets	(20,037)	-	-	(20,037)
<i>Net cash provided by (used in) investing activities</i>	<u>(20,037)</u>	<u>15,000</u>	<u>-</u>	<u>(5,037)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Net borrowings on line of credit	40,000	-	-	40,000
Proceeds from borrowing on debt	-	24,787	-	24,787
Repayments on borrowings	(35,000)	-	-	(35,000)
<i>Net cash provided by financing activities</i>	<u>5,000</u>	<u>24,787</u>	<u>-</u>	<u>29,787</u>
<i>Net increase (decrease) in cash</i>	<u>22,617</u>	<u>(14,111)</u>	<u>-</u>	<u>8,506</u>
Cash, beginning of year	67,769	19,457	-	87,226
<i>Cash, end of year</i>	<u>\$ 90,386</u>	<u>\$ 5,346</u>	<u>\$ -</u>	<u>\$ 95,732</u>

	Founders Academy	Founders Academy Foundation	Eliminations	Consolidated
RECONCILIATION OF CHANGE IN FUND NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Increase in fund net position	\$ 61,461	\$ 812,447	\$ -	\$ 873,908
Adjustments to reconcile increase in fund net position to net cash provided by (used in) operating activities:				
Depreciation	35,209	138,291	-	173,500
Bad debt expense	-	22,169	-	22,169
Gain on disposal of fixed asset	-	(1,773)	-	(1,773)
Debt forgiveness	-	(1,000,000)	-	(1,000,000)
Changes in assets and liabilities:				
Increase in accounts receivable	(75,569)	(1,289)	1,289	(75,569)
Increase (decrease) in prepaid expenses	(2,812)	891	-	(1,921)
(Increase) decrease in accounts payable and accrued expenses	17,685	(24,634)	(1,289)	(8,238)
Increase in deferred revenue	1,680	-	-	1,680
<i>Net cash provided by (used in) operating activities</i>	<u>\$ 37,654</u>	<u>\$ (53,898)</u>	<u>\$ -</u>	<u>\$ (16,244)</u>

NONCASH OPERATING ACTIVITIES				
Total contributions	\$ 131,613	\$ 1,000,000	\$ -	\$ 1,131,613
Debt forgiveness	-	(1,000,000)	-	(1,000,000)
<i>Total cash contributions</i>	<u>\$ 131,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131,613</u>

NONCASH FINANCING INFORMATION				
Change in debt balance	\$ -	\$ (975,213)	\$ -	\$ (975,213)
Debt forgiveness	-	1,000,000	-	1,000,000
<i>Proceeds from borrowings</i>	<u>\$ -</u>	<u>\$ 24,787</u>	<u>\$ -</u>	<u>\$ 24,787</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for interest	\$ -	\$ 61,793	\$ -	\$ 61,793
----------------------------	------	-----------	------	-----------

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

NOTES TO CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS

The Organization 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 Organization 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, expenses and contributions 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, grants and contributions receivable for which time and donor-imposed restrictions have not yet been met.

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, 2017 and 2016.

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.

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 2014.

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.

(continued on the next page)

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounts receivable: Accounts receivable are presented net of an allowance for doubtful accounts. Accounts receivable are written off when deemed uncollectible. At June 30, 2017 and 2016, no allowance for doubtful accounts was deemed necessary, as management believes all such receivables will be collected.

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 39.5 years for buildings and improvements.

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

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets:				
Building	\$ 1,453,012	\$ -	\$ -	\$ 1,453,012
Building improvements	3,972,553	62,500	-	4,035,053
Furniture and equipment	195,838	41,872	-	237,710
<i>Total capital assets</i>	5,621,403	104,372	-	5,725,775
Less accumulated depreciation for:				
Building	36,785	36,785	-	73,570
Building improvements	100,571	102,022	-	202,593
Furniture and equipment	157,132	41,408	-	198,540
<i>Total accumulated depreciation</i>	294,488	180,215	-	474,703
Total capital assets, net	\$ 5,326,915	\$ (75,843)	\$ -	\$ 5,251,072

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets:				
Building	\$ 1,453,012	\$ -	\$ -	\$ 1,453,012
Building improvements	3,972,553	-	-	3,972,553
Furniture and equipment	192,301	20,037	16,500	195,838
<i>Total capital assets</i>	5,617,866	20,037	16,500	5,621,403
Less accumulated depreciation for:				
Building	-	36,785	-	36,785
Building improvements	-	100,571	-	100,571
Furniture and equipment	124,260	36,144	3,272	157,132
<i>Total accumulated depreciation</i>	124,260	173,500	3,272	294,488
Total capital assets, net	\$ 5,493,606	\$ (153,463)	\$ 13,228	\$ 5,326,915

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Depreciation expense for the years ended June 30, 2017 and 2016 amounted to \$180,215 and \$173,500, respectively, and was charged to operations and maintenance on the accompanying consolidating statements of activities and changes in fund net position.

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.

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 \$28 and \$4,937 for the years ended June 30, 2017 and 2016, 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 five-year operating lease agreement for office equipment. Required monthly lease payments are \$298.

At June 30, 2017, the future minimum lease payments required under operating leases is as follows:

2018	\$	50,383
2019		48,330
2020		47,734
2021		47,734
2022		47,734
Thereafter		1,002,421
	\$	<u>1,244,336</u>

Total rent expense for the years ended June 30, 2017 and 2016 amounted to \$42,201 and \$49,932, respectively.

(continued on the next page)

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

Note 4. Concentrations

During the year ended June 30, 2016, approximately \$1,136,000 or 84% of the School's revenues were provided by the State of New Hampshire.

During the year ended June 30, 2017, approximately \$1,913,000 or 90% 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, 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 was to be due and payable to the lender on June 30, 2017. This was extended by the lender to June 30, 2018, during the year ended June 30, 2017. The line of credit is collateralized by the building owned by the Foundation. During the years ended June 30, 2017 and 2016, interest expense on the loan amounted to \$53,415 and \$63,082, respectively. At June 30, 2017 and 2016, \$- and \$33,004, respectively, of this interest was payable to the related party and is included on the statement of fund net position as such. During the years ended June 30, 2017 and 2016, \$1,600,000 and \$1,000,000, respectively, of the debt was forgiven as a contribution to the Foundation.

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. Interest on the line of credit was equal to Prime Rate plus 1% and was to be renewed annually. This line of credit was closed during the year ended June 30, 2016 and the collateral was returned to the related party.

THE FOUNDERS ACADEMY AND THE FOUNDERS ACADEMY FOUNDATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 7. Line of Credit

In June 2016, the School opened an unsecured line of credit at a local bank with maximum borrowings of \$175,000, bearing interest at 5.5%. At June 30, 2016, the outstanding balance on the line of credit was \$40,000. The loan matured on December 1, 2016 and was not renewed. Interest expense for the year ended June 30, 2017 amounted to \$3,086.

Note 8. Reclassification

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. Such reclassifications have had no effect on net assets as previously reported.

Note 9. Subsequent Events

The School has evaluated subsequent events through September 20, 2017 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, 2017.

REQUIRED SUPPLEMENTAL INFORMATION

THE FOUNDERS ACADEMY

STATEMENT OF BUDGETARY COMPARISON
Year Ended June 30, 2017

	Budgeted (Original and Final)	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES:			
State per pupil aid	\$ 1,980,000	\$ 1,913,005	\$ (66,995) (1)
Contributions	99,000	158,042	59,042 (2)
Student activities	10,500	39,725	29,225 (3)
Summer school	10,000	4,911	(5,089)
Other miscellaneous income	-	299	299
<i>Total income</i>	<u>2,099,500</u>	<u>2,115,982</u>	<u>16,482</u>
EXPENDITURES:			
Salaries	1,224,500	1,271,014	(46,514) (4)
Employee benefits	12,000	13,634	(1,634)
Payroll taxes	106,176	98,398	7,778
Rent and related utilities	483,060	258,040	225,020 (5)
Supplies and textbooks	19,000	22,816	(3,816)
Equipment	44,000	19,635	24,365
Professional development	250	5,096	(4,846)
Professional fees	17,000	21,388	(4,388)
Outside services	46,500	83,872	(37,372) (6)
Student activities	-	43,356	(43,356) (3)
Depreciation expense	-	42,859	(42,859) (7)
Other	21,950	25,413	(3,463)
<i>Total expenditures</i>	<u>1,974,436</u>	<u>1,905,521</u>	<u>68,915</u>
<i>Change in fund net position</i>	<u>\$ 125,064</u>	<u>\$ 210,461</u>	<u>\$ 85,397</u>

Explanation of variances:

- (1) Per Pupil Aid was budgeted for the number of students allowed by the charter, 300, actual number of students was 285.
- (2) The Annual Fund was more successful than budgeted and in-kind contributions were not included in the budget.
- (3) Minimal student activities revenue and expenses are incorporated into the budget as the student led activities are designed to be self funding. Any school led activity is expected to generate minimal incremental costs to the School.
- (4) The School filled open positions and hired more teachers for the increase in the number of students.
- (5) Budgeted rent expense included a reserve for building repairs that was not needed during the year. Actual rent expense was also less than expected due to a significant portion of the Foundation's loan being forgiven.
- (6) Budgeted outside services did not include repairs to HVAC units and additional part-time employees that were hired using an outside service provider.
- (7) 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, 2016

	Budgeted (Original and Final)	Actual Amounts	Variance Favorable (Unfavorable)
REVENUES:			
State per pupil aid	\$ 1,119,454	\$ 1,110,826	\$ (8,628)
Grants	25,000	25,000	-
Contributions	80,000	127,387	47,387 (1)
Student activities	7,500	82,524	75,024 (2)
Summer school	7,000	5,100	(1,900)
Other miscellaneous income	-	786	786
<i>Total income</i>	1,238,954	1,351,623	112,669
EXPENDITURES:			
Salaries	877,000	778,595	98,405 (3)
Employee benefits	5,016	3,467	1,549
Payroll taxes	66,536	60,946	5,590
Rent and related utilities	186,124	246,006	(59,882) (4)
Supplies and textbooks	15,100	16,184	(1,084)
Equipment	25,000	16,473	8,527
Professional development	-	970	(970)
Professional fees	18,000	20,000	(2,000)
Outside services	34,300	36,771	(2,471)
Student activities	-	55,070	(55,070) (2)
Depreciation expense	-	35,209	(35,209) (5)
Other	16,525	20,471	(3,946)
<i>Total expenditures</i>	1,243,601	1,290,162	(46,561)
<i>Change in fund net position</i>	\$ (4,647)	\$ 61,461	\$ 66,108

Explanation of variances:

- (1) The Annual Fund was more successful than budgeted and in-kind contributions were not included in the budget.
- (2) Minimal student activities revenue and expenses are incorporated into the budget as the student led activities are designed to be self funding. Any school led activity is expected to generate minimal incremental costs to the School.
- (3) The School utilized a senior volunteer program in place of some paid positions, left an administrative position open during the year and the overall cost per employee was less than anticipated.
- (4) Budgeted rent expense did not factor in the Foundation's interest expense on the construction loan as those amounts were contributed back to the School once paid out by the Foundation.
- (5) 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.



NATHAN WECHSLER & COMPANY
P R O F E S S I O N A L A S S O C I A T I O N
CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

**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 and
The Founders Academy Foundation
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 consolidated financial statements of The Founders Academy and The Founders Academy Foundation (the "Organization") as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Organization's basic consolidated financial statements, and have issued our report thereon dated September 20, 2017.

Internal Control over Financial Reporting

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

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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

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

1) Financial Statement Preparation

The 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.

Compliance and Other Matters

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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Nathan Wechsler & Company

Nathan Wechsler & Company
Professional Association