

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

FINANCIAL REPORT

JUNE 30, 2019

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*INDEPENDENT AUDITOR'S REPORT*

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

*Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities of The Founders Academy Public Charter School, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise The Founders Academy Public Charter School's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the fund net position of the governmental activities of The Founders Academy Public Charter School, as of June 30, 2019 and 2018, and the respective changes in fund net position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matter*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-5 and budgetary comparison information on pages 14-15 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 18, 2019 on our consideration of The Founders Academy Public Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements on pages 16-17. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Founders Academy Public Charter School's internal control over financial reporting and compliance.

*Nathan Wechsler & Company*

Concord, New Hampshire  
September 18, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### INTRODUCTION

Our discussion and analysis of the financial position of The Founders Academy Public Charter School ("the School") provides an overview of the activities for the fiscal year ended June 30, 2019. 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

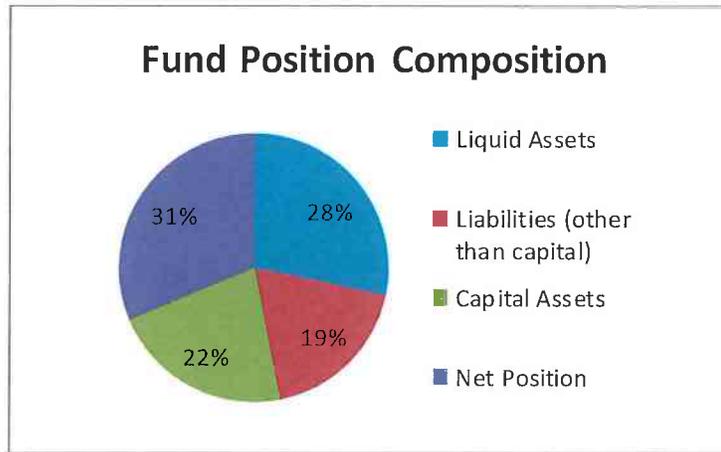
- Fiscal year 2019 (July 1, 2018 through June 30, 2019) was the sixth year of operations for the School. This was the fifth year with a student population as the school opened to students in September 2014 and the prior year was a start-up year.
- The School received \$7,047 in State equitable aid for each attending student directly from the State of New Hampshire.
- The student population for this academic year averaged 332 students. The School's current charter allows up to 500 students.
- The School raised \$122,280 in contributions and received \$62,940 of in-kind goods and service contributions.
- The School also successfully continued ancillary activities including special education services, student activities and summer school.
- The School received a government grant for safety and security which was used to install a security system.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The School herewith present their basic financial statements for fiscal year 2019. The basic financial statements have been prepared in accordance with the standards of the Governmental Accounting Standards Board which establishes generally accepted accounting principles for state and local governments. The School's basic financial statements are comprised of two components: 1) comprehensive financial statements and 2) notes to the financial statements. The comprehensive financial statements presented are the Statements of Fund Net Position, the Statements of Activities and Changes in Fund Net Position and 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.

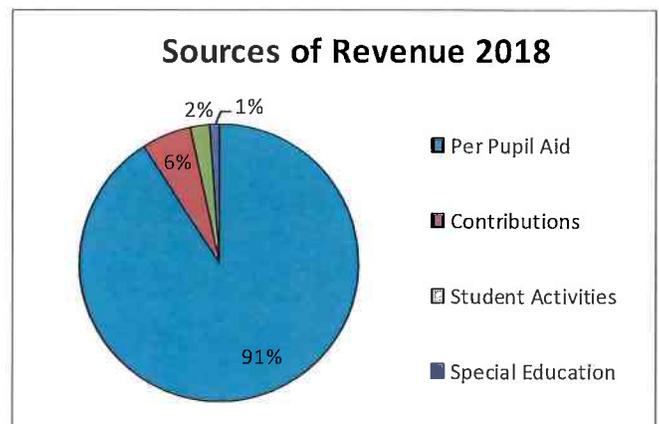
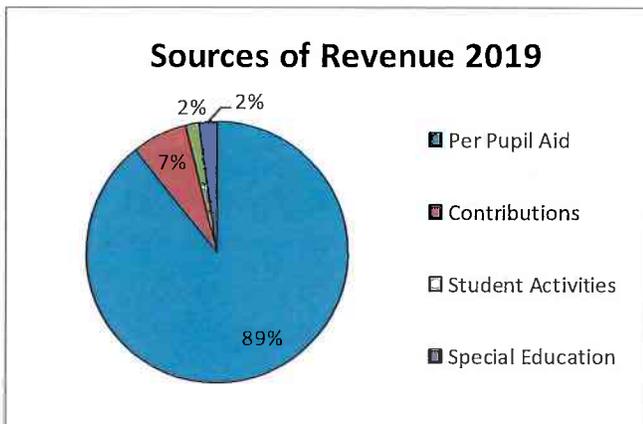
*Statements of Fund Net Position*

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

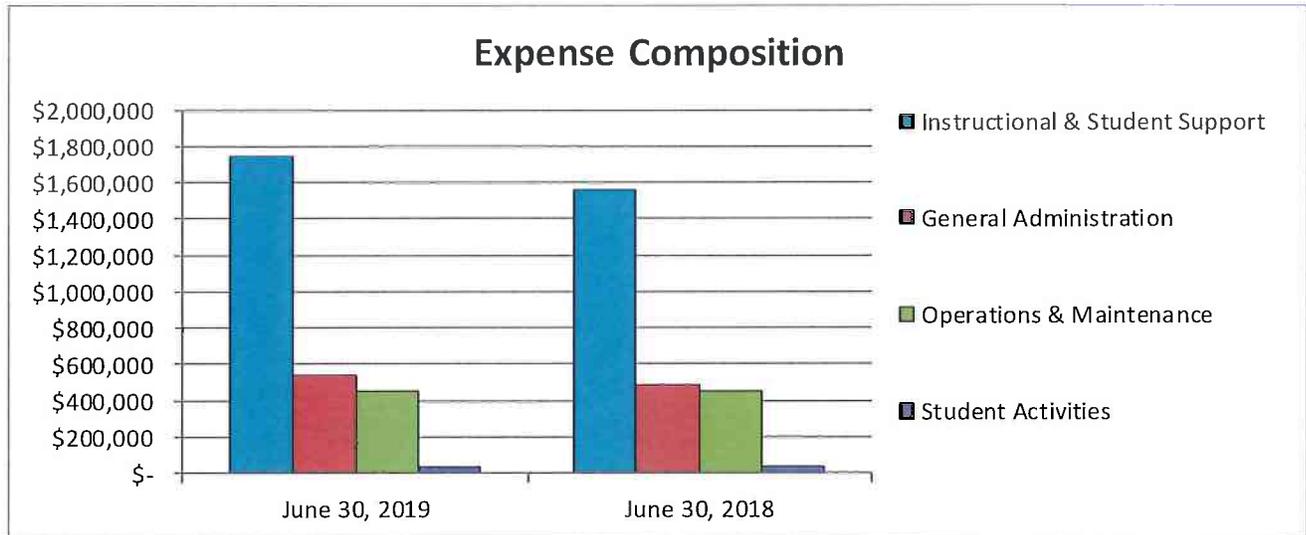


*Statements of Activities and Changes in Fund Net Position*

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



(continued on next page)



***Fiscal Year 2019 Compared to 2018***

The total per pupil aid received from the state for fiscal year 2019 amounted to \$2,409,933 for 332 students compared to \$2,194,031 for 312 students in 2018. Instructional expenses increased \$189,476 in 2019, as a result of increased staff and more employees opting into the health insurance. Administrative expenses increased \$55,423 in 2019, as a result of increased legal fees. Operations and maintenance increased \$51,533 as a result of increased rent in accordance with the lease executed during the year. Other operating expenses relate primarily to the utilities and maintenance of the leased facilities and capital asset depreciation.

**NEXT YEAR'S OPERATIONS**

The School will enroll students for the sixth time in September 2019 and is expected to have 370 students, 600 is the maximum allowed under the charter for the 2019-2020 school year. Per pupil state aid is expected to increase to \$7,188 for the fiscal year ended June 30, 2020.

**REQUEST FOR INFORMATION**

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

**BASIC FINANCIAL STATEMENTS**

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

STATEMENTS OF FUND NET POSITION

June 30, 2019 and 2018

		<i>ASSETS</i>	
		2019	2018
<b>CURRENT ASSETS</b>			
Cash		\$ 75,794	\$ 18,555
Due from State of New Hampshire		218,437	198,372
Accounts receivable		35,545	27,665
Pledges receivable, related party		-	22,784
Prepaid expenses		440	12,212
	<i>Total current assets</i>	330,216	279,588
<b>CAPITAL ASSETS</b>			
Building improvements		62,500	62,500
Furniture and equipment		398,695	287,414
Less accumulated depreciation		(207,676)	(153,647)
	<i>Total capital assets, net</i>	253,519	196,267
	<i>Total assets</i>	\$ 583,735	\$ 475,855

**LIABILITIES AND FUND NET POSITION**

		2019	2018
<b>CURRENT LIABILITIES</b>			
Line of credit		\$ 175,000	\$ 15,000
Accounts payable		18,119	62,797
Accounts payable, related party		-	5,000
Deferred revenue		5,175	3,771
Accrued expenses		19,268	6,630
	<i>Total liabilities</i>	217,562	93,198
<b>COMMITMENTS (See Notes)</b>			
<b>FUND NET POSITION</b>			
Net investment in capital assets		253,519	196,267
Unrestricted		100,758	176,052
Restricted		11,896	10,338
	<i>Total fund net position</i>	366,173	382,657
	<i>Total liabilities and fund net position</i>	\$ 583,735	\$ 475,855

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

STATEMENTS OF ACTIVITIES AND CHANGES IN FUND NET POSITION  
 Years Ended June 30, 2019 and 2018

	2019	2018
<b>UNRESTRICTED:</b>		
<b>REVENUES AND SUPPORT</b>		
State per pupil aid	\$ 2,409,933	\$ 2,194,031
Governmental grants	45,440	-
Student activities	39,538	47,936
Summer school	2,901	8,945
Contributions	122,280	99,925
In-kind contributions	62,940	40,467
Special education services	58,812	27,315
Other income	2,809	579
	<hr/>	<hr/>
<i>Total revenues and support</i>	2,744,653	2,419,198
	<hr/>	<hr/>
Funds released from restrictions for fulfillment of program restrictions	1,892	106
	<hr/>	<hr/>
<i>Total unrestricted revenues, support and funds released from restrictions</i>	2,746,545	2,419,304
	<hr/>	<hr/>
<b>EXPENSES</b>		
Instructional	1,742,334	1,552,858
Student activities	31,274	31,994
Administrative	539,954	484,531
Operations and maintenance	451,025	399,492
	<hr/>	<hr/>
<i>Total expenses</i>	2,764,587	2,468,875
	<hr/>	<hr/>
<i>Total decrease in unrestricted fund net position</i>	(18,042)	(49,571)
	<hr/>	<hr/>
<b>RESTRICTED:</b>		
Student activities	3,450	4,461
Funds released from restriction for fulfillment of program restrictions	(1,892)	(106)
	<hr/>	<hr/>
<i>Increase in restricted fund net position</i>	1,558	4,355
	<hr/>	<hr/>
<i>Total decrease in fund net position</i>	(16,484)	(45,216)
	<hr/>	<hr/>
Fund net position, beginning of year	382,657	427,873
	<hr/>	<hr/>
<i>Fund net position, end of year</i>	\$ 366,173	\$ 382,657
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THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2019 and 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received for per pupil aid	\$ 2,394,173	\$ 2,143,221
Cash received for contributions and grants	190,504	77,141
Cash received for student activities income	42,988	52,397
Cash received for special education services	50,932	-
Cash received for other income	2,809	579
Cash paid to suppliers and independent contractors	(2,672,886)	(2,336,548)
	<u>8,520</u>	<u>(63,210)</u>
<i>Net cash provided by (used in) operating activities</i>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of capital assets	(111,281)	(49,704)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowings on line of credit	160,000	15,000
	<u>57,239</u>	<u>(97,914)</u>
<i>Net increase (decrease) in cash</i>		
Cash, beginning of year	18,555	116,469
	<u>\$ 75,794</u>	<u>\$ 18,555</u>
<i>Cash, end of year</i>		
<b>RECONCILIATION OF CHANGE IN FUND NET POSITION TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Decrease in fund net position	\$ (16,484)	\$ (45,216)
Adjustments to reconcile decrease in fund net position to net cash provided by (used in) operating activities:		
Depreciation	54,029	49,411
Changes in assets and liabilities:		
Increase in accounts receivable	(27,945)	(86,016)
(Increase) decrease in pledges receivable	22,784	(22,784)
(Increase) decrease in prepaid expenses	11,772	(9,628)
Increase (decrease) in accounts payable and accrued expenses	(37,040)	52,427
Increase (decrease) in deferred revenue	1,404	(1,404)
	<u>\$ 8,520</u>	<u>\$ (63,210)</u>
<i>Net cash provided by (used in) operating activities</i>		
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash payments for interest	\$ 4,304	\$ 2,775

# THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

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### *Note 1. Nature of Organization*

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

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

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

### *Note 2. Significant Accounting Policies*

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

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

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

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

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

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# THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

**Tax status:** The School was established under a charter granted by the State of New Hampshire Department of Education and operates as part of the State of New Hampshire and is therefore generally exempt from income taxes under Section 115. The School is also exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and 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 2016.

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

**Accounts receivable:** Accounts receivable are presented net of an allowance for doubtful accounts. Accounts receivable are written off when deemed uncollectible. At June 30, 2019 and 2018, 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 PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

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

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets:				
Building improvements	\$ 62,500	\$ -	\$ -	\$ 62,500
Furniture and equipment	287,414	111,281	-	398,695
<i>Total capital assets</i>	<u>349,914</u>	<u>111,281</u>	<u>-</u>	<u>461,195</u>
Less accumulated depreciation for:				
Building improvements	3,032	1,582	-	4,614
Furniture and equipment	150,615	52,447	-	203,062
<i>Total accumulated depreciation</i>	<u>153,647</u>	<u>54,029</u>	<u>-</u>	<u>207,676</u>
Total capital assets, net	<u>\$ 196,267</u>	<u>\$ 57,252</u>	<u>\$ -</u>	<u>\$ 253,519</u>

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets:				
Building improvements	\$ 62,500	\$ -	\$ -	\$ 62,500
Furniture and equipment	237,710	49,704	-	287,414
<i>Total capital assets</i>	<u>300,210</u>	<u>49,704</u>	<u>-</u>	<u>349,914</u>
Less accumulated depreciation for:				
Building improvements	1,450	1,582	-	3,032
Furniture and equipment	102,786	47,829	-	150,615
<i>Total accumulated depreciation</i>	<u>104,236</u>	<u>49,411</u>	<u>-</u>	<u>153,647</u>
Total capital assets, net	<u>\$ 195,974</u>	<u>\$ 293</u>	<u>\$ -</u>	<u>\$ 196,267</u>

Depreciation expense for the years ended June 30, 2019 and 2018 amounted to \$54,029 and \$49,411, respectively, and was charged to operations and maintenance on the accompanying statements of activities and changes in fund net position.

**Advertising costs:** The School expenses all advertising costs as incurred. Advertising and recruitment expense amounted to \$2,205 and \$1,117 for the years ended June 30, 2019 and 2018, respectively.

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# THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

## NOTES TO FINANCIAL STATEMENTS

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**Recent accounting pronouncements:** In June 2017, GASB issued Statement 87, *Leases*, which will be effective for the School on July 1, 2020, with early adoption permitted. Under GASB 87, at the commencement of a long-term lease, lessees will recognize a liability equivalent to the discounted payments due under the lease agreement, as well as an offsetting right-of-use asset. Lessees (for capital and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees may not apply a full retrospective transition approach. Management is currently evaluating the impact GASB 87 will have on the School's financial statements.

### *Note 3. Operating Leases*

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. During the year ended June 30, 2019, the lease was paid in full.

During the year ended June 30, 2019, the School entered into a two year lease agreement to lease it's building facilities located in Manchester, NH commencing on September 1, 2018. The agreement has an option to renew for five additional two-year terms.

At June 30, 2019, the future minimum lease payments required under operating leases is as follows:

2020		\$	145,000
2021			36,250
	<i>Total</i>	<u>\$</u>	<u>181,250</u>

Total rent expense for the years ended June 30, 2019 and 2018 amounted to \$158,467 and \$109,891, respectively.

### *Note 4. Concentrations*

During the year ended June 30, 2018, approximately \$2,194,031 or 91% of the School's revenues were provided by the State of New Hampshire.

During the year ended June 30, 2019, approximately \$2,455,373 or 89% of the School's revenues were provided by the State of New Hampshire.

## THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

### NOTES TO FINANCIAL STATEMENTS

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#### *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. Line of Credit*

During the year ended June 30, 2018, the School opened an unsecured line of credit at a local bank with maximum borrowings of \$175,000, bearing interest at a fixed rate of 5.5%. The outstanding balance on the line of credit was \$175,000 and \$15,000 at June 30, 2019 and 2018, respectively. The line automatically renews annually. Interest expense for the year ended June 30, 2019 and 2018 amounted to \$4,304 and \$2,775, respectively.

#### *Note 7. Retirement Plan*

During the year ended June 30, 2019, the School established a 401k plan. Under the plan, employees can contribute any amounts up to IRS limitations. The School does not currently match any contributions.

#### *Note 8. Related Party*

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

#### *Note 9. Subsequent Events*

The School has evaluated subsequent events through September 18, 2019 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, 2019.

THE FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF BUDGETARY COMPARISON

Year Ended June 30, 2019

	Budgeted (Original and Final)	Actual Amounts	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
State per pupil aid	\$ 2,698,000	\$ 2,409,933	\$ (288,067) (1)
Grants	56,000	45,440	(10,560)
Contributions	91,000	185,220	94,220 (2)
Student activities	39,050	42,988	3,938
Summer school	9,000	2,901	(6,099)
Special education reimbursement	-	58,812	58,812 (3)
Other miscellaneous income	-	2,809	2,809
<i>Total income</i>	<u>2,893,050</u>	<u>2,748,103</u>	<u>(144,947)</u>
<b>EXPENDITURES:</b>			
Salaries	1,910,100	1,764,575	145,525 (4)
Employee benefits	83,400	89,138	(5,738)
Payroll taxes	169,629	133,876	35,753 (4)
Rent and related utilities	360,560	305,794	54,766 (5)
Supplies and textbooks	30,500	28,102	2,398
Equipment	29,500	24,051	5,449
Professional development	37,750	4,447	33,303 (6)
Professional fees	36,000	126,225	(90,225) (7)
Outside services	160,500	175,860	(15,360)
Student activities	17,975	31,274	(13,299)
Depreciation expense	-	54,029	(54,029) (8)
Other	19,900	27,216	(7,316)
<i>Total expenditures</i>	<u>2,855,814</u>	<u>2,764,587</u>	<u>91,227</u>
<i>Change in fund net position</i>	<u>\$ 37,236</u>	<u>\$ (16,484)</u>	<u>\$ (53,720)</u>

**Explanation of variances:**

- (1) Per Pupil Aid was budgeted for 380 students, actual number of students was 332. It was also expected that per pupil aid was going to be \$7,100 when it was actually \$7,047.
- (2) The budgeted Annual Fund did not include in-kind contributions that were more successful in the current year. There was also a significant amount of legal fees incurred in the current year that were paid for directly by a donor causing more contributions and professional expenses than budgeted for.
- (3) Reimbursement for out of district special education services that were not budgeted for.
- (4) Budget included a conservative salary estimates based on budgeted enrollment and also planned hiring and unexpected natural turnover estimates. Payroll taxes based on conservative salary estimation.
- (5) Building repairs and maintenance were conservatively budgeted for, but fewer repairs and readiness expenses were incurred than expected.
- (6) Increased professional development expense was expected for use of Title 2A funds, these funds were not utilized in the current year.
- (7) Budgeted professional fees did not include legal expenses incurred during the year that were paid by a donor.
- (8) 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 FOUNDERS ACADEMY PUBLIC CHARTER SCHOOL

STATEMENT OF BUDGETARY COMPARISON  
Year Ended June 30, 2018

	Budgeted (Original)	Budgeted (Final)	Actual Amounts	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
State per pupil aid	\$ 2,640,000	\$ 2,173,500	\$ 2,194,031	\$ 20,531 (1)
Grants	12,000	51,000	-	(51,000)
Contributions	69,000	87,000	140,392	53,392 (2)
Student activities	-	3,000	52,397	49,397 (3)
Summer school	10,000	9,000	8,945	(55)
Special education reimbursement	-	-	27,315	27,315 (4)
Other miscellaneous income	-	-	579	579
<i>Total income</i>	<u>2,731,000</u>	<u>2,323,500</u>	<u>2,423,659</u>	<u>100,159</u>
<b>EXPENDITURES:</b>				
Salaries	1,780,500	1,704,000	1,660,095	43,905 (5)
Employee benefits	122,000	55,885	59,051	(3,166)
Payroll taxes	139,851	131,094	127,852	3,242
Rent and related utilities	329,060	227,560	260,553	(32,993)
Supplies and textbooks	21,250	20,745	36,076	(15,331) (6)
Equipment	34,000	16,900	16,604	296
Professional development	2,250	3,750	3,495	255
Professional fees	18,000	22,000	84,768	(62,768) (2)
Outside services	77,000	79,000	120,285	(41,285) (7)
Student activities	25,000	25,645	31,994	(6,349) (3)
Depreciation expense	-	-	49,411	(49,411) (8)
Other	25,100	26,924	18,691	8,233
<i>Total expenditures</i>	<u>2,574,011</u>	<u>2,313,503</u>	<u>2,468,875</u>	<u>(155,372)</u>
<i>Change in fund net position</i>	<u>\$ 156,989</u>	<u>\$ 9,997</u>	<u>\$ (45,216)</u>	<u>\$ (55,213)</u>

**Explanation of variances:**

- (1) Per Pupil Aid was budgeted for the number of students allowed by the charter, 400, actual number of students was 312. It was also expected that per pupil aid was going to remain at \$6,600 when it was increased to \$6,900.
- (2) The budgeted Annual Fund did not include in-kind contributions that were much more successful in the current year with Donor's Choose donations. There was also a significant amount of legal fees incurred in the current year that were paid for directly by a donor causing more contributions and professional expenses than budgeted for.
- (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) Reimbursement from the sending out of district special education services that was not budgeted for.
- (5) Budget still includes a conservative salary estimates based on actual hiring and planned hiring and/or natural turnover that could occur.
- (6) Instructional supplies purchased were more than what was budgeted for.
- (7) A position was filled with a contractor versus an employee and therefore was not budgeted as outside services. In addition the contract maintenance of the building was increased to keep up with the building activity.
- (8) 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.

**REQUIRED SUPPLEMENTAL INFORMATION**



**NATHAN WECHSLER & COMPANY**  
**PROFESSIONAL ASSOCIATION**  
**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 Public Charter School  
Manchester, New Hampshire 03103

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of The Founders Academy Public Charter School ("the School") as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 18, 2019.

**Internal Control over Financial Reporting**

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

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

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

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

#### 1) Financial Statement Preparation

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

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

#### Compliance and Other Matters

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

#### Purpose of this Report

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

*Nathan Wechsler & Company*

Nathan Wechsler & Company  
Professional Association