



# THE FOUNDERS ACADEMY

*A Public Charter School*



**Nathan Wechsler**  
Accountants & Business Advisors

## **Audit Wrap-up**

June 30, 2018

*This presentation was prepared as part of our audit, has consequential limitations, is restricted to those charged with governance and, if appropriate, management, and is not intended and should not be used by anyone other than those specified parties.*



September 19, 2018

Board of Trustees  
The Founders Academy and  
The Founders Academy Foundation  
Manchester, New Hampshire

Dear Barbara Comtois, Board Treasurer:

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On June 20, 2018 we presented an overview of our plan for the audit of the financial statements of The Founders Academy and The Founders Academy Foundation (the Organization) as of and for the year ended June 30, 2018, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Organization's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the Organization's and look forward to meeting with you on September 19, 2018 to discuss our audit results, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

Nathan Wechsler & Company  
Professional Association

# Discussion Outline

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Audit Objectives and Status	3
Results of Our Audit	4-8
Discussion of Financial Performance and Highlights	9-10
Internal Control Over Financial Reporting	11-12
Required Communications	13-15

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# Audit Objectives and Status

<p>■ <b>Audit objective</b></p>	<ul style="list-style-type: none"> <li>□ The objective of our audit was to obtain reasonable - not absolute – assurance about whether the financial statements are free from material misstatements. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards. This audit of the financial statements does not relieve management or the Board of Trustees of their responsibilities.</li> <li>□ The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.</li> </ul>
<p>■ <b>Opinion to be expressed</b></p>	<ul style="list-style-type: none"> <li>□ We expect to issue an unmodified opinion on the financial statements and release our reporting by the September 30, 2018 state filing deadline.</li> </ul>
<p>■ <b>Current status</b></p>	<ul style="list-style-type: none"> <li>□ All records and information requested was freely available for our inspection.</li> <li>□ Management’s cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of the Organization’s personnel throughout the course of our work.</li> </ul>

# Results of Our Audit

## *Cash and Cash Equivalents*

- Confirmed all cash accounts.
- Performed testing on bank reconciliations, on a sample basis, and investigated reconciling items, where significant.

## *Receivables*

- Viewed subsequent collection of state aid receivable.
- Reviewed management's assessment of collectability on other receivable balance.

## *Fixed Assets*

- Obtained and tested a selection of fixed asset additions to invoices to ensure the amounts are verifiable.
- Analyzed estimated useful lives for reasonableness.
- Reviewed repairs and maintenance accounts to determine if any expenses should have been capitalized.
- Assessed reasonableness of depreciation expense.

## *Deferred Revenue*

- Tested summer school schedule to ensure proper revenue recognition in the current year and that amounts not unearned until the subsequent fiscal year were properly recorded as deferred revenue.

# Results of Our Audit

## *Accounts Payable and Accrued Expenses*

- Performed subsequent payment testing of payroll related accruals as of year-end and recomputed the accrued liability.
- Performed subsequent disbursement testing to assess cut-off of expense recognition in the appropriate period.

## *Net Fund Position*

- Obtained temporarily restricted details with respect to student activities funds.
- Analytically reviewed the activity related to student activities and clubs in order to identify any temporarily restricted amounts or amounts that required releasing from restriction.

## *Revenue*

- Performed predictive testing on State Aid to ensure that revenue was recorded properly, including the year-end receivable balance.
- Selected several donor contributions for testing by reviewing documentation of cash receipts and other donor documentation.
- Ensured proper recording of in-kind contributions including DonorsChoose projects and legal fees.

# Results of Our Audit

## *Expenses*

- Recomputed overall payroll expense from payroll tax returns and compared to what was recorded.
- Performed substantive analytical procedures over other key accounts, including depreciation, interest, payroll and occupancy costs.
- Obtained a summary of legal fees to verify proper recording and that all expenses were properly captured.

## *Evaluation of Related Party Transactions*

- Performed procedures to obtain an understanding of the Organization's relationships and transactions with related parties and its process for identifying, authorizing and approving, and accounting for and disclosing of such transactions.

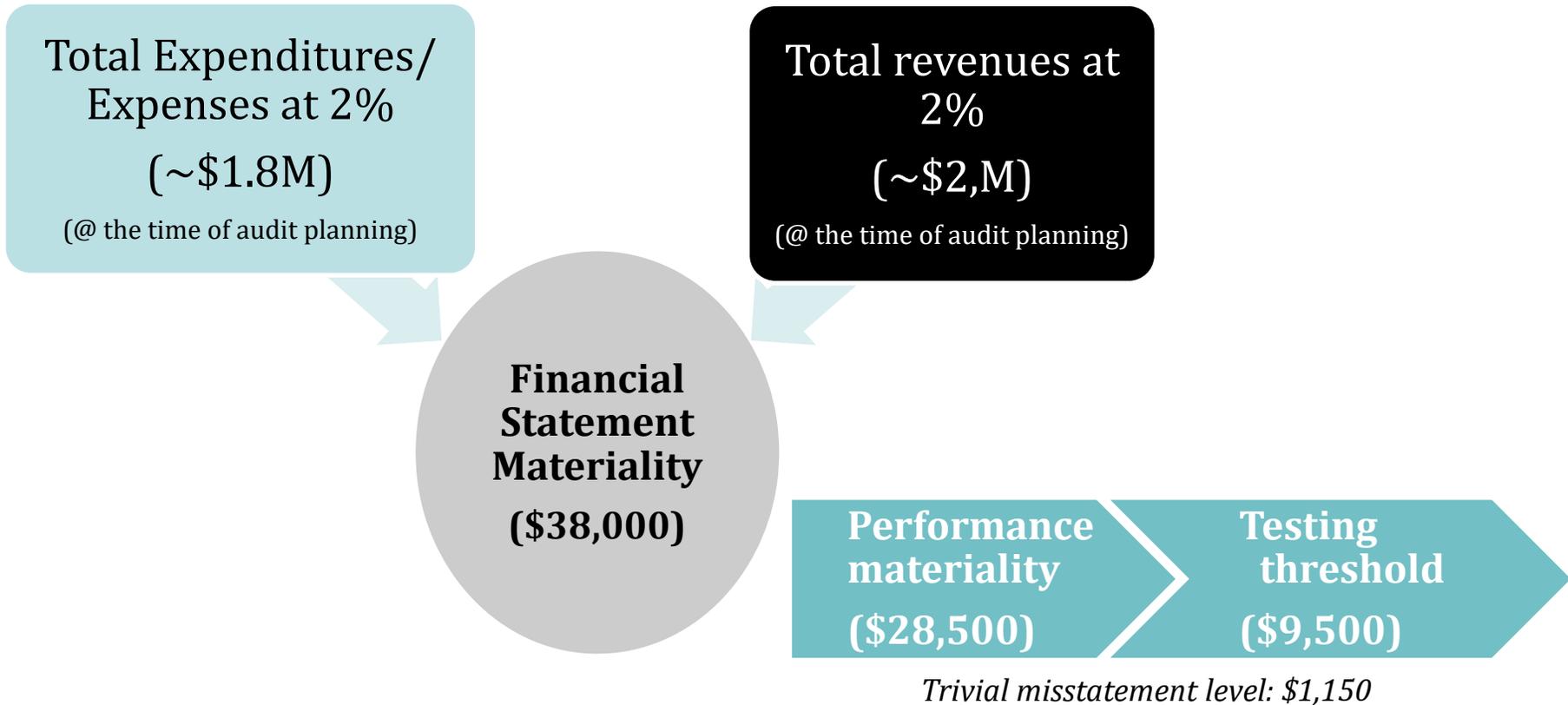
# Results of our Audit - Unpredictability Testing

## Unpredictability

- Independently verified a selection of audit support and documentation provided by management to the source of the documentation to ensure no changes were made.
  - *Result: Reports provided to NWC appear to have no manipulations and appear to agree with original records.*
- NWC reviewed the website and areas normally accessed by the public to ensure all appropriate documentation and notices are accessible by the public.
  - *Result: NWC reviewed the website in depth and made sure all typical documentation related to governance and financial results were easily accessible. Items included in the search included updated board listings, board agendas and minutes (specifically from the past year), prior audits and prior IRS Form 990s.*

# Results of our Audit - Materiality

- We selected an appropriate benchmark for the determination of materiality by considering who the intended users of the Organization’s financial statements are, including the relevant financial statement elements and components that such users are likely to consider important:



*Note: thresholds reduced  
for certain audit areas.*

# Discussion of Financial Performance and Highlights



## 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>	<b>2,731,000</b>	<b>2,323,500</b>	<b>2,423,659</b>	<b>100,159</b>

- (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 for out of district special education services that was not budgeted for.

# Discussion of Financial Performance and Highlights



	Budgeted (Original)	Budgeted (Final)	Actual Amounts	Variance Favorable (Unfavorable)
<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>	2,574,011	2,313,503	2,468,875	(155,372)
<i>Change in fund net position</i>	\$ 156,989	\$ 9,997	\$ (45,216)	\$ (55,213)

(5) Budget still includes a conservative salary estimates based on actual hiring and planned hiring and/or natural turnover that could occur.

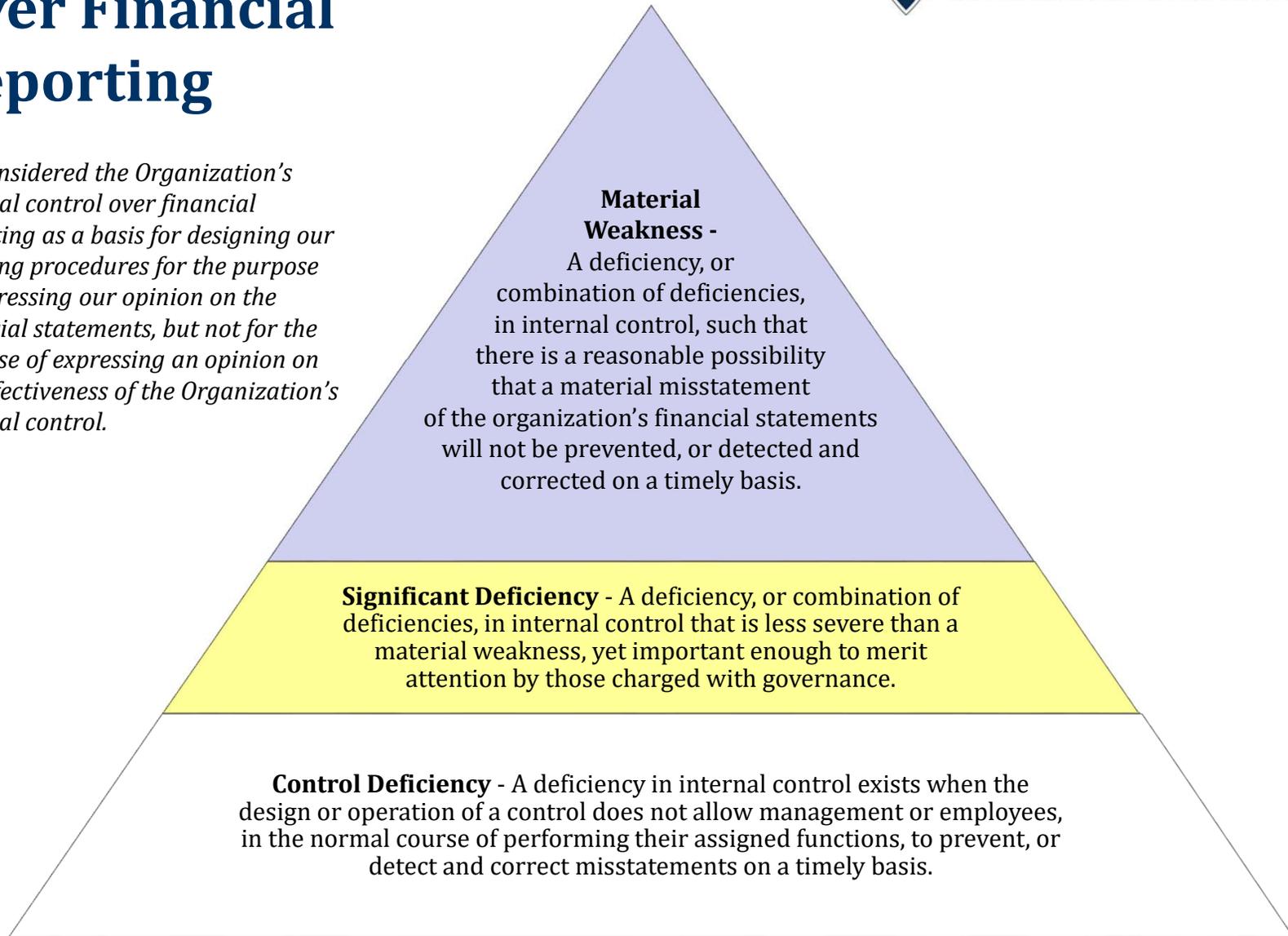
(6) Instructional supplies purchased were more than what was budgeted for.

(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.

# Internal Control Over Financial Reporting

*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.*



# Internal Control Over Financial Reporting

## Material Weakness

- Ability to prepare financial statements in full compliance with GAAP, particularly regarding financial statement disclosures

# Required Communication



<p>■ <b>Any significant changes to planned audit strategy or significant risks initially identified?</b></p>	<p>□ <i>There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications.</i></p>
<p>■ <b>Any corrections of errors or uncorrected misstatements?</b></p>	<p>□ <i>None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.</i></p> <p>□ <i>There were no uncorrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we presented to management.</i></p>
<p>■ <b>Other information in documents containing the Organization's audited financial statements</b></p>	<p>□ <i>Our responsibility for other information in documents containing the Organization's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the Organization and consider whether such information, or the manner of its presentation, was materially consistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. No inconsistencies or misstatements came to our attention.</i></p>

# Required Communication



<p>■ <b>Were any new accounting principles adopted or existing policies changed?</b></p>	<p><input type="checkbox"/> <i>There were no changes in significant accounting policies and practices during June 30, 2018.</i></p>
<p>■ <b>Any material alternative accounting treatments discussed with management?</b></p>	<p><input type="checkbox"/> <i>There was no discussion with management concerning alternative accounting treatments.</i></p>
<p>■ <b>Any disagreements with management?</b></p>	<p><input type="checkbox"/> <i>There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the Organization's financial statements or to our auditor's report.</i></p>
<p>■ <b>Any major issues discussed with management prior to retention?</b></p>	<p><input type="checkbox"/> <i>There were no major issues discussed with management prior to retention.</i></p>

# Required Communication



<p>■ <b>Any significant difficulties during the audit?</b></p>	<p><input type="checkbox"/> <i>There were no significant difficulties encountered during the audit.</i></p>
<p>■ <b>Any consultations with other accountants?</b></p>	<p><input type="checkbox"/> <i>We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.</i></p>
<p>■ <b>Any other issues matters significant to the oversight of the Organization's financial reporting process, including complaints or concerns regarding accounting or auditing matters?</b></p>	<p><input type="checkbox"/> <i>There are no other matters that we consider significant to the oversight of the Organization's financial reporting process that have not been previously communicated.</i></p>