

**STRONG FOUNDATIONS
CHARTER SCHOOL, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Strong Foundations Charter School, Inc.

We have audited the accompanying financial statements of the governmental activities and major fund of the Strong Foundations Charter School, Inc., and its blended component unit, Strong Foundations Elementary School, Inc., as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and major fund of the Strong Foundations Charter School, Inc., and its blended component unit, Strong Foundations Elementary School, Inc., and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages i-vi and 17-18 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.

Carew + Wells, PLLC

Carew & Wells, PLLC

Concord, NH

December 30, 2020

STONG FOUNDATIONS CHARTER SCHOOL, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2020

Management’s discussion and analysis of the Strong Foundations Charter School, Inc., (the “School”) provides an overview of the School’s financial performance for the year ended, June 30, 2020. The intent of this discussion is to provide a narrative and analysis of the School’s financial activities as a whole. Readers should also review the School’s basic financial statements, note disclosures and supplemental information to enhance their understanding of the School’s financial performance.

PROFILE

The financial information contained herein, includes the activity of the School and Strong Foundations Elementary School, Inc. (the “Foundation”). The Foundation, a 501(c)(3) nonprofit organization, was organized and formed to provide support to the School – primarily through the acquisition of and subsequent lease of the facilities used by the School. Without the lease income and the joint guarantee of the corresponding mortgages, the Foundation would not be able to sustain itself. Given the close relationship between the two organizations, the Foundation is included as a blended component unit of the School’s financial statements. E.g., necessary for a complete and accurate picture.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements are organized so the reader can understand the School as a financially whole, entire operating entity with a long-term perspective (the government-wide financial statements) and then proceed to an increasingly detailed look at specific financial activities with a near-term perspective (the fund financial statements). The accompanying note disclosures provide additional levels of detail for the items reported in the financial statements.

Reporting the School as a Whole - Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School’s finances in a manner similar to most private-sector companies. The effects of interfund transactions between the School and the Foundation have been eliminated in the government-wide financial statements, such that the assets and liabilities are treated as those of the School as whole. Two financial statements answer the question, “How did the school perform financially during the year?”

The *Statement of Net Position* presents information on the School’s assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the remaining difference reported as net position. The deferred outflows and inflows of resources for interfund advance lease payments have been eliminated. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information showing how the School’s net position changed during the most recent fiscal year. All of the current year’s revenue and expenses are taken into account regardless of when cash is received or paid.

In the government-wide financial statements, the School reports only governmental activities. Governmental activities are the activities where all of the School’s programs and services are reported. Activities include instructional services, special education, student activities, student support services, administrative, and operations & maintenance of facilities. The School has minimal revenue-generating activities. These include the Orton-Gillingham training for schools and individuals as well as the Extended Day Program.

STONG FOUNDATIONS CHARTER SCHOOL, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2020

Reporting the School’s Specific Financial Activities - Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements report two governmental-type funds: one for the activities of the School and the other for the activities of the Foundation. In contrast with the government-wide financial statements, the interfund transactions between the School and the Foundation (such as rental income and expense) are shown for each fund to provide more detailed insight into the activities of each fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School’s near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate a comparison with the government-wide financial statements

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL ANALYSIS

Government-Wide Financial Analysis

The Statement of Net Position serves as a useful indicator of the School’s financial position. Following is a comparative summary of the School’s net position for 2020 and 2019:

	2020	2019
Assets		
Current assets	\$ 1,402,076	\$ 936,412
Investments	10,150	8,170
Capital assets, net	<u>3,485,399</u>	<u>3,256,001</u>
Total Assets	<u>4,897,625</u>	<u>4,192,413</u>
Liabilities		
Current liabilities	529,578	116,197
Long-term liabilities	<u>2,227,020</u>	<u>2,157,480</u>
Total Liabilities	<u>\$ 2,756,598</u>	<u>\$ 2,273,677</u>
Net Position		
Net investment in capital assets	1,147,026	1,008,756
Restricted	76,228	95,266
Unrestricted	<u>917,773</u>	<u>814,714</u>
Total Net Position	<u>\$ 2,141,027</u>	<u>\$ 1,918,736</u>

STONG FOUNDATIONS CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2020

Total assets increased \$705,212 compared to June 30, 2019. This increase is primarily attributable to an increase in cash and capital assets. Capital assets of \$3,485,399 comprises 71% of the School's total assets. These include land, building, improvements, furniture and equipment. During the year, the School completed the building expansion project, invested in technology for the students and equipment for sanitizing the facilities in response to the ongoing pandemic. Net of related mortgages payable, the net investment in capital assets at June 30, 2020 was \$1,147,026. Although the School's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt are provided from the School's revenues for providing services to students.

Total liabilities increased \$482,921 compared to June 30, 2019. Specifically, mortgages payable increased with the final draw down of funds for the expansion project and the School is reflecting a current liability for the \$359,000 PPP loan funds received. While these are expected to be forgiven as the funds were used in compliance with the program's restrictions, the funds will reflect as a liability until the SBA formally forgives the debt (anticipated on or around December 31, 2020).

Total net position increased \$222,291 in the current year. This increase reflects an improvement of the overall financial position of the School compared to June 30, 2019. A portion of the net position is reported as restricted for the activities of the Foundation. The change in net position for the fiscal years ending June 30, 2020 and 2019 are as follows:

	2020	2019
Program revenues:		
Charges for services	\$ 761,191	\$ 656,854
Grants and contributions	151,326	62,339
Total program revenues	<u>912,517</u>	<u>719,193</u>
General revenues:		
State adequacy education & differentiated aid	2,165,392	2,000,187
Interest and investment earnings	2,163	11,221
Miscellaneous	2,217	3,800
Total general revenues	<u>2,169,772</u>	<u>2,015,208</u>
Total revenues	<u>3,082,289</u>	<u>2,734,401</u>
Program/activities expenses:		
Instructional services	1,380,295	1,157,751
Special education	679,127	541,740
Other instructional programs	16,539	610
Food services	75	-
Student support services	85,057	95,926
Library/research	750	3,337
Administrative	273,506	315,632
Operation & maintenance of facilities	424,649	428,418
Total expenses	<u>2,859,998</u>	<u>2,543,414</u>
Change in net position	222,291	190,987
Net position - beginning of year	1,918,736	1,007,749
Net position - ending of year	<u>\$ 2,141,027</u>	<u>\$ 1,198,736</u>

STONG FOUNDATIONS CHARTER SCHOOL, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2020

Funding for the programs and activities of the School comes from several different sources, including program revenues and general revenues. Program revenues are those charges for services, grants, contributions received specific to an activity. For the year ended, June 30, 2020, program revenues were \$912,517 - a 27% increase compared to 2019. This is a reflection of increased local tuition for special education services, student activities and contributions.

Total expenses exceeded program revenue by \$1,947,481 and \$1,824,221 for the years ended, June 30, 2020 and 2019, respectively. General revenues provide the primary source of funding for the School’s activities. Specifically, the state adequacy education grant and state differentiated aid accounts for 73% of total revenues. In 2020, this funding increased \$165,205.

The School’s largest expenses are instructional and special education services for students. These expenses include, but are not limited to, the salaries and benefits of teachers and support staff, curriculum, resources and educational material. These expenses, coupled with the other direct student activities, such as other instructional programs, student support services, library/research account for 76% of the School’s total expenses. Remaining expenses are comprised of administrative costs (9%) and the operation & maintenance of facilities (15%).

Fund Financial Statement Analysis

The focus of the School’s governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of the School’s net resources available for spending at year end. The Schools funds reported a combined fund balance of \$1,302,446 which is \$392,465 higher than last year. The Schedule below indicates the fund balances and the total change in fund balances as of June 30, 2020 and June 30, 2019 for all funds:

	2020	2019	Change
School General Fund	\$ 1,276,773	\$ 814,715	\$ 462,058
Foundation Fund	76,228	95,266	(19,038)
Total fund balance	\$ 1,353,001	909,981	443,020

School General Fund

The School’s general fund balance increased 56% in 2020 to \$1,276,773. Of that balance, \$1,206,454 is unassigned. Revenues and other financing sources exceeded expenditures for operations, debt service and capital outlay by \$462,058. The most significant contributing factor to this increase was the PPP loan funds received.

Total revenues increased 13% - from \$2,721,795 in 2019 to \$3,068,300 in 2020. Local tuition and state adequacy education grant funds received for the increased student attendance accounted for most of the change.

Total expenditures in 2020 were \$2,903,069. 96% of expenditures are for current operations (e.g., instructional services and facilities), including the \$165,593 of lease expense paid to the Foundation. The remaining expenditures were for debt service and capital outlay.

Other financing sources and uses include \$62,173 in transfers to the Foundation for costs related to the expansion project and the receipt of \$359,000 PPP loan funds received.

STONG FOUNDATIONS CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2020

Foundation Fund

The Foundation's fund balance decreased 20% in 2020 to \$76,228. All of that balance is considered restricted for the foundation activities in these financial statements, but is not separately restricted by donors or other sources. Revenues and other financing sources exceeded expenditures by \$19,038.

Total revenues increased 23% - from \$145,735 in 2019 to \$179,582 in 2020. 92% of the Foundation's revenue is derived from the rental income paid by the school to lease the facilities. Under the terms of the lease agreement, rent is the debt service required to pay the mortgages payable on the buildings, plus \$1,200 annually. Rent increase in 2020 as a result of the completed expansion and conversion of the construction loan to a term loan. Rent increase from \$123,636 in 2019 to \$165,593 in 2020.

Total expenditures in 2020 were \$434,792. The most significant expenditures were: \$206,959 or 48% were for debt service, \$219,987 (51%) were for capital outlay. As the facilities are leased under a triple-net lease arrangement with the School, the Foundation has only 1% of its expenditures for current operations, e.g., professional services.

Other financing sources include the \$62,173 in transfers received from the School and \$173,999 final advance on the mortgage payable for the expansion project.

SCHOOL GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, the school's general fund performed better than the budget by \$201,311, primarily as a result of the \$359,000 PPP funds received which offset some of the unfavorable budget variances, primarily the lower local tuition. Actual revenues for the year ended, June 30, 2020, were \$35,234 higher than budget. Expenditures exceeded budget by \$130,837, including \$95,828 of capital outlay for technology to provide the students access to remote learning and equipment for sanitizing the facility.

ECONOMIC FACTORS

Like all public charter schools, Strong Foundations Charter School, Inc., receives a set, per-student amount from the State of New Hampshire, which is called Equitable Aid. This state aid is built-in to the state's legislative budget. The projected Equitable Aid is included in the School's budget annually and is paid out by the State in four (not necessarily equal) portions during the year. This per-student aid is less than half of what students at traditional public schools receive. The State provides charter schools differentiated aid in addition to the state adequacy education grant given all NH students. And while NH towns and cities put local property tax toward their education costs above and beyond the basic aid, Charter schools have no access to such property taxes. Nor do charter schools receive any funds from the towns in which they are located. As such, the School does not receive any funding from the local school districts or towns. As per charter law, sending districts are responsible for costs related to Special Education of their resident students with Individualized Education Plans.

CONTACT STRONG FOUNDATIONS CHARTER SCHOOL

This financial report is intended to provide a general overview of the Strong Foundations Charter School's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, contact Strong Foundations Charter School, 715 Riverwood Drive, Pembroke, New Hampshire 03275 or by telephone at (603) 225-2715.

STRONG FOUNDATIONS CHARTER SCHOOL, INC.
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS

<i>Current Assets</i>	
Cash	\$ 1,266,737
Receivables	72,112
Prepaid expenses	10,818
Security escrow deposit	<u>52,409</u>
<i>Total Current Assets</i>	<u>1,402,076</u>
Investments	<u>10,150</u>
<i>Capital Assets</i>	
Land	451,500
Property, plant & equipment, net depreciation	3,005,014
Intangible assets, net amortization	<u>28,885</u>
<i>Total Capital Assets</i>	<u>3,485,399</u>
TOTAL ASSETS	\$ <u>4,897,625</u>

LIABILITIES & NET POSITION

LIABILITIES

<i>Current Liabilities</i>	
Accounts payable	\$ 16,480
Accrued payroll and related expense	42,745
PPP loan	359,000
Current portion of mortgages payable	<u>111,353</u>
<i>Total Current Liabilities</i>	529,578
Mortgages Payable, Long-Term	<u>2,227,020</u>
TOTAL LIABILITIES	<u>2,756,598</u>

NET POSITION

Net investment in capital assets	1,147,026
Restricted for Foundation	76,228
Unrestricted	<u>917,773</u>
TOTAL NET POSITION	<u>2,141,027</u>

TOTAL LIABILITIES & NET POSITION	\$ <u>4,897,625</u>
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The accompanying notes are an integral part of these financial statements.

STRONG FOUNDATIONS CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenues			
Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Net (Expense) Revenue and Changes in Net Position	
<i>Governmental Activities</i>					
Instructional services	\$ 1,380,295	\$ -	\$ 38,751	\$ 56,054	\$ (1,285,490)
Special education	679,127	674,280	2,000	-	(2,847)
Other instructional programs	16,539	86,911	-	-	70,372
Food services	75	-	-	-	(75)
Student support services	85,057	-	-	-	(85,057)
Library/research	750	-	-	-	(750)
Administrative	273,506	-	-	-	(273,506)
Operations & maintenance of facilities	424,649	-	11,695	42,826	(370,128)
<i>Total Governmental Activities</i>	<u>\$ 2,859,998</u>	<u>\$ 761,191</u>	<u>\$ 52,446</u>	<u>\$ 98,880</u>	<u>(1,947,481)</u>
		<i>General Revenues:</i>			
					2,043,441
					121,951
					183
					1,980
					2,217
					<u>2,169,772</u>
					Change in net position
					222,291
					Net position, beginning of year
					<u>1,918,736</u>
					Net position, end of year
					<u>\$ 2,141,027</u>

The accompanying notes are an integral part of these financial statements.

STRONG FOUNDATIONS CHARTER SCHOOL, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	SCHOOL GENERAL FUND	FOUNDATION FUND	TOTAL	
ASSETS				
Cash	\$ 1,150,237	\$ 116,500	\$ 1,266,737	
Receivables	72,112	-	72,112	
Due from Foundation	26,850	-	26,850	
Prepaid expenses	17,910	-	17,910	
Investments	-	10,150	10,150	
Escrow deposit	52,409	-	52,409	
TOTAL ASSETS	\$ 1,319,518	\$ 126,650	\$ 1,446,168	
LIABILITIES				
Accounts payable	\$ -	\$ 16,480	\$ 16,480	
Accrued payroll & related expense	42,745	-	42,745	
Due to School	-	26,850	26,850	
TOTAL LIABILITIES	42,745	43,330	86,075	
DEFERRED INFLOWS OF RESOURCES				
Deferred rental income	-	7,092	7,092	
FUND BALANCES				
Nonspendable prepaid expenses & escrow	70,319	-	70,319	
Restricted for Foundation	-	76,228	76,228	
Unassigned	1,206,454	-	1,206,454	
TOTAL FUND BALANCES	1,276,773	76,228	1,353,001	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	\$ 1,319,518	\$ 126,650	\$ 1,446,168	

Total Fund Balance \$ 1,353,001

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 3,485,399

PPP funds are considered a non-exchange loan until the SBA legally forgives the debt (359,000)

Long-term notes payable are not due and payable in the current period and, therefore, are not reported in the funds (2,338,373)

Net Position of Governmental Activities \$ 2,141,027

The accompanying notes are an integral part of these financial statements.

STRONG FOUNDATIONS CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	SCHOOL GENERAL FUND	FOUNDATION FUND	TOTAL
REVENUES			
Federal grants	\$ 116,669	\$ -	\$ 116,669
State grants	2,178,660	-	2,178,660
Local tuition	674,280	-	674,280
Student activities and OG training	86,682	229	86,911
Other income	2,217	-	2,217
Contributions	9,694	11,695	21,389
Rental income	-	165,593	165,593
Bank Interest	98	85	183
Return on Investments	-	1,980	1,980
TOTAL REVENUES	<u>3,068,300</u>	<u>179,582</u>	<u>3,247,882</u>
EXPENDITURES			
Current Operations			
Instructional services	1,354,871	-	1,354,871
Special education	679,127	-	679,127
Other instructional programs	16,539	-	16,539
Food services	75	-	75
Student support services	85,057	-	85,057
Library/research	750	-	750
Administrative	265,963	7,543	273,506
Operation & maintenance of facilities	390,544	303	390,847
Total Current Operations	<u>2,792,926</u>	<u>7,846</u>	<u>2,800,772</u>
Debt Service			
Debt issuance costs	-	9,900	9,900
Principal	4,519	84,153	88,672
Interest	9,796	112,906	122,702
Total Debt Service	<u>14,315</u>	<u>206,959</u>	<u>221,274</u>
Capital Outlay			
Instructional services	71,314	-	71,314
Facilities	24,514	219,987	244,501
Total Capital Outlay	<u>95,828</u>	<u>219,987</u>	<u>315,815</u>
TOTAL EXPENDITURES	<u>2,903,069</u>	<u>434,792</u>	<u>3,337,861</u>
Excess of revenues over expenditures	165,231	(255,210)	(89,979)
OTHER FINANCING SOURCES (USES)			
Interfund transfers to (from)	(62,173)	62,173	-
PPP loan funds received	359,000	-	359,000
Advances on mortgage payable	-	173,999	173,999
TOTAL OTHER FINANCING SOURCES	<u>296,827</u>	<u>236,172</u>	<u>532,999</u>
NET CHANGE IN FUND BALANCE	462,058	(19,038)	443,020
Fund Balance, beginning	<u>814,715</u>	<u>95,266</u>	<u>909,981</u>
Fund Balance, ending	<u>\$ 1,276,773</u>	<u>\$ 76,228</u>	<u>\$ 1,353,001</u>

The accompanying notes are an integral part of these financial statements.

STRONG FOUNDATIONS CHARTER SCHOOL, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	SCHOOL GENERAL FUND	FOUNDATION FUND	TOTAL
Amounts reported for governmental activities in the statement of activities are different because:			
Net change in fund balances - governmental funds	\$ 462,058	\$ (19,038)	\$ 443,020
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimate useful lives and reported as depreciation expense.			
Capitalized Interest		32,665	32,665
Capital Outlay	95,828	219,987	315,815
Depreciation & amortization	<u>(35,524)</u>	<u>(99,258)</u>	<u>(134,782)</u>
Excess of capital outlay over depreciation	<u>60,304</u>	<u>153,394</u>	<u>213,698</u>
PPP Loan funds are recognized as a non-exchange loan until the SBA legally forgives the debt			
	<u>(359,000)</u>	<u>-</u>	<u>(359,000)</u>
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position.			
Amortizable debt issuance costs		9,900	9,900
Advances on mortgage payable		(173,999)	(173,999)
Repayment of principal	4,519	84,153	88,672
Net effect between costs, advances and repayment of principal on long-term debt	<u>4,519</u>	<u>(79,946)</u>	<u>(75,427)</u>
Advance lease payments do not require the use of current financial resources and therefore are not included in governmental funds.			
Advance lease payments paid (received)	62,173	(62,173)	-
Amortization of advance lease payments	<u>(36,470)</u>	<u>36,470</u>	<u>-</u>
	<u>25,703</u>	<u>(25,703)</u>	<u>-</u>
Change in net position of governmental activities	<u>\$ 193,584</u>	<u>\$ 28,707</u>	<u>\$ 222,291</u>

The accompanying notes are an integral part of these financial statements.

STRONG FOUNDATIONS CHARTER SCHOOL INC.
NOTES TO FINANCIAL STATEMENTS

A | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Strong Foundations Charter School, Inc., is organized as a public charter school to provide educational services as authorized by the State of New Hampshire Department of Education (“NHDOE”). The provisions of the State of New Hampshire RSA 194-B:10 require public charter schools to comply with the same financial reporting requirements imposed upon a traditional public school. Accordingly, the financial statements follow the governmental reporting model. Accounting policies conform to accounting principles generally accepted in the United States of America for local educational units of governments, except as indicated hereinafter.

A-1 FINANCIAL REPORTING ENTITY

Purpose

The Strong Foundations Charter School (the “School”) is a public charter school governed by a Board of Trustees and operates under a charter approved by NHDOE in 2006. The School was formed to build early literacy using the Orton-Gillingham approach to reading. All faculty are trained in the approach to create a learning environment wherein 90% of the students beginning the school in readiness or grade 1 will be proficient or advanced in reading by the end of grade 4. The School incorporates the Core Knowledge Curriculum to provide a classical education in history, science and the arts. The School also reaches out to other schools and educators to bring the Orton-Gillingham approach to their students as well.

Entity

For financial reporting purposes, the School’s reporting includes all component units for which the School is financially accountable due to the nature and significance of their relationship with the School; such that exclusion would cause the School’s financial statements to be misleading or incomplete. Component units are either blended or discretely presented depending on the nature of the unit’s operations. The School’s financial statements include the following component unit:

Strong Foundations Elementary School, Inc. (the “Foundation”)

The Foundation is a non-profit organization created for the sole purpose of raising funds for Strong Foundations Charter School, Inc., in support of the school's long-term financial sustainability. The Foundation is governed by a separate Board of Directors. The Foundation is organized under Internal Revenue Code 501(c)(3) and, therefore, has no provision for federal income taxes. The Foundation’s organizational documents direct it to provide support to the School (the sole beneficiary). Further, the School is the guarantor of the mortgage held by the Foundation and the Foundation is fiscally dependent on the School for the payments necessary to satisfy that obligation. Accordingly, the Foundation is reported as a blended component unit of the School.

The Foundation does not issue separate financial statements.

A.2 MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The School's basic financial statements consist of government-wide statements and fund financial statements, which provide a more detailed level of financial information.

STRONG FOUNDATIONS CHARTER SCHOOL INC.
NOTES TO FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements display information about the School as a whole. These statements include the financial activities of the primary government which includes the School's operations and those of the Foundation. Except for interfund activity and balances between the funds which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

Government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flow.

Statement of Net Position

This statement presents the financial condition of the School at year end. It includes **all** assets & deferred outflows of resources, and liabilities & deferred inflows of resources associated with the operation of the School. The difference between assets & deferred outflows of resources, and liabilities & deferred inflows of resources, is reported as net position.

Statement of Activities

During the year, the School segregates transactions related to certain school functions or activities in order to aid financial management and to demonstrate legal compliance. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School's activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program or activity. Revenues which are not classified as program revenues are presented as general revenues of the School. The comparison of direct expenses with program revenues identifies the extent to which each program or activity is self-financing or draws from the general revenues of the School.

Fund Financial Statements

Fund financial statements are designed to present financial information of the School at a more detailed level. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. The School solely employs the use of governmental funds:

- The *School General Fund* is the main operating fund of the School and is used to account for all financial resources of the School.
- The *Foundation Fund* is used to account for the financial activity of the Foundation.

Fund financial statements are prepared using a current financial resources measurement focus and a modified accrual basis of accounting. Reporting focuses on the sources, uses and balances of **current** financial resources. This approach differs from the government-wide financial statements with respect to recognition of revenue and in the presentation of expenditures versus expenses. Fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements.

STRONG FOUNDATIONS CHARTER SCHOOL INC.
NOTES TO FINANCIAL STATEMENTS

Fund Financial Statements (continued)

Balance Sheet - Governmental Funds

With this measurement focus, only **current** assets & deferred outflows of resources, and **current** liabilities & deferred inflows of resources are included on the balance sheet. Expendable assets are assigned to the funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between fund assets & deferred outflows of resources, and liabilities & deferred inflows of resources, is reported as fund balance.

Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. Most expenditures are recorded when the liability is incurred, however, debt service expenditures are recorded only when a payment is due. Allocation of costs, such as depreciation and amortization, are not recognized in governmental fund financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Recent Accounting Pronouncements

The School has considered the impact of GASB 87, *Leases*, effective for reporting periods beginning after December 15, 2019, with early adoption encouraged. GASB 87 specifically states that when the lessee or lessor is included as a blended component unit, the reporting requirements of this Statement do not apply. Accordingly, the debt and assets of the Foundation are reported as if they were the School's debt and assets in the government-wide financial statements.

A-3. ASSETS, LIABILITIES AND NET POSITION

Deposits & Investments

As of June 30, 2020, the School has not formally adopted a deposit and investment policy that limits allowable deposits of the School. The School's deposits with financial institutions consist of demand deposits. The Schools investments are limited to publicly traded common stocks and money market funds.

Cash & Cash Equivalents

The School considers all demand deposits with banks to be cash & cash equivalents, with the exception of cash & cash equivalents temporarily held in the investment account.

Interfund Receivables and Payables

Amounts due to/from the School and Foundation for reimbursable expenditures or facility rental are recorded in the fund financial statements.

Prepaid Expenses

Payments made to vendors for costs applicable to future accounting periods, after June 20, 2020, are recorded in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures or expenses when consumed rather than when purchased.

STRONG FOUNDATIONS CHARTER SCHOOL INC.
NOTES TO FINANCIAL STATEMENTS

Deposits held by Others

Deposits held by others at June 30, 2020 represents a security deposit paid to the School's landlord in accordance with the lease agreement and is fully refundable at the conclusion of tenancy if there is no default or uncured damage.

Investments

The School invests cash in excess of immediate operating needs to provide a return on investment. Investments are reported at fair value based on guidelines established by accounting principles generally accepted in the United States of America (GAAP) according to a three-tiered fair value hierarchy. All investments are valued based on quoted prices for identical investments in active markets (Level 1). The return on these investments, including unrealized gain (loss) is reported as non-operating revenue (expenses).

To reduce market risk and concentrations, the organization invests in publicly traded equities and money market funds.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the fund financial statements.

Capital assets are recorded at cost or fair market value at the date of donation. Items with a cost or value of \$1,000 or more and useful life of 1 or more years are capitalized. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Years
Land Improvements	15-39
Leasehold improvements	15-39
Furniture, fixtures and equipment	5-7

Advance Lease Payments

As part of the building expansion, the School agreed to transfer funds to the Foundation for costs which exceeded the construction loan and for the capitalized interest during the construction loan term. These advance lease payments are recognized as a deferred outflow/inflow of resources as they provide a benefit/obligation over the remaining term of the lease.

In the governmental fund financial statements, the funds provided for the facilities expansion project are reported as transfers due to/from the School and Foundation. The amortization is eliminated from rental income/expense as it does not provide a current resource use, benefit or obligation.

In the government-wide financial statements, the costs associated with the facilities expansion project are included in capital assets and are being depreciated. All interfund activity for the advance lease payments is eliminated.

STRONG FOUNDATIONS CHARTER SCHOOL INC.
NOTES TO FINANCIAL STATEMENTS

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. Long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the residual amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balances

As of June 30, 2020, the School has not adopted a formal fund balance policy. Under GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Nonspendable Fund Balance:* Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance:* Amounts constrained to specific purposes stipulated by external resource providers or through enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or by the enabling legislation.
- *Committed Fund Balance:* Amounts constrained to specific purposes by the entity itself using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the entity takes the same highest-level action to remove or change the constraint.
- *Assigned Fund Balance:* Amounts an entity intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance:* Amounts that are available for any purpose; these amounts are reported only in the General Fund, except for any deficit fund balance of another governmental fund.

In circumstances where expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

STRONG FOUNDATIONS CHARTER SCHOOL INC.
NOTES TO FINANCIAL STATEMENTS

A-4. REVENUES, EXPENDITURES AND EXPENSES

Revenues- Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School, available means generally expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: State adequacy funding, grants and student fees.

Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantors.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The School's budget represents functional appropriations as authorized by the Board of Trustees. The Board of Trustees may transfer funds between operating categories as they deem necessary.

B | CASH & CASH EQUIVALENTS

As of June 30, 2020, cash & cash equivalents is comprised of:

Cash on hand and undeposited funds	\$	250
PayPal funds		18,610
Demand deposits with banks		1,247,877
Total cash & cash equivalents	\$	<u>1,266,737</u>

Custodial Credit Risk

Deposits at banks are covered by the Federal Depository Insurance Corporation (FDIC). Accounts are insured up to \$250,000 at each institution. The School's balances at one bank exceed FDIC coverage by \$872,562 on June 30, 2020.

STRONG FOUNDATIONS CHARTER SCHOOL INC.
NOTES TO FINANCIAL STATEMENTS

C | INVESTMENTS

Composition

Investments are comprised of the following at June 30, 2020:

Equity securities (Level 1)		
Common stocks	\$	8,635
Federated money market fund		<u>1,515</u>
Total investments	\$	<u><u>10,150</u></u>

Return on Investments

The return on the investments is comprised of the following for the year ended, June 30, 2020:

Interest & dividends	\$	213
Gain (loss)		1,792
Fees		<u>(25)</u>
Return on investments	\$	<u><u>1,980</u></u>

D | CAPITAL ASSETS

Capital asset activity for the year ended, June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
<i>Non-Depreciable:</i>				
Land	\$ <u>451,500</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>451,500</u>
<i>Depreciable:</i>				
Buildings	\$ 2,625,036	\$ 240,767	\$ -	\$ 2,865,803
Land improvements	341,106	11,885	-	352,991
Computers & peripherals	256,103	61,557	-	317,660
Leasehold improvements	243,678	3,200	-	246,878
Furniture & fixtures	64,949	36,911	-	101,860
Historical cost	<u>3,530,872</u>	<u>354,320</u>	<u>-</u>	<u>3,885,192</u>
<i>Accumulated depreciation:</i>				
Buildings	(400,537)	(70,712)	-	(471,249)
Land improvements	(34,389)	(26,352)	-	(60,741)
Computers & peripherals	(190,017)	(20,698)	-	(210,715)
Leasehold improvements	(72,168)	(10,100)	-	(82,268)
Furniture & fixtures	(50,480)	(4,725)	-	(55,205)
Total accumulated depreciation	<u>(747,591)</u>	<u>(132,587)</u>	<u>-</u>	<u>(880,178)</u>
Property, plant & equipment, net	\$ <u>2,783,281</u>	\$ <u>221,733</u>	\$ <u>-</u>	\$ <u>3,005,014</u>

Depreciation reported in the government-wide financial statements was charged to functions as follows:

Instructional services	\$ 25,424
Operation & maintenance of facilities	<u>107,164</u>
Total	<u><u>\$ 132,588</u></u>

Continued on next page

**STRONG FOUNDATIONS CHARTER SCHOOL INC.
NOTES TO FINANCIAL STATEMENTS**

CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
<i>Intangible assets:</i>				
Closing costs	\$ 36,463	\$ 9,900	\$ -	\$ 46,363
Software	2,120	-	-	2,120
Historical cost	<u>38,583</u>	<u>9,900</u>	<u>-</u>	<u>48,483</u>
<i>Accumulated amortization:</i>				
Closing costs	(15,284)	(2,194)	-	(17,478)
Software	(2,120)	-	-	(2,120)
Total accumulated amortization	<u>(17,404)</u>	<u>(2,194)</u>	<u>-</u>	<u>(19,598)</u>
Intangible assets, net	\$ <u>21,179</u>	\$ <u>7,706</u>	\$ <u>-</u>	\$ <u>28,885</u>

Amortization reported in the government-wide financial statements was charged to functions as follows:

Operation & maintenance of facilities	\$ <u>2,194</u>
---------------------------------------	-----------------

E | ADVANCE LEASE PAYMENTS

During the year ended, June 30, 2020, the School provided \$62,173 to the Foundation to continue the facilities expansion project, including the capitalized interest during the construction period of the underlying mortgage payable. Total funds given to the Foundation were \$984,684. For the year end June 30, 2020, \$36,470 was amortized as rental income and expense. The remaining balance will be amortized at \$72,940 annually. Following is a summary of the advance lease payments:

Beginning balance, July 1, 2019	\$ 922,511
Funds provided for facilities expansion project	62,173
Amortized rental income/expense	<u>(36,470)</u>
Ending balance, June 30, 2020	\$ <u>948,214</u>

Effective, January 1, 2020, the expansion mortgage payable was converted to a term note with required monthly principal and interest payments. At that time, the rental payments due to/from the School & Foundation were increased according to the terms of the rental lease.

F | PPP LOAN

Effective April 22, 2020, the School received \$359,000 of PPP funds guaranteed by the SBA. The SBA program provides for the forgiveness of that loan once the school demonstrates it has used the funds for allowable costs as measured during an eight week or 24 week period. The school believes it has complied with the requirements necessary for forgiveness. GASB Technical Guidance requires the School to reflect the funds as a loan until formal forgiveness is received.

STRONG FOUNDATIONS CHARTER SCHOOL INC.
NOTES TO FINANCIAL STATEMENTS

G | MORTGAGES PAYABLE

Mortgages payable activity for the year ended, June 30, 2020, is as follows:

Beginning balance, July 1, 2019	\$	2,247,205
Advances on expansion loan		173,999
Principal repayments		(88,672)
Ending balance, June 30, 2020	\$	<u>2,332,532</u>

Composition

The School has incurred mortgages for the land and building, including improvements and expansion of the facility. As of June 30, 2020, mortgages payable is comprised of the following:

<p>\$1,530,000 mortgage due April 2032, principal and interest payable in monthly installments of \$10,153. Adjustable rate based on Federal Home Loan Bank rate, currently at 4.7%. Secured by land and building located at 715 Riverwood Dr, Pembroke NH. Assignment of all rent and lease payments. Security interest in deposits. Jointly and severally guaranteed by School and Foundation. Subject to a 1% prepayment premium if refinanced with a third-party.</p>	\$	1,100,951
<p>\$1,100,000 mortgage due December 2039, principal and interest payable in monthly installments of \$7,093. Adjustable rate based on Federal Home Loan Bank rate, currently at 4.66%. Secured by land and building located at 715 Riverwood Dr, Pembroke NH. Assignment of all rent and lease payments. Security interest in all deposits. Jointly and severally guaranteed by School and Foundation. Subject to a 2% prepayment premium if refinanced with a third-party.</p>		1,083,335
<p>\$160,000 mortgage due with balloon payment September 2022. Principal and interest payable in monthly installments (amortized over 20 years) of \$1,193. Fixed interest rate of 6.5%. Secured by second CREM and assignment of leases and rents on the land and buildings at 715 Riverwood Dr, Pembroke NH. Jointly and severally guaranteed by School and Foundation.</p>		148,246
		<u>2,332,532</u>
Less: current portion of mortgages payable		<u>(111,353)</u>
Mortgage payable, long-term	\$	<u>2,221,179</u>

Future Debt Service Requirements

The School's mortgage debt service requirements to maturity are as follows:

<i>Fiscal year ending, June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2021	\$ 111,353	\$ 109,453	\$ 220,806
2022	116,777	104,029	220,806
2023	255,260	91,751	347,011
2024	122,581	83,909	206,490
2025	128,452	78,039	206,491
2026-2030	740,637	291,816	1,032,453
2031-2035	514,026	126,887	640,913
2036-2039	343,446	37,979	381,425
Total	\$ <u>2,332,532</u>	\$ <u>923,863</u>	\$ <u>3,256,395</u>

Continued on next page

**STRONG FOUNDATIONS CHARTER SCHOOL INC.
NOTES TO FINANCIAL STATEMENTS**

H | LEASE COMMITMENTS

The School leases its facilities from the Foundation. The lease runs until December 2039. The terms of the lease provide for monthly rental payments equivalent to the amount necessary to service the debt on the outstanding mortgages payable, plus \$100. For the year ended, June 30, 2020, \$165,593 rental expense and rental income are recorded in the governmental funds statement of revenues, expenditures and changes in fund balance.

Future minimum annual commitments for rental payments are as follows:

Year Ended June 30	Amount
2021	\$ 207,691
2022	207,691
2023	207,691
2024	207,691
2025	207,691
2026-2030	1,033,653
2031-2035	642,112
2036-2039	382,626
	<u>\$ 3,096,846</u>

As June 30, 2020, the School prepaid the \$7,092 rent payment due for July 2020. Accordingly, the School recognized a prepaid expense with corresponding deferred revenue by the Foundation in the Governmental Fund Balance Sheet. The effects of interfund lease activity have been eliminated in the government-wide financial statements.

I | SIGNIFICANT CONCENTRATION OF CREDIT RISK

As a public charter school, the School annually receives adequacy and differentiated aid funding from the State of New Hampshire Department of Education on a per pupil basis of average daily membership attendance at a rate determined by the State. Total adequacy & differentiated funding received for the year ended June 30, 2020 was \$2,165,392 which is approximately 73% of total Governmental Activities and General Fund revenues, respectively.

J | RETIREMENT PLAN

The School maintains a voluntary contributory 403(b) retirement for its employees who are eligible to participate. The School does not match employee contributions. Plan contributions are fully vested and non-forfeitable when contributions are made to the plan.

K | CONTINGENCIES & COMMITMENTS

Government Grants & Awards

The School receives federal, state and local funding under a number of programs. Payments made by these sources under contractual agreements are provisional and subject to redetermination based on filing of reports and audits of those reports. Final settlements due from or to these sources are recorded in the year in which the related services are performed. Any adjustments resulting from subsequent examinations are recognized in the year in which the results of such examinations become known. The School does not expect any significant adjustments as a result of these examinations.

STRONG FOUNDATIONS CHARTER SCHOOL INC.
NOTES TO FINANCIAL STATEMENTS

Litigation

There may be various claims and suits pending against the School, which arise in the normal course of the School's activities. In the opinion of School management, any potential claims against the School, which are not covered by insurance are immaterial and would not affect the financial position of the School.

L | RISK MANAGEMENT

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School has purchased commercial insurance to manage risks related to property, liability and worker's compensation claims.

M | SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition of disclosure through December 30, 2020, the date the financial statements were available to be issued. Since March 2020, a pandemic has continued to disrupt operations. Management is actively responding to the disruption, offering remote learning and is complying with state guidelines for re-opening. The School has invested in equipment to assist with additional sanitizing of the facilities. However, management has determined that it is impracticable to estimate the effect at this time given the evolving and ongoing nature of the pandemic.

Management has determined there are no additional subsequent events that provide evidence that did not exist at the date of the statement of financial position but arose subsequently to that date which would materially affect the financial position of the Authority or cause these financial statements to be misleading to the reader.

REQUIRED SUPPLEMENTARY INFORMATION

STRONG FOUNDATIONS CHARTER SCHOOL, INC.
SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - SCHOOL GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	ORIGINAL	FINAL	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES				
Federal grants	\$ 85,000	\$ 85,000	\$ 116,669	\$ 31,669
State grants	2,097,294	2,097,294	2,178,660	81,366
Local tuition	801,485	801,485	674,280	(127,205)
Student activities and OG training	29,200	29,200	86,682	57,482
Other income	-	-	2,217	2,217
Contributions	20,000	20,000	9,694	(10,306)
Bank Interest	-	-	98	98
TOTAL REVENUES	<u>3,032,979</u>	<u>3,032,979</u>	<u>3,068,300</u>	<u>35,321</u>
EXPENDITURES				
Current Operations				
Instructional services	1,347,738	1,347,738	1,354,871	(7,133)
Special education	575,949	575,949	679,127	(103,178)
Other instructional programs	-	-	16,539	(16,539)
Food services	-	-	75	(75)
Student support services	105,506	105,506	85,057	20,449
Library/research	4,200	4,200	750	3,450
Administrative	299,677	299,677	265,963	33,714
Operation & maintenance of facilities	<u>439,162</u>	<u>439,162</u>	<u>390,544</u>	<u>48,618</u>
Total Current Operations	2,772,232	2,772,232	2,792,926	(20,694)
Debt Service	-	-	14,315	(14,315)
Capital Outlay	<u>-</u>	<u>-</u>	<u>95,828</u>	<u>(95,828)</u>
TOTAL EXPENDITURES	<u>2,772,232</u>	<u>2,772,232</u>	<u>2,903,069</u>	<u>(130,837)</u>
Excess of revenues over expenditures	260,747	260,747	165,231	(95,516)
OTHER FINANCING SOURCES (USES)				
Interfund transfers to (from)	-	-	(62,173)	(62,173)
PPP loan funds received	<u>-</u>	<u>-</u>	<u>359,000</u>	<u>359,000</u>
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>296,827</u>	<u>296,827</u>
NET CHANGE IN FUND BALANCE	260,747	260,747	462,058	201,311
Budgetary Basis - Fund Balance, beginning	<u>814,715</u>	<u>814,715</u>	<u>814,715</u>	<u>814,715</u>
Budgetary Basis - Fund Balance, ending	<u>\$ 1,075,462</u>	<u>\$ 1,075,462</u>	<u>\$ 1,276,773</u>	<u>\$ 201,311</u>

The accompanying notes are an integral part of these financial statements.

STRONG FOUNDATIONS CHARTER SCHOOL INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A | **BUDGETARY INFORMATION**

School General Fund

Amounts recorded as budgetary amounts in the Supplemental Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - General Fund are reported on the basis budgeted by the School. Those amounts may differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds. For instance, the operating budget includes amounts for the purchase of equipment and the debt service is not formally budgeted.

Foundation (Special Revenue) Fund

Budgetary information in these financial statements has been presented only for the General Fund, as there is no adopted budget for the Strong Foundations Elementary School, Inc. (a blended component unit).