

**STRONG FOUNDATIONS
CHARTER SCHOOL, INC.**

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
JUNE 30, 2019 AND 2018**

STRONG FOUNDATIONS CHARTER SCHOOL, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Strong Foundations Charter School, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

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

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

Opinion

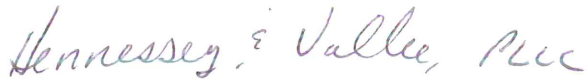
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Strong Foundations Charter School, Inc., as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Strong Foundations Charter School, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Hennessey & Vallee, PLLC
Concord, New Hampshire

June 19, 2020

STRONG FOUNDATIONS CHARTER SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 714,488	\$ 756,770
Accounts receivable	40,167	34,084
Prepaid expenses	20,192	-
Due from Strong Foundations Elementary School	8,850	8,850
Total current assets	<u>783,697</u>	<u>799,704</u>
Property and Equipment		
Improvements	243,679	243,679
Equipment	323,172	244,263
	<u>566,851</u>	<u>487,942</u>
Less: accumulated depreciation	<u>(314,785)</u>	<u>(289,822)</u>
Net property and equipment	<u>252,066</u>	<u>198,120</u>
Other Assets		
Security deposit escrow	52,409	52,409
Total other assets	<u>52,409</u>	<u>52,409</u>
Deferred Outflows of Resources		
Deferred services concession arrangement	922,511	711,710
Total deferred outflows of resources	<u>922,511</u>	<u>711,710</u>
TOTAL ASSETS	<u>\$ 2,010,683</u>	<u>\$ 1,761,943</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued expenses	\$ 26,472	\$ 30,625
Current portion note payable	4,518	4,235
Total current liabilities	<u>30,990</u>	<u>34,860</u>
Long term liabilities		
Note payable	148,247	152,764
Total long term liabilities	<u>148,247</u>	<u>152,764</u>
Total liabilities	<u>179,237</u>	<u>187,624</u>
Net Assets		
Without donor restrictions	1,831,446	1,574,319
Total net assets	<u>1,831,446</u>	<u>1,574,319</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,010,683</u>	<u>\$ 1,761,943</u>

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

STRONG FOUNDATIONS CHARTER SCHOOL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
REVENUES AND GAINS		
Grants	\$ 2,041,771	\$ 1,768,217
Tuition and related activities fees	654,245	753,639
Fundraising	18,941	12,510
Summer camp	6,623	11,756
Donations	122	-
Interest income	93	94
Total revenues and gains	2,721,795	2,546,216
EXPENSES		
Program services	1,993,333	1,961,902
Management and general	461,841	400,394
Fundraising	9,494	4,494
Total expenses	2,464,668	2,366,790
INCREASE IN NET ASSETS	257,127	179,426
NET ASSETS - Beginning of Year	1,574,319	1,394,893
NET ASSETS - End of Year	\$ 1,831,446	\$ 1,574,319

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

STRONG FOUNDATIONS CHARTER SCHOOL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 257,127	\$ 179,426
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	24,963	32,239
(Increase) decrease in:		
Accounts receivable	(6,083)	97,751
Prepaid expenses	(20,192)	13,625
Increase (decrease) in:		
Accrued expenses	(4,153)	4,662
Net cash provided by operating activities	251,662	327,703
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(78,909)	(35,550)
Net cash used for investing activities	(78,909)	(35,550)
CASH FLOWS FROM FINANCING ACTIVITIES		
Note proceeds	-	160,000
Repayment of long term debt	(4,234)	(3,002)
Deferred outflows of resources	(210,801)	(273,258)
Net cash used for financing activities	(215,035)	(116,260)
NET (DECREASE) INCREASE IN CASH	(42,282)	175,893
CASH - Beginning of Year	756,770	580,877
CASH - End of Year	\$ 714,488	\$ 756,770

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

STRONG FOUNDATIONS CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

A. NATURE OF ACTIVITIES

Strong Foundations Charter School, Inc. (the “School”), was established in August 2007 after receiving its charter from the State of New Hampshire Department of Education under Chapter 194:B Charter Schools and Open Enrollment Act of the State of New Hampshire’s Revised Statutes. The initial charter was for a five-year period and has been subject to renewal at the discretion of the State of New Hampshire Department of Education.

The School’s mission is:

1. To build early literacy by using an Orton-Gillingham approach and building phonemic awareness so that children are reading at grade level by fourth grade.
2. Create a learning environment wherein 90% of the student population beginning Strong Foundations in Readiness or Grade 1 will be proficient or advanced in reading by the end of grade 4.
3. Create a Readiness through grade 8 school where the entire faculty is trained in, and uses the Orton-Gillingham approach so that other schools and districts can make use of the school for training of faculty, i.e. elementary teachers, reading specialists, learning disabilities specialists, tutors and paraprofessionals.
4. Incorporate the Core Knowledge Curriculum in grades R-8 in Science, Social Studies, Language Arts, Music and Art in order to build students’ background knowledge and Reading comprehension.

The main sources of revenue for the School’s services are state adequacy funds and grants, special education tuition, Orton-Gillingham training fees, and federal entitlement funds.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Standards of Accounting and Financial Reporting

The School has adopted Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Made, and SFAS No. 117, Financial Statements for Not-for-Profit Organizations.

The School presents its financial statements according to generally accepted accounting principles for not-for-profit organizations and classifies its revenues and net assets in accordance with donor imposed restrictions. The School’s net assets are presented as follows:

Net assets without donor restrictions – Includes both undesignated and designated net assets, which are revenues not restricted by outside sources and revenues designated by the Board of Directors for special purposes and their related expenses.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. At June 30, 2019 and 2018, net assets with donor restrictions were \$0 and \$0, respectively.

Method of Accounting

The School’s method of financial reporting is the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenditures are recorded when received and incurred, respectively. Grants and contributions are recognized when all eligible requirements are met.

STRONG FOUNDATIONS CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue

Revenue is recognized when earned, however funds received that are not earned as of year-end are recorded as a liability under deferred revenue. Deferred revenues arise when resources are received by the School before it has a legal claim to them, as when grant funds are received prior to the incurrence of qualifying expenses.

Income Taxes

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 of the Internal Revenue Code.

Accounts Receivable

Grants receivables are presented net of the allowance for doubtful accounts. Accounts receivable are written off when deemed uncollectible.

Operating Revenue and Expenses

Operating revenue and expenses generally result from providing educational and instructional services in connection with the School's principal ongoing operations. The principal operating revenues include federal and state grants. Operating expenses include educational costs, administrative expenses and depreciation on capital assets. All other revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Property and Equipment

Equipment is recorded at cost or at fair market value at the date of donation. Purchases with a cost or value greater than \$1,000 are capitalized except for technology items. Depreciation is computed on the straight-line basis using estimated useful lives of 5 years for equipment, furniture and fixtures and the remaining life of the lease for leasehold improvements.

Use of Estimates

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 at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition are considered to be cash and cash equivalents.

C. DEPOSITS AND CUSTODIAL CREDIT RISK

At June 30, 2019 and 2018 cash and cash equivalents were \$714,488 and \$756,770, respectively. The balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per financial institution. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institution minimizes such risk.

STRONG FOUNDATIONS CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

D. RISK MANAGEMENT

The School is exposed to various risks of loss related to loss, torts, errors and omissions; employee injuries (workers' compensation) as well as medical benefits provided to employees. The School, along with numerous municipalities in the State, is a member of a public entity risk pool in the State currently operating a common risk management and insurance program for which all political subdivisions in the State of New Hampshire are eligible to participate. The pool provides coverage for workers' compensation, unemployment and property liability insurance. As a member of the property liability pool and workers' compensation pool the School shares in contributing to the cost of and receiving benefits from the self-insured pooled risk management program. The pool agreement permits the pool to make additional assessments to members should there be a deficiency in pool assets to meet its liabilities. At this time, the pool foresees no likelihood of any additional assessment for past years.

E. NOTES PAYABLE

The School had the following notes payable as of June 30, 2019 and 2018:

	2019	2018
Note payable to Capital Regional Development Council at a rate of 6.5%. Payments due monthly at \$1,193.	\$ 152,765	\$ 156,999
Less: amount due within one year	(4,518)	(4,235)
Long term debt	\$ 148,247	\$ 152,764

Scheduled future maturities of long-term debt are as follows:

Fiscal year ending June 30:	
2020	\$ 4,518
2021	4,821
2022	5,144
2023	5,488
2024	5,856
Thereafter	126,938
Total	\$ 152,765

F. DEFERRED OUTFLOWS OF RESOURCES

The School gave funds throughout the year to Strong Foundations Elementary School, Inc., in the amount of \$210,801. As of June 30, 2019, total funds given to the Elementary School totaled \$922,511. The Elementary School used the funds to continue site work related to the expansion project. The School received its Certificate of Occupancy from the Town of Pembroke on July 24, 2019.

STRONG FOUNDATIONS CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

G. LEASE COMMITMENTS/RELATED PARTY/GUARANTOR

The School leases its facilities from Strong Foundations Elementary School, Inc. The lease runs until June 30, 2033. The Charter School is a joint guarantor on two mortgage notes of the Strong Foundations Elementary School, Inc. in the amount of \$1,530,000 and \$1,100,000.

The Charter School's lease consists of the annual obligations on the notes payable mentioned above plus an additional \$1,200 annually. Total rental payments for the years ended June 30, 2019 and 2018 were \$123,037 and \$122,936, respectively.

H. PROPERTY AND EQUIPMENT

Capital assets, which include property and equipment, are reported in the governmental activities column. Assets are recorded at historical cost of purchased or constructed. Donated capital assets are recorded at estimated fair value at the time of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment are depreciated using the straight-line method over the following useful lives:

Equipment	5-7 years
Leasehold improvements	20-39 years

Depreciation expense for the years ended June 30, 2019 and 2018 was \$24,963 and \$32,239, respectively.

I. COMPENSATED ABSENCES

Compensated absences due to vacation earned but not yet taken have been accrued. There were no accrued absences at June 30, 2019 and 2018.

J. RELATED PARTY TRANSACTIONS

The School may contract with the school director/principal during each fiscal year for educational services for special education, reading consultation and assessment coordination. The total paid for the fiscal years ended June 30, 2019 and 2018 was \$0 and \$0, respectively.

K. RETIREMENT PLAN

The School maintains a voluntary contributory 403(b) retirement plan 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.

STRONG FOUNDATIONS CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

L. SUBSEQUENT EVENTS

There were no 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 School or cause these financial statements to be misleading to the reader. In preparing these financial statements, the School has evaluated events and transactions for potential recognition of disclosure through June 19, 2020, the date the financial statements were available to be issued.

STRONG FOUNDATIONS CHARTER SCHOOL, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

(With comparative totals for the year ended June 30, 2018)

	Program Services	Management & General	Fund Raising	Total 2019	Total 2018
EXPENSES					
Salaries and wages	\$ 1,470,414	\$ 252,962	\$ -	\$ 1,723,376	\$ 1,619,074
Occupancy	196,742	18,695	-	215,437	205,250
Employee benefits	113,229	44,876	-	158,105	159,426
Payroll taxes	42,970	87,873	-	130,843	127,973
Supplies	59,951	805	-	60,756	70,974
Repairs and maintenance	38,977	-	-	38,977	38,782
Professional fees	-	35,206	-	35,206	31,442
Depreciation	24,960	-	-	24,960	32,239
Software	18,726	-	-	18,726	11,909
Interest expense	10,183	-	-	10,183	7,736
Advertising	-	9,774	-	9,774	2,872
Fundraising expenses	-	-	9,494	9,494	4,494
Dues and fees	-	6,713	-	6,713	2,324
Textbooks	5,948	-	-	5,948	18,741
Staff development	5,556	96	-	5,652	12,616
Travel and conferences	-	3,900	-	3,900	1,342
Equipment	3,284	-	-	3,284	15,717
Office expenses	2,233	902	-	3,135	3,741
Contract services	160	39	-	199	138
Total expenses	<u>\$ 1,993,333</u>	<u>\$ 461,841</u>	<u>\$ 9,494</u>	<u>\$ 2,464,668</u>	<u>\$ 2,366,790</u>

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