

**STRONG FOUNDATIONS  
CHARTER SCHOOL, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2021**

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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, 2021, 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

September 30, 2021

STONG FOUNDATIONS CHARTER SCHOOL, INC.  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING JUNE 30, 2021

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, 2021. 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, 2021

***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 2021 and 2020:

|                                  | <b>2021</b>         | <b>2020</b>         |
|----------------------------------|---------------------|---------------------|
| <b>Assets</b>                    |                     |                     |
| Current assets                   | \$ 1,117,460        | \$ 1,402,076        |
| Investments                      | 10,150              | 10,150              |
| Capital assets, net              | <u>3,889,200</u>    | <u>3,485,399</u>    |
| <b>Total Assets</b>              | <u>5,016,924</u>    | <u>4,897,625</u>    |
| <b>Liabilities</b>               |                     |                     |
| Current liabilities              | 165,047             | 529,578             |
| Long-term liabilities            | <u>2,111,178</u>    | <u>2,227,020</u>    |
| <b>Total Liabilities</b>         | <u>\$ 2,276,225</u> | <u>\$ 2,756,598</u> |
| <b>Net Position</b>              |                     |                     |
| Net investment in capital assets | 1,664,271           | 1,147,026           |
| Restricted                       | 52,374              | 76,228              |
| Unrestricted                     | <u>1,024,054</u>    | <u>917,773</u>      |
| <b>Total Net Position</b>        | <u>\$ 2,740,699</u> | <u>\$ 2,141,027</u> |

STONG FOUNDATIONS CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING JUNE 30, 2021

Total assets increased \$119,299 compared to June 30, 2020. The change is primarily attributable to using available cash to invest in capital assets, specifically the expansion of the facilities. Capital assets of \$3,889,200 comprises 78% of the School's total assets. These include land, building, improvements, furniture and equipment. During the year, the School started construction on a building expansion project, invested in technology for the students and improvements to the building in response to the ongoing pandemic. Net of related mortgages payable, the net investment in capital assets at June 30, 2021 was \$1,664,271. 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 decreased \$480,373 compared to June 30, 2020. The decrease is attributable to the normal repayment of debt on mortgages and forgiveness of debt for the \$359,000 PPP loan funds.

Total net position increased \$599,672 in the current year. This increase reflects an improvement of the overall financial position of the School compared to June 30, 2020. A portion of the net position is reported as restricted for the activities of the Foundation and for donations restricted by the donor for playground equipment. The change in net position for the fiscal years ending June 30, 2021 and 2020 are as follows:

|   | <b>2021</b>         | <b>2020</b>         |
|---|---------------------|---------------------|
| Program revenues:                             |                     |                     |
| Charges for services                          | \$ 796,938          | \$ 761,191          |
| Grants and contributions                      | 150,032             | 151,326             |
| Total program revenues                        | <u>946,970</u>      | <u>912,517</u>      |
| General revenues:                             |                     |                     |
| State adequacy education & differentiated aid | 2,386,782           | 2,165,392           |
| Supplemental public school response fund      | 56,600              | -                   |
| Community resource funds (PPP forgiveness)    | 359,000             | -                   |
| Interest and investment earnings              | 266                 | 2,163               |
| Miscellaneous                                 | 4,468               | 2,217               |
| Total general revenues                        | <u>2,807,116</u>    | <u>2,169,772</u>    |
| Total revenues                                | <u>3,754,086</u>    | <u>3,082,289</u>    |
| Program/activities expenses:                  |                     |                     |
| Instructional services                        | 1,412,534           | 1,380,295           |
| Special education                             | 769,097             | 679,127             |
| Other instructional programs                  | 14,559              | 16,539              |
| Food services                                 | -                   | 75                  |
| Student support services                      | 118,415             | 85,057              |
| Instructional support services                | 62,966              | 750                 |
| Administrative                                | 317,906             | 273,506             |
| Operation & maintenance of facilities         | 458,937             | 424,649             |
| Total expenses                                | <u>3,154,414</u>    | <u>2,859,998</u>    |
| Change in net position                        | 599,672             | 222,291             |
| Net position - beginning of year              | 2,141,027           | 1,918,736           |
| Net position - ending of year                 | <u>\$ 2,740,699</u> | <u>\$ 2,141,027</u> |

STONG FOUNDATIONS CHARTER SCHOOL, INC.  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING JUNE 30, 2021

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, 2021, program revenues were \$946,970 - a 4% increase compared to 2020. This is a reflection of increased local tuition for special education services, student activities and contributions.

Total expenses exceeded program revenue by \$2,207,444 and \$1,947,481 for the years ended, June 30, 2021 and 2020, respectively. General revenues provide the primary source of funding for the School’s activities. Specifically, the state adequacy education grant and state differentiated aid accounted for 70% of total revenues in 2021. In 2021, this funding increased \$221,390.

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 75% of the School’s total expenses. Remaining expenses are comprised of administrative costs (10%) 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 \$1,076,428 which is \$276,573 lower than last year. The Schedule below indicates the fund balances and the total change in fund balances as of June 30, 2021 and June 30, 2020 for all funds:

|                            | 2021         | 2020         | Change       |
|----------------------------|--------------|--------------|--------------|
| <b>School General Fund</b> | \$ 1,025,761 | \$ 1,276,773 | \$ (251,012) |
| <b>Foundation Fund</b>     | 50,667       | 76,228       | (25,561)     |
| <b>Total fund balance</b>  | \$ 1,076,428 | 1,353,001    | (276,573)    |

**School General Fund**

The School’s general fund balance decreased 20% in 2021 to \$1,015,761. Of that balance, \$949,778 is unassigned. Although revenues exceeded expenditures for operations, debt service and capital outlay by \$210,101, this was offset by the \$461,113 in advance lease payments provided to the Foundation for the expansion project.

Total revenues increased 22% - from \$3,082,289 in 2020 to \$3,754,086 in 2021. Local tuition and state adequacy education grant funds received accounted for about 8% of that increase. The remaining increase was attributable to pandemic relief funds.

Total expenditures in 2021 were \$3,166,000. 98% of expenditures are for current operations (e.g., instructional services and facilities), including the \$208,150 of lease expense paid to the Foundation. The remaining expenditures were for debt service and capital outlay.

Other financing uses were the \$461,113 in advance lease payments provided to the Foundation for costs related to the expansion project.



STONG FOUNDATIONS CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING JUNE 30, 2021

**Foundation Fund**

The Foundation's fund balance decreased 20% in 2021 to \$50,667. 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. Expenditures exceeded revenues and other financing sources by \$25,561.

Total revenues increased 27% - from \$179,582 in 2020 to \$227,634 in 2021. 91% 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 increased in 2021 as a result of the completed expansion and conversion of the construction loan to a term loan. Rent increase from \$165,593 in 2020 to \$208,150 in 2021.

Total expenditures in 2021 were \$714,308. The most significant expenditures were: \$210,063 (29%) were for debt service, \$500,863 (70%) 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 \$461,113 in advance lease payments received from the School for costs related to the expansion project.

**SCHOOL GENERAL FUND BUDGETARY HIGHLIGHTS**

Overall, the school's general fund performed better than the budget by \$91,948 when comparing revenues and expenditures. However, after consideration of other financing sources and uses, the total fund balance was \$10,165 less than budgeted. Actual revenues for the year ended, June 30, 2021, were \$140,349 lower than budget. Expenditures were less than budget by \$232,297, including \$51,101 of capital outlay to provide the students access with access to technology and building improvements in response to the pandemic.

**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, 2021**

**ASSETS**

|   |                            |
|---|----------------------------|
| <i>Current Assets</i>                         |                            |
| Cash  | \$ 925,372                 |
| Receivables                                   | 62,102                     |
| Grants receivable                             | 48,133                     |
| Other receivables                             | 10,597                     |
| Prepaid expenses                              | 18,847                     |
| Security escrow deposit                       | <u>52,409</u>              |
| <i>Total Current Assets</i>                   | <u>1,117,460</u>           |
| Investments                                   | <u>10,264</u>              |
| <i>Capital Assets</i>                         |                            |
| Land  | 451,500                    |
| Construction in progress                      | 500,863                    |
| Property, plant & equipment, net depreciation | 2,910,270                  |
| Intangible assets, net amortization           | <u>26,567</u>              |
| <i>Total Capital Assets</i>                   | <u>3,889,200</u>           |
| <b>TOTAL ASSETS</b>                           | <b><u>\$ 5,016,924</u></b> |

**LIABILITIES & NET POSITION**

**LIABILITIES**

|                                      |                         |
|--------------------------------------|-------------------------|
| <i>Current Liabilities</i>           |                         |
| Accrued payroll and related expense  | \$ 51,296               |
| Current portion of mortgages payable | <u>113,751</u>          |
| <i>Total Current Liabilities</i>     | 165,047                 |
| Mortgages Payable, Long-Term         | <u>2,111,178</u>        |
| <b>TOTAL LIABILITIES</b>             | <b><u>2,276,225</u></b> |

**NET POSITION**

|                                  |                         |
|----------------------------------|-------------------------|
| Net investment in capital assets | 1,664,271               |
| Restricted                       | 52,374                  |
| Unrestricted                     | <u>1,024,054</u>        |
| <b>TOTAL NET POSITION</b>        | <b><u>2,740,699</u></b> |

|   |                            |
|---|----------------------------|
| <b>TOTAL LIABILITIES &amp; NET POSITION</b> | <b><u>\$ 5,016,924</u></b> |
|---|----------------------------|

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



**STRONG FOUNDATIONS CHARTER SCHOOL, INC.**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

|   | <b>SCHOOL<br/>GENERAL FUND</b> | <b>FOUNDATION<br/>FUND</b> | <b>TOTAL</b>               |   |
|---|--------------------------------|----------------------------|----------------------------|---|
| <b>ASSETS</b>   |                                |                            |                            |   |
| Cash  | \$ 798,896                     | \$ 126,476                 | \$ 925,372                 |   |
| Receivables   | 62,102                         | -                          | 62,102                     |   |
| Grants receivable   | 48,133                         | -                          | 48,133                     |   |
| Due from Foundation   | 83,053                         | -                          | 83,053                     |   |
| Other receivables   | 10,597                         | -                          | 10,597                     |   |
| Prepaid expenses  | 21,867                         | 4,072                      | 25,939                     |   |
| Investments   | -                              | 10,264                     | 10,264                     |   |
| Escrow deposit  | 52,409                         | -                          | 52,409                     |   |
| <b>TOTAL ASSETS</b>   | <b><u>\$ 1,077,057</u></b>     | <b><u>\$ 140,812</u></b>   | <b><u>\$ 1,217,869</u></b> | <i>Total Fund Balance</i> \$ 1,076,428  |
| <b>LIABILITIES</b>  |                                |                            |                            |   |
| Accrued payroll & related expense   | \$ 51,296.00                   | \$ -                       | \$ 51,296.00               | <i>Amounts reported for governmental activities in the statement of net position are different because:</i>                                   |
| Due to School   | -                              | 83,053                     | 83,053                     |   |
| <b>TOTAL LIABILITIES</b>  | <b><u>51,296</u></b>           | <b><u>83,053</u></b>       | <b><u>134,349</u></b>      |   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                                |                            |                            |   |
| Deferred rental income  | -                              | 7,092                      | 7,092                      | <i>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds</i> 3,889,200     |
| <b>FUND BALANCES</b>  |                                |                            |                            |   |
| Nonspendable prepaid expenses & escrow  | 74,276                         | 4,072                      | 78,348                     | <i>Long-term notes payable are not due and payable in the current period and, therefore, are not reported in the funds</i> <u>(2,224,929)</u> |
| Restricted  | 1,707                          | 46,595                     | 48,302                     |   |
| Unassigned  | 949,778                        | -                          | 949,778                    |   |
| <b>TOTAL FUND BALANCES</b>  | <b><u>1,025,761</u></b>        | <b><u>50,667</u></b>       | <b><u>1,076,428</u></b>    | <i>Net Position of Governmental Activities</i> <u>\$ 2,740,699</u>  |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS OF RESOURCES &amp; FUND<br/>BALANCES</b> | <b><u>\$ 1,077,057</u></b>     | <b><u>\$ 140,812</u></b>   | <b><u>\$ 1,217,869</u></b> |   |

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, 2021**

|   | SCHOOL<br>GENERAL FUND | FOUNDATION<br>FUND | TOTAL               |
|---|------------------------|--------------------|---------------------|
| <b>REVENUES</b>                             |                        |                    |                     |
| Federal grants                              | \$ 151,414             | \$ -               | \$ 151,414          |
| State grants                                | 2,416,782              | -                  | 2,416,782           |
| Local tuition                               | 775,690                | -                  | 775,690             |
| Student activities                          | 21,248                 | -                  | 21,248              |
| OG training and other local revenue         | 4,967                  | -                  | 4,967               |
| Contributions                               | 5,860                  | 19,358             | 25,218              |
| Rental income                               | -                      | 208,150            | 208,150             |
| Bank Interest                               | 140                    | 12                 | 152                 |
| Return on Investments                       | -                      | 114                | 114                 |
| <b>TOTAL REVENUES</b>                       | <u>3,376,101</u>       | <u>227,634</u>     | <u>3,603,735</u>    |
| <b>EXPENDITURES</b>                         |                        |                    |                     |
| <b>Current Operations</b>                   |                        |                    |                     |
| Instructional services                      | 1,374,826              | -                  | 1,374,826           |
| Special education                           | 769,097                | -                  | 769,097             |
| Other instructional programs                | 14,559                 | -                  | 14,559              |
| Student support services                    | 118,415                | -                  | 118,415             |
| Instructional support services              | 62,966                 | -                  | 62,966              |
| Administrative, business & fiscal services  | 316,939                | 967                | 317,906             |
| Operation & maintenance of facilities       | 443,782                | 2,415              | 446,197             |
| <b>Total Current Operations</b>             | <u>3,100,584</u>       | <u>3,382</u>       | <u>3,103,966</u>    |
| <b>Debt Service</b>                         |                        |                    |                     |
| Principal                                   | 4,821                  | 108,623            | 113,444             |
| Interest                                    | 9,494                  | 101,440            | 110,934             |
| <b>Total Debt Service</b>                   | <u>14,315</u>          | <u>210,063</u>     | <u>224,378</u>      |
| <b>Capital Outlay</b>                       |                        |                    |                     |
| Instructional services                      | 25,670                 | -                  | 25,670              |
| Facilities                                  | 25,431                 | 500,863            | 526,294             |
| <b>Total Capital Outlay</b>                 | <u>51,101</u>          | <u>500,863</u>     | <u>551,964</u>      |
| <b>TOTAL EXPENDITURES</b>                   | <u>3,166,000</u>       | <u>714,308</u>     | <u>3,880,308</u>    |
| <b>Excess of revenues over expenditures</b> | 210,101                | (486,674)          | (276,573)           |
| <b>OTHER FINANCING SOURCES (USES)</b>       |                        |                    |                     |
| Advance lease payments to (from)            | (461,113)              | 461,113            | -                   |
| <b>NET CHANGE IN FUND BALANCE</b>           | (251,012)              | (25,561)           | (276,573)           |
| <b>Fund Balance, beginning</b>              | 1,276,773              | 76,228             | 1,353,001           |
| <b>Fund Balance, ending</b>                 | <u>\$ 1,025,761</u>    | <u>\$ 50,667</u>   | <u>\$ 1,076,428</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, 2021**

|   | <b>SCHOOL<br/>GENERAL FUND</b> | <b>FOUNDATION<br/>FUND</b> | <b>TOTAL</b>      |
|---|--------------------------------|----------------------------|-------------------|
| Amounts reported for governmental activities in the statement of activities are different because:  |                                |                            |                   |
| Net change in fund balances - governmental funds  | \$ (251,012)                   | \$ (25,561)                | \$ (276,573)      |
| 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.   |                                |                            |                   |
| Capital Outlay  | 51,101                         | 500,863                    | 551,964           |
| Depreciation & amortization   | <u>(48,997)</u>                | <u>(98,667)</u>            | <u>(147,664)</u>  |
| Excess of capital outlay over depreciation  | <u>2,104</u>                   | <u>402,196</u>             | <u>404,300</u>    |
| Non-cash loss on disposal of capital assets   | <u>(499)</u>                   | <u>-</u>                   | <u>(499)</u>      |
| PPP Loan funds are recognized as a revenue from community resource funds in the year forgiven   | <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. |                                |                            |                   |
| Repayment of principal  | <u>4,821</u>                   | <u>108,623</u>             | <u>113,444</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)  | 461,113                        | (461,113)                  | -                 |
| Amortization of advance lease payments  | <u>(72,940)</u>                | <u>72,940</u>              | <u>-</u>          |
|   | <u>388,173</u>                 | <u>(388,173)</u>           | <u>-</u>          |
| Change in net position of governmental activities   | <u>\$ 502,587</u>              | <u>\$ 97,085</u>           | <u>\$ 599,672</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, 2021, 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, 2021 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, 2021, 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, 2021, cash & cash equivalents is comprised of:

|                                    |    |                |
|------------------------------------|----|----------------|
| Cash on hand and undeposited funds | \$ | 250            |
| PayPal funds                       |    | 3,716          |
| Demand deposits with banks         |    | 921,406        |
| Total cash & cash equivalents      | \$ | <u>925,372</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 \$552,700 on June 30, 2021.

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

**C | INVESTMENTS**

Investments are comprised of the following at June 30, 2021:

|                             |    |               |
|-----------------------------|----|---------------|
| Equity securities (Level 1) |    |               |
| Common stocks               | \$ | 8,557         |
| Federated money market fund |    | <u>1,707</u>  |
| Total investments           | \$ | <u>10,264</u> |

***Return on Investments***

The return on the investments is comprised of the following for the year ended, June 30, 2021:

|                       |    |             |
|-----------------------|----|-------------|
| Interest & dividends  | \$ | 217         |
| Gain (loss)           |    | (78)        |
| Fees                  |    | <u>(25)</u> |
| Return on investments | \$ | <u>114</u>  |

**D | CAPITAL ASSETS**

Capital asset activity for the year ended, June 30, 2021, was as follows:

|                                     | Balance<br>July 1, 2020 | Additions          | Reductions       | Balance<br>June 30, 2021 |
|-------------------------------------|-------------------------|--------------------|------------------|--------------------------|
| <i>Non-Depreciable:</i>             |                         |                    |                  |                          |
| Land                                | \$ <u>451,500</u>       | \$ <u>-</u>        | \$ <u>-</u>      | \$ <u>451,500</u>        |
| Construction in progress            | \$ <u>-</u>             | \$ <u>500,863</u>  | \$ <u>-</u>      | \$ <u>500,863</u>        |
| <i>Depreciable:</i>                 |                         |                    |                  |                          |
| Buildings                           | \$ 2,865,803            | \$ -               | \$ -             | \$ 2,865,803             |
| Land improvements                   | 335,606                 | -                  | -                | 335,606                  |
| Computers & peripherals             | 317,660                 | 25,670             | (155,136)        | 188,195                  |
| Leasehold improvements              | 246,878                 | 21,932             | -                | 286,195                  |
| Furniture & fixtures                | 101,860                 | 3,499              | (3,490)          | 101,869                  |
| Historical cost                     | <u>3,885,192</u>        | <u>51,101</u>      | <u>(158,626)</u> | <u>3,777,668</u>         |
| <i>Accumulated depreciation:</i>    |                         |                    |                  |                          |
| Buildings                           | (471,249)               | (72,020)           | -                | (543,269)                |
| Land improvements                   | (59,346)                | (26,396)           | -                | (82,742)                 |
| Computers & peripherals             | (210,715)               | (29,428)           | 155,136          | (85,007)                 |
| Leasehold improvements              | (83,663)                | (12,222)           | -                | (95,885)                 |
| Furniture & fixtures                | (55,206)                | (8,280)            | 2,991            | (60,495)                 |
| Total accumulated depreciation      | <u>(880,179)</u>        | <u>(145,346)</u>   | <u>158,127</u>   | <u>(867,398)</u>         |
| Property, plant & equipment,<br>net | \$ <u>3,005,014</u>     | \$ <u>(94,245)</u> | \$ <u>(499)</u>  | \$ <u>2,910,270</u>      |

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

|                                       |    |                |
|---------------------------------------|----|----------------|
| Instructional services                | \$ | 37,708         |
| Operation & maintenance of facilities |    | <u>107,638</u> |
| Total                                 | \$ | <u>145,346</u> |

*Continued on next page*

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

**CAPITAL ASSETS (CONTINUED)**

|                                  | Balance<br>July 1, 2020 | Additions         | Reductions  | Balance<br>June 30,<br>2021 |
|----------------------------------|-------------------------|-------------------|-------------|-----------------------------|
| <i>Intangible assets:</i>        |                         |                   |             |                             |
| Closing costs                    | \$ 46,363               | \$ -              | \$ -        | \$ 46,363                   |
| Software                         | 2,120                   | -                 | -           | 2,120                       |
| Historical cost                  | <u>48,483</u>           | <u>-</u>          | <u>-</u>    | <u>48,483</u>               |
| <i>Accumulated amortization:</i> |                         |                   |             |                             |
| Closing costs                    | (17,478)                | (2,318)           | -           | (19,796)                    |
| Software                         | (2,120)                 | -                 | -           | (2,120)                     |
| Total accumulated amortization   | <u>(19,598)</u>         | <u>(2,318)</u>    | <u>-</u>    | <u>(21,916)</u>             |
| Intangible assets, net           | \$ <u>28,885</u>        | \$ <u>(2,318)</u> | \$ <u>-</u> | \$ <u>26,567</u>            |

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

|                                       |                 |
|---------------------------------------|-----------------|
| Operation & maintenance of facilities | \$ <u>2,318</u> |
|---------------------------------------|-----------------|

**E | ADVANCE LEASE PAYMENTS**

During the year ended, June 30, 2021, the School provided \$461,113 to the Foundation for the current facilities expansion project. Aggregate funds given to the Foundation for past and current expansion projects was \$1,445,797. For the year end June 30, 2021, \$72,940 was amortized as rental income and expense. The remaining balance will be amortized at \$105,287 annually. Following is a summary of the advance lease payments:

|  |                     |
|--|---------------------|
| Beginning balance, July 1, 2020              | \$ 948,214          |
| Funds provided for current expansion project | 461,113             |
| Amortized rental income/expense              | <u>(72,940)</u>     |
| Ending balance, June 30, 2021                | \$ <u>1,336,387</u> |

The effects of interfund advance lease payments have been eliminated in the government-wide financial statements.

**F | PPP LOAN**

Effective January 29, 2021, the School received formal acknowledgement of the forgiveness of \$359,000 in PPP funds guaranteed by the SBA. The SBA program provided forgiveness of that loan once the school demonstrated it has used the funds for allowable costs as measured during an eight week or 24 week period. In accordance with GASB Technical Guidance, the School reported revenue from community resource funds in the government-wide Statement of Activities when formal forgiveness was received.

STRONG FOUNDATIONS CHARTER SCHOOL INC.  
NOTES TO FINANCIAL STATEMENTS

**G | MORTGAGES PAYABLE**

Mortgages payable activity for the year ended, June 30, 2021, is as follows:

|                                 |    |                  |
|---------------------------------|----|------------------|
| Beginning balance, July 1, 2020 | \$ | 2,332,532        |
| Principal repayments            |    | <u>(113,444)</u> |
| Ending balance, June 30, 2021   | \$ | <u>2,219,088</u> |

**Composition**

The School has incurred mortgages for the land and building, including improvements and expansion of the facility. As of June 30, 2021, mortgages payable is comprised of the following:

|   |    |                  |
|---|----|------------------|
| \$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.        | \$ | 1,030,025        |
| \$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. |    | 1,045,638        |
| \$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.  |    | <u>143,425</u>   |
|   |    | 2,219,088        |
| Less: current portion of mortgages payable  |    | <u>(113,751)</u> |
| Mortgage payable, long-term   | \$ | <u>2,105,337</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>        |
|-------------------------------------|---------------------|-------------------|---------------------|
| 2022                                | \$ 113,751          | \$ 104,073        | \$ 217,824          |
| 2023                                | 255,214             | 91,798            | 347,012             |
| 2024                                | 122,532             | 83,958            | 206,490             |
| 2025                                | 128,400             | 78,090            | 206,490             |
| 2026                                | 134,549             | 71,942            | 206,491             |
| 2027-2031                           | 605,792             | 220,170           | 825,962             |
| 2032-2036                           | 514,993             | 127,076           | 642,069             |
| 2037-2040                           | <u>343,857</u>      | <u>38,084</u>     | <u>381,941</u>      |
| Total                               | \$ <u>2,219,088</u> | \$ <u>815,191</u> | \$ <u>3,034,279</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, 2021, \$208,150 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<br>June 30 | Amount              |
|-----------------------|---------------------|
| 2022                  | \$ 204,708          |
| 2023                  | 207,691             |
| 2024                  | 207,691             |
| 2025                  | 207,691             |
| 2026                  | 207,691             |
| 2027-2031             | 831,962             |
| 2032-2036             | 648,069             |
| 2037-2040             | 386,742             |
|                       | <u>\$ 2,902,243</u> |

As June 30, 2021, the School prepaid the \$7,092 rent payment due for July 2021. 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 | RESTRICTED NET POSITION & FUND BALANCES**

The restricted net position in the government-wide financial statements is restricted for the following purposes:

|   |                  |
|---|------------------|
| Donations restricted for the playground | \$ 1,707         |
| Restricted for Foundation activities    | <u>50,667</u>    |
| Ending balance, June 30, 2021           | <u>\$ 52,374</u> |

**J | 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, 2021 was \$2,386,782 which is approximately 71% of the School's general fund revenue and 63% of government-wide program and general revenue.

**K | 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.



STRONG FOUNDATIONS CHARTER SCHOOL INC.  
NOTES TO FINANCIAL STATEMENTS

**L | 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.

***Ongoing Construction In Progress***

The School began construction on a three million dollar expansion of the facilities. During the year ended, June 30, 2020, the School had advanced funds \$463,126 towards the total project cost pending the settlement of the financing for the project from the lender. Settlement was completed on August 23, 2021. At that time, the lender approved repayment of \$59,535 of funds advanced and began providing funds towards the project costs. Total funding from the lender is \$2,596,409. As of June 30, 2021, the remaining estimated costs to complete the expansion are \$2,536,874.

***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.

**M | 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.

**N | SUBSEQUENT EVENTS**

In preparing these financial statements, the School has evaluated events and transactions for potential recognition of disclosure through September 30, 2021, the date the financial statements were available to be issued.

Subsequent to June 30, 2021, disbursements and financing for the ongoing expansion of the facilities have occurred (see Note L). As of September 30, 2021, \$791,861 of funds have been advance on the construction loan. 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, 2021**

|  | ORIGINAL            | FINAL               | ACTUAL              | VARIANCE -<br>FAVORABLE<br>(UNFAVORABLE) |
|--|---------------------|---------------------|---------------------|--|
| <b>REVENUES</b>                                  |                     |                     |                     |  |
| Federal grants                                   | \$ 112,000          | \$ 112,000          | \$ 510,414          | \$ 398,414                               |
| State grants                                     | 2,733,000           | 2,733,000           | 2,416,782           | (316,218)                                |
| Local tuition                                    | 978,000             | 978,000             | 775,690             | (202,310)                                |
| Student activities                               | 26,000              | 26,000              | 21,248              | (4,752)                                  |
| OG training and other local revenue              | 4,500               | 4,500               | 4,468               | (32)                                     |
| Contributions                                    | 20,000              | 20,000              | 4,409               | (15,591)                                 |
| Bank Interest                                    | -                   | -                   | 140                 | 140                                      |
| <b>TOTAL REVENUES</b>                            | <u>3,873,500</u>    | <u>3,873,500</u>    | <u>3,733,151</u>    | <u>(140,349)</u>                         |
| <b>EXPENDITURES</b>                              |                     |                     |                     |  |
| <b>Current Operations</b>                        |                     |                     |                     |  |
| Instructional services                           | 1,544,514           | 1,544,514           | 1,374,826           | 169,688                                  |
| Special education                                | 798,696             | 798,696             | 769,097             | 29,599                                   |
| Other instructional programs                     | 28,375              | 28,375              | 14,559              | 13,816                                   |
| Student support services                         | 108,236             | 108,236             | 118,415             | (10,179)                                 |
| Instructional support services                   | 4,200               | 4,200               | 62,966              | (58,766)                                 |
| Administrative, business & fiscal services       | 309,099             | 309,099             | 316,939             | (7,840)                                  |
| Operation & maintenance of facilities            | <u>605,177</u>      | <u>605,177</u>      | <u>443,782</u>      | <u>161,395</u>                           |
| <b>Total Current Operations</b>                  | 3,398,297           | 3,398,297           | 3,100,584           | 297,713                                  |
| <b>Debt Service</b>                              | -                   | -                   | 14,315              | (14,315)                                 |
| <b>Capital Outlay</b>                            | <u>-</u>            | <u>-</u>            | <u>51,101</u>       | <u>(51,101)</u>                          |
| <b>TOTAL EXPENDITURES</b>                        | <u>3,398,297</u>    | <u>3,398,297</u>    | <u>3,166,000</u>    | <u>232,297</u>                           |
| <b>Excess of revenues over expenditures</b>      | 475,203             | 475,203             | 567,151             | 91,948                                   |
| <b>OTHER FINANCING SOURCES (USES)</b>            |                     |                     |                     |  |
| Interfund transfers to (from)                    | -                   | -                   | (461,113)           | (461,113)                                |
| PPP loan funds received                          | <u>-</u>            | <u>-</u>            | <u>359,000</u>      | <u>359,000</u>                           |
| <b>TOTAL OTHER FINANCING SOURCES</b>             | <u>-</u>            | <u>-</u>            | <u>(102,113)</u>    | <u>(102,113)</u>                         |
| <b>NET CHANGE IN FUND BALANCE</b>                | 475,203             | 475,203             | 465,038             | (10,165)                                 |
| <b>Budgetary Basis - Fund Balance, beginning</b> | <u>1,276,773</u>    | <u>1,276,773</u>    | <u>1,276,773</u>    | <u>1,276,773</u>                         |
| <b>Budgetary Basis - Fund Balance, ending</b>    | <u>\$ 1,751,976</u> | <u>\$ 1,751,976</u> | <u>\$ 1,741,811</u> | <u>\$ (10,165)</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).