

**STRONG FOUNDATIONS  
CHARTER SCHOOL, INC.**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
JUNE 30, 2017 AND 2016**

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, 2017, 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*

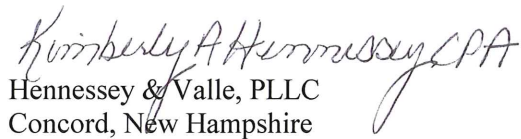
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Strong Foundations Charter School, Inc., as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

  
Hennessey & Valle, PLLC  
Concord, New Hampshire

January 31, 2018

**STRONG FOUNDATIONS CHARTER SCHOOL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 580,877	\$ 893,592
Accounts receivable	131,835	157,445
Prepaid expenses	13,625	-
Due from Strong Foundations Elementary School	8,850	3,900
Total current assets	735,187	1,054,937
Property and Equipment		
Improvements	233,678	223,228
Equipment	218,713	218,713
	452,391	441,941
Less: accumulated depreciation	(257,583)	(225,312)
Net property and equipment	194,808	216,629
Other Assets		
Security deposit escrow	52,409	52,409
Total other assets	52,409	52,409
Deferred Outflows of Resources		
Deferred services concession arrangement	438,452	-
Total deferred outflows of resources	438,452	-
<b>TOTAL ASSETS</b>	<b>\$ 1,420,856</b>	<b>\$ 1,323,975</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accrued expenses	\$ 25,963	\$ 30,265
Total current liabilities	25,963	30,265
Total liabilities	25,963	30,265
Net Assets		
Unrestricted	1,394,893	1,293,710
Total net assets	1,394,893	1,293,710
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,420,856</b>	<b>\$ 1,323,975</b>

*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, 2017 AND 2016**

	2017	2016
<b>REVENUES AND GAINS</b>		
Grants	\$ 1,524,276	\$ 1,271,953
Donations	-	500
Tuition and related activities fees	694,123	754,030
Summer camp	3,480	10,439
Fundraising	12,473	8,950
Interest income	120	112
Total revenues and gains	2,234,472	2,045,984
<b>EXPENSES</b>		
Program services	1,721,135	1,410,323
Management and general	412,154	382,723
Fundraising	-	-
Total expenses	2,133,289	1,793,046
<b>INCREASE IN NET ASSETS</b>	101,183	252,938
<b>NET ASSETS - Beginning of Year</b>	1,293,710	1,040,772
<b>NET ASSETS - End of Year</b>	\$ 1,394,893	\$ 1,293,710

*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, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 101,183	\$ 252,938
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	32,271	32,360
(Increase) decrease in:		
Accounts receivable	25,610	(12,294)
Due from Strong Foundations Elementary School	(4,950)	(3,900)
Prepaid expenses	(13,625)	-
Increase (decrease) in:		
Accrued expenses	(4,302)	2,709
Net cash provided by operating activities	<u>136,187</u>	<u>271,813</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(10,450)</u>	<u>(6,650)</u>
Net cash used for investing activities	<u>(10,450)</u>	<u>(6,650)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Deferred outflows of resources	<u>(438,452)</u>	<u>-</u>
Net cash used for financing activities	<u>(438,452)</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(312,715)</b>	<b>265,163</b>
<b>CASH - Beginning of Year</b>	<u>893,592</u>	<u>628,429</u>
<b>CASH - End of Year</b>	<u>\$ 580,877</u>	<u>\$ 893,592</u>

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

**STRONG FOUNDATIONS CHARTER SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**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.

SFAS No. 117 establishes standards for general purpose external financial statements for not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions as follows:

Unrestricted Net Assets – Include the portion of expendable unrestricted funds that are available for support of the operations.

Temporarily Restricted Net Assets – Include the portion of funds for which donor restrictions have not yet been met, and for which the ultimate purpose of the proceeds are not permanently restricted.

Permanently Restricted Net Assets – Include the portion of funds that require by donor or grantor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.



**STRONG FOUNDATIONS CHARTER SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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.

*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.

**STRONG FOUNDATIONS CHARTER SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**C. DEPOSITS AND CUSTODIAL CREDIT RISK**

At June 30, 2017 and 2016 cash and cash equivalents were \$580,877 and \$893,592, 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.

In April 2012, the mortgage that was held by First Colebrook Bank was paid off through a refinancing loan held by Northway Bank. The Higher Education Finance Authority (HEFA) participated in the loan. Strong Foundations Charter School (SFCS) and Strong Foundations Elementary School, Inc. (SFES) are joint guarantors for the loan. The rent cost paid to SFES is the monthly mortgage plus \$100, which currently is \$9,788 per month.

**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. DEFERRED OUTFLOWS OF RESOURCES**

The School gave funds throughout the year to Strong Foundations Elementary School, Inc., in the amount of \$438,452. The Elementary School used the funds to purchase land and begin construction on expansion of the School's operating facilities. As of June 30, 2017, the construction was still in progress due to the inability to obtain financing for the remainder of the original project.

Since being unable to obtain financing for the original project, management has decided to pursue financing for a smaller portion of the project. This would include adding four classrooms, and completing the temporary/underground parking lot. They hope to begin construction for this in March 2018.

**STRONG FOUNDATIONS CHARTER SCHOOL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**F. LEASE COMMITMENTS/RELATED PARTY/GUARANTOR**

The School leases its facilities from Strong Foundations Elementary School, Inc. The lease runs until June 30, 2027. The Charter School is a joint guarantor on the mortgage note of the Strong Foundations Elementary School, Inc. in the amount of \$1,530,000.

The Charter School's lease consists of the annual obligations on the notes payable mentioned above plus an additional \$1,200 annually for each note. Total rental payments for the years ended June 30, 2017 and 2016 were \$117,446 and \$117,346, respectively.

**G. 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, 2017 and 2016 was \$32,271 and \$32,360, respectively.

**H. COMPENSATED ABSENCES**

Compensated absences due to vacation earned but not yet taken have been accrued. The total of accrued vacation expense at June 30, 2017 and 2016 was \$0 and \$0, respectively.

**I. 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, 2017 and 2016 was \$0 and \$0, respectively.

**J. 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 January 31, 2018, 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, 2017**

(With Comparative Totals for the Year Ended June 30, 2016)

	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fund Raising</b>	<b>Total 2017</b>	<b>Total 2016</b>
<b>EXPENSES</b>					
Salaries and wages	\$ 1,318,487	\$ 222,468	\$ -	\$ 1,540,955	\$ 1,309,739
Employee benefits	46,270	42,507	-	88,777	70,078
Payroll taxes	25,139	98,762	-	123,901	107,407
Staff development	17,803	-	-	17,803	9,047
Professional fees	-	26,548	-	26,548	19,141
Contract services	-	-	-	-	380
Occupancy	143,691	4,824	-	148,515	150,557
Repairs and maintenance	33,422	-	-	33,422	12,885
Depreciation	32,271	-	-	32,271	32,360
Supplies	59,369	2,505	-	61,874	46,376
Textbooks	16,377	-	-	16,377	17,885
Software	17,125	-	-	17,125	1,525
Equipment	8,328	-	-	8,328	5,018
Advertising	-	3,142	-	3,142	2,832
Office expenses	2,853	732	-	3,585	2,866
Travel and conferences	-	7,821	-	7,821	3,133
Dues and fees	-	2,845	-	2,845	1,817
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total expenses	<u>\$ 1,721,135</u>	<u>\$ 412,154</u>	<u>\$ -</u>	<u>\$ 2,133,289</u>	<u>\$ 1,793,046</u>

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