

**STRONG FOUNDATIONS
CHARTER SCHOOL, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of the Strong Foundations Charter School, Inc., (a *nonprofit corporation*) and its blended component unit, Strong Foundations Elementary School, Inc., as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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., as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Strong Foundations Charter School, Inc., and its blended component unit, Strong Foundations Elementary School, Inc., (hereinafter, collectively referred to as the "School") and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's, ability to continue as a going concern within one year after the date that the financial statements are available to be issue, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT

Continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform the audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the 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.

Murphy, Powers & Wilson
Certified Public Accountants, P.C.

Hampton, New Hampshire

December 15, 2023

STONG FOUNDATIONS CHARTER SCHOOL, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2023

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, 2023. 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, 2023

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 2023 and 2022:

	2023	2022
Assets		
Current assets	\$ 1,232,277	\$ 993,650
Investments	8,171	8,883
Capital assets, net	<u>6,392,895</u>	<u>6,371,446</u>
Total Assets	\$ <u>7,633,343</u>	\$ <u>7,373,979</u>
Liabilities		
Current liabilities	\$ 333,441	\$ 382,154
Long-term liabilities	<u>4,266,877</u>	<u>4,215,745</u>
Total Liabilities	\$ <u>4,600,318</u>	\$ <u>4,597,899</u>
Net Position		
Net investment in capital assets	\$ 1,916,257	\$ 1,848,906
Restricted	126,969	118,959
Unrestricted	<u>989,799</u>	<u>960,690</u>
Total Net Position	\$ <u>3,033,025</u>	\$ <u>2,928,555</u>

STONG FOUNDATIONS CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2023

Total assets increased \$259,364 compared to June 30, 2022. The change is primarily attributable to an increase in special education and grant receivables of \$484,079, less cash used for operations, debt service and investments in equipment and leasehold improvements by the School. Capital assets of \$6,392,895 comprises 84% of the School's total assets. These include land, building, improvements, furniture and equipment. During the year, the School completed the building expansion project, invested in technology for the students and other improvements to the building. Net of related mortgages payable, the net investment in capital assets at June 30, 2023 was \$1,916,257. Although the School's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt are provided from the School's revenues for providing services to students.

Total liabilities increased \$2,419 compared to June 30, 2022. The increase is primarily attributable to increases in accounts payable and accrued expenses, as well as the final advance on the construction loan net normal repayment of the principal of the mortgages.

Total net position increased \$104,470 in the current year. This increase reflects an improvement of the overall financial position of the School compared to June 30, 2022. 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, 2023 and 2022 are as follows:

	2023	2022
Program revenues:		
Charges for services	\$ 947,105	\$ 801,194
Grants and contributions	696,096	137,215
Total program revenues	<u>1,643,201</u>	<u>938,409</u>
General revenues:		
State adequacy education & differentiated aid	2,478,248	2,522,781
Interest and investment earnings	(102)	(547)
Miscellaneous	2,110	(4,706)
Total general revenues	<u>2,480,256</u>	<u>2,517,528</u>
Total revenues	<u>4,123,457</u>	<u>3,455,937</u>
Program/activities expenses:		
Instructional services	1,715,808	1,345,262
Special education	816,452	876,733
Other instructional programs	111,733	20,032
Student support services	154,681	132,514
Instructional support services	101,219	147,820
Administrative	347,742	362,109
Operation & maintenance of facilities	771,352	556,641
Total expenses	<u>4,018,987</u>	<u>3,441,111</u>
Change in net position	104,470	14,826
Net position - beginning of year (as restated)	<u>2,928,555</u>	<u>2,913,729</u>
Net position - ending of year	<u>\$ 3,033,025</u>	<u>\$ 2,928,555</u>

STONG FOUNDATIONS CHARTER SCHOOL, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2023

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, 2023, program revenues were \$1,643,201 - a 75% increase compared to 2022. This is a reflection of additional pandemic assistance grants received in the current year, as well as increase special education tuition.

Total expenses exceeded program revenue by \$2,375,786 and \$2,502,702 for the years ended, June 30, 2023 and 2022, 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 60% of total revenues in 2023. In 2023, this funding decrease \$44,533 due to lower enrollment.

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 72% of the School’s total expenses. Remaining expenses are comprised of administrative costs (9%) and the operation & maintenance of facilities (19%).

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 \$1,116,768 which is \$37,119 higher than last year. The Schedule below indicates the fund balances and the total change in fund balances as of June 30, 2023 and June 30, 2022 for all funds:

	2023	2022	Change
School General Fund	\$ 991,506	\$ 962,397	\$ 29,109
Foundation Fund	<u>125,262</u>	<u>117,252</u>	<u>8,010</u>
Total fund balance	<u>\$ 1,116,768</u>	<u>1,079,649</u>	<u>37,119</u>

School General Fund

The School’s general fund balance increased 30% in 2023 to \$991,506. Of that balance, \$973,576 is unassigned. Revenues and expenditures, including operational expenses, debt service and capital outlay were nearly equivalent (deficit of \$6,801). The increase of \$29,109 in the general fund is attributable to \$35,910 of rebates received for prior expansion costs related to electrical upgrades, net the deficit of \$6,801.

Total revenues increase 19% - from \$3,732,555 in 2022 to \$4,108,526 in 2023. Local revenue, including local tuition, student activities, extended day and summer camp activities increased 19%. A modest decrease in state adequacy education grant funds was offset by substantially higher grant income, particularly pandemic relief funds.

Total expenditures in 2023 were \$3,945,699. 96% of expenditures were for current operations (e.g., instructional services and facilities), including the \$419,163 of lease expense paid to the Foundation. The remaining expenditures were for debt service and capital outlay.

STONG FOUNDATIONS CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2023

Other financing sources were the \$35,910 in rebates received for the electrical upgrades which were previously recorded as advance lease payments provided to the Foundation for the costs related to the expansion project.

Foundation Fund

The Foundation's fund balance increased 7% in 2023 to \$125,262. All of that balance is considered restricted for the foundation activities in these financial statements, but is not separately restricted by donors or other sources. Revenues and other financing sources exceeded expenditures by \$8,010.

Total revenues increased 27% - from \$264,012 in 2022 to \$435,587 in 2023. 96% 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 2023 as a result of the final advance on the construction loan and corresponding debt service requirements which included principal on the construction loan. Rent increased from \$251,232 in 2022 to \$435,587 in 2023.

Total expenditures in 2023 were \$540,299. The most significant expenditures were: \$417,964 (78%) for debt service and \$120,474 (22%) for capital outlay. As the facilities are leased under a triple-net lease arrangement with the School, the Foundation has less than 1% of its expenditures for current operations.

Other financing uses include the \$35,910 in rebates received and retained by the School for electrical upgrades previously recorded as advance lease payments received from the School for costs related to the expansion project and \$148,632 in advances on the construction loan.

SCHOOL GENERAL FUND BUDGETARY HIGHLIGHTS

Overall, the school's general fund performed worse than the budget. Actual revenues for the year ended, June 30, 2022, were \$29,026 higher than budget, however expenditures exceeded budget by \$300,963, including \$122,066 of unanticipated capital outlay. Net the unbudgeted other financing source of \$35,190 rebates related to electrical improvements, the actual increase in fund balance was \$29,109 as compared to a budgeted increase of \$294,162.

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, the students' resident districts are responsible for costs related to Special Education of their resident students with Individualized Education Plans.

STONG FOUNDATIONS CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING JUNE 30, 2023

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, 2023

ASSETS

<i>Current Assets</i>	
Cash	\$ 504,526
Receivables	121,497
Grants receivable	590,031
Prepaid expenses	<u>16,223</u>
<i>Total Current Assets</i>	<u>1,232,277</u>
Investments	<u>8,171</u>
<i>Capital Assets</i>	
Land	451,500
Property, plant & equipment, net depreciation	5,886,384
Intangible assets, net amortization	<u>55,011</u>
<i>Total Capital Assets</i>	<u>6,392,895</u>
TOTAL ASSETS	\$ <u>7,633,343</u>

LIABILITIES & NET POSITION

LIABILITIES

<i>Current Liabilities</i>	
Accounts payable	\$ 37,843
Accrued payroll and related expense	84,587
Deferred revenue	1,250
Current portion of finance lease payable	2,759
Current portion of mortgages payable	<u>207,002</u>
<i>Total Current Liabilities</i>	<u>333,441</u>
<i>Long-term Liabilities</i>	
Mortgages payable, long-term	<u>4,266,877</u>
<i>Total Long-term Liabilities</i>	<u>4,266,877</u>
TOTAL LIABILITIES	<u>4,600,318</u>

NET POSITION

Net investment in capital assets	1,916,257
Restricted	126,969
Unrestricted	<u>989,799</u>
TOTAL NET POSITION	<u>3,033,025</u>

TOTAL LIABILITIES & NET POSITION	\$ <u>7,633,343</u>
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The accompanying notes are an integral part of these financial statements.

STRONG FOUNDATIONS CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues			
Expenses		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Net (Expense) Revenue and Changes in Net Position
<i>Governmental Activities</i>					
Instructional services	\$ 1,715,808	\$ -	\$ 417,887	\$ -	\$ (1,297,921)
Special education	816,452	866,171	-	-	49,719
Other instructional programs	111,733	80,934	-	-	(30,799)
Student support services	154,681	-	94,601	-	(60,080)
Instructional support services	101,219	-	93,649	-	(7,570)
Administrative	347,742	-	400	-	(347,342)
Operations & maintenance of facilities	771,352	-	55,875	33,684	(681,793)
<i>Total Governmental Activities</i>	<u>\$ 4,018,987</u>	<u>\$ 947,105</u>	<u>\$ 662,412</u>	<u>\$ 33,684</u>	<u>(2,375,786)</u>
		<i>General Revenues:</i>			
					2,323,949
					154,299
					609
					(711)
					2,110
					<u>2,480,256</u>
					Change in net position
					104,470
					Net position, beginning of year (as restated)
					<u>2,928,555</u>
					Net position, end of year
					<u><u>\$ 3,033,025</u></u>

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

STRONG FOUNDATIONS CHARTER SCHOOL, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	SCHOOL GENERAL FUND	FOUNDATION FUND	TOTAL	
ASSETS				
Cash	\$ 383,292	\$ 121,234	\$ 504,526	
Receivables	121,497	-	121,497	
Grants receivable	590,031	-	590,031	
Due from Foundation	4,143	-	4,143	
Prepaid expenses	16,223	-	16,223	
Investments	-	8,171	8,171	
TOTAL ASSETS	<u>\$ 1,115,186</u>	<u>\$ 129,405</u>	<u>\$ 1,244,591</u>	
LIABILITIES				
Accounts payable	\$ 37,843	\$ -	\$ 37,843	<i>Total Fund Balance</i> \$ 1,116,768
Accrued payroll & related expense	84,587	-	84,587	
Due to School	-	4,143	4,143	
TOTAL LIABILITIES	<u>122,430</u>	<u>4,143</u>	<u>126,573</u>	
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	<u>1,250</u>	<u>-</u>	<u>1,250</u>	<i>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds</i> 6,392,895
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,250</u>	<u>-</u>	<u>1,250</u>	
FUND BALANCES				
Nonspendable prepaid expenses & escrow	16,223	-	16,223	<i>Long-term financing is not due and payable in the current period and, therefore, are not reported in the funds</i> <u>(4,476,638)</u>
Restricted	1,707	125,262	126,969	
Unassigned	<u>973,576</u>	<u>-</u>	<u>973,576</u>	
TOTAL FUND BALANCES	<u>991,506</u>	<u>125,262</u>	<u>1,116,768</u>	<i>Net Position of Governmental Activities</i> <u>\$ 3,033,025</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	<u>\$ 1,115,186</u>	<u>\$ 129,405</u>	<u>\$ 1,244,591</u>	

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, 2023

	SCHOOL GENERAL FUND	FOUNDATION FUND	TOTAL
REVENUES			
Federal grants	\$ 621,482	\$ -	\$ 621,482
State grants	2,517,000	-	2,517,000
Local tuition	866,171	-	866,171
Student activities	80,934	-	80,934
OG training and other local revenue	3,603	-	3,603
Contributions, less fundraising expense of \$18,414	18,739	17,123	35,862
Rental income	-	419,163	419,163
Bank Interest	597	12	609
Return on Investments, net advisory fee of \$25	-	(711)	(711)
TOTAL REVENUES	<u>4,108,526</u>	<u>435,587</u>	<u>4,544,113</u>
EXPENDITURES			
Current Operations			
Instructional services	1,656,162	-	1,656,162
Special education	816,452	-	816,452
Other instructional programs	111,733	-	111,733
Student support services	154,681	-	154,681
Instructional support services	101,219	-	101,219
Administrative, business & fiscal services	345,881	1,861	347,742
Operation & maintenance of facilities	759,571	-	759,571
Total Current Operations	<u>3,945,699</u>	<u>1,861</u>	<u>3,947,560</u>
Debt Service			
Principal	8,414	186,121	194,535
Interest	8,598	231,843	240,441
Total Debt Service	<u>17,012</u>	<u>417,964</u>	<u>434,976</u>
Capital Outlay			
Instructional services	37,605	-	37,605
Facilities	115,011	120,474	235,485
Total Capital Outlay	<u>152,616</u>	<u>120,474</u>	<u>273,090</u>
TOTAL EXPENDITURES	<u>4,115,327</u>	<u>540,299</u>	<u>4,655,626</u>
Excess (deficit) of revenues over expenditures	(6,801)	(104,712)	(111,513)
OTHER FINANCING SOURCES (USES)			
Advances on construction loan	-	148,632	148,632
Advance lease payments to (from)	35,910	(35,910)	-
NET CHANGE IN FUND BALANCE	29,109	8,010	37,119
Fund Balance, beginning (as restated)	<u>962,397</u>	<u>117,252</u>	<u>1,079,649</u>
Fund Balance, ending	<u>\$ 991,506</u>	<u>\$ 125,262</u>	<u>\$ 1,116,768</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, 2023

	SCHOOL GENERAL FUND	FOUNDATION FUND	TOTAL
Amounts reported for governmental activities in the statement of activities are different because:			
Net change in fund balances - governmental funds	\$ 29,109	\$ 8,010	\$ 37,119
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	152,616	120,474	273,090
Depreciation & amortization	<u>(74,109)</u>	<u>(176,040)</u>	<u>(250,149)</u>
Excess of capital outlay over depreciation	<u>78,507</u>	<u>(55,566)</u>	<u>22,941</u>
Non-cash loss on disposal of capital assets	<u>(1,493)</u>	<u>-</u>	<u>(1,493)</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.			
Advance on expansion construction loan	-	(148,632)	(148,632)
Repayment of principal	<u>8,414</u>	<u>186,121</u>	<u>194,535</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)	(35,910)	35,910	-
Amortization of advance lease payments	<u>(65,978)</u>	<u>65,978</u>	<u>-</u>
	<u>(101,888)</u>	<u>101,888</u>	<u>-</u>
Change in net position of governmental activities	<u>\$ 12,649</u>	<u>\$ 91,821</u>	<u>\$ 104,470</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. All interfund activity and balances between the funds which are reported as transfers and internal balances have been removed from these statements. 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.

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.

Restatement of Previously Reported Net Assets

The financial statements have been restated to accrue \$152,475 for the 2022/23 State Adequacy Aid Grant. A corresponding entry was made to increase grant revenue and receivables. The net effect was an increase in previously reported net assets of \$152,475.

A-3. ASSETS, LIABILITIES AND NET POSITION

Deposits & Investments

As of June 30, 2023, 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 and eliminated in the government-wide financial statements.

Prepaid Expenses

Payments made to vendors for costs applicable to future accounting periods, after June 30, 2023, 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

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 \$5,000 or more and useful life of one 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
Buildings & leasehold improvements	15-39
Furniture, fixtures and equipment	5-7

Advance Lease Payments

As part of two major building expansions, 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.

Equipment Lease

The School has acquired equipment under various leases. The school has elected to apply several practical expedients in determining the value of the lease asset and the corresponding lease liability presented in the government-wide financial statements:

- Short-term lease election - The School has elected not to apply the lessee accounting model if the lease length is 12 months or less.
- Discount rate - The School has elected to use the risk-free rate as the discount rate when the rate implicit in the lease is not readily determinable.
- Historical lease classification - The School has elected to apply the historical lease classification to leases prior to the transition date. Accordingly, the School does not need to reassess: (1) whether any expired or existing contracts contain a lease; (2) the lease classification for any expired or existing leases; (3) the initial direct costs for any existing lease.

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, 2023, 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: Non-spendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Non-spendable 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.

STRONG FOUNDATIONS CHARTER SCHOOL INC.
NOTES TO FINANCIAL STATEMENTS

B | CASH & CASH EQUIVALENTS

As of June 30, 2023, cash & cash equivalents is comprised of:

Cash on hand and undeposited funds	\$	8,355
PayPal funds		3,518
Demand deposits with banks		<u>492,653</u>
Total cash & cash equivalents	\$	<u><u>504,526</u></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. Additional funds held at Northway Bank are deposited into a sweep account. While not FDIC insured, these funds are invested in repurchase agreements to maximize earnings. Repurchase agreements are secured by U.S. government securities and are not bank deposits. Consequently they are not FDIC insured and may lose value. Repurchase agreements are not insured by any federal government agency or guaranteed by the bank. After consideration of FDIC coverage and \$355,150 of funds covered by repurchase agreements in the sweep account, all demand deposits with banks are covered and not at risk as of June 30, 2023.

C | INVESTMENTS

Investments are comprised of the following at June 30, 2023:

Equity securities (Level 1)		
Common stocks	\$	6,039
FDIC Deposit Sweep Program		<u>2,132</u>
Total investments	\$	<u><u>8,171</u></u>

Return on Investments

The return on the investments is comprised of the following for the year ended, June 30, 2023:

Interest & dividends	\$	259
Gain (loss)		(945)
Fees		<u>(25)</u>
Return on investments	\$	<u><u>(711)</u></u>

STRONG FOUNDATIONS CHARTER SCHOOL INC.
NOTES TO FINANCIAL STATEMENTS

D | CAPITAL ASSETS

Capital asset activity for the year ended, June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023
<i>Non-Depreciable:</i>				
Land	\$ <u>451,500</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>451,500</u>
<i>Depreciable:</i>				
Buildings	\$ 5,850,217	\$ 120,474	\$ -	\$ 5,970,691
Land improvements	335,606	-	-	335,606
Computers & peripherals	188,574	37,605	(38,293)	187,886
Leasehold improvements	349,898	67,136	-	417,034
Furniture & fixtures	151,923	47,875	-	199,798
Historical cost	<u>6,876,218</u>	<u>273,090</u>	<u>(38,293)</u>	<u>7,111,015</u>
<i>Accumulated depreciation:</i>				
Buildings	(627,313)	(151,254)	-	(778,567)
Land improvements	(103,961)	(19,771)	-	(123,732)
Computers & peripherals	(105,393)	(43,016)	36,800	(111,609)
Leasehold improvements	(109,827)	(15,396)	-	(125,223)
Furniture & fixtures	(68,871)	(16,630)	-	(85,501)
Total accumulated depreciation	<u>(1,015,365)</u>	<u>(246,067)</u>	<u>36,800</u>	<u>(1,224,631)</u>
Property, plant & equipment, net	\$ <u>5,860,853</u>	\$ <u>27,023</u>	\$ <u>(1,493)</u>	\$ <u>5,886,384</u>
<i>Intangible assets:</i>				
Closing costs	\$ <u>81,648</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>81,648</u>
Historical cost	<u>81,648</u>	<u>-</u>	<u>-</u>	<u>81,648</u>
<i>Accumulated amortization:</i>				
Closing costs	<u>(22,555)</u>	<u>(4,082)</u>	<u>-</u>	<u>(26,637)</u>
Total accumulated amortization	<u>(22,555)</u>	<u>(4,082)</u>	<u>-</u>	<u>(26,637)</u>
Intangible assets, net	\$ <u>59,093</u>	\$ <u>(4,082)</u>	\$ <u>-</u>	\$ <u>55,011</u>

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

	Instructional Services	Operation & Maintenance of Facilities	Total
Depreciation	\$ 59,646	\$ 186,421	\$ 246,067
Amortization	-	4,082	4,082
Total depreciation & amortization	<u>\$ 59,646</u>	<u>\$ 190,503</u>	<u>\$ 250,149</u>

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

E | ADVANCE LEASE PAYMENTS

During the year ended, June 30, 2023, the School received rebates of \$35,910 related to energy improvements for the facilities expansion project. Aggregate funds (net the rebate) given to the Foundation for the expansion project was \$1,532,647. For the year end June 30, 2023, \$65,978 was amortized as rental income and expense. The remaining balance will be amortized at \$62,284 annually over the terms of the lease ending June 30, 2043. Following is a summary of the advance lease payments:

Beginning balance, July 1, 2022	\$ 1,409,846
Rebates received	(35,910)
Amortized rental income/expense	<u>(65,978)</u>
Ending balance, June 30, 2023	<u>\$ 1,307,959</u>

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

F | FINANCE LEASE

The organization has a finance lease of equipment. The lease has a remaining terms of 1 year. As of June 30, 2023, the weighted average of remaining lease term is 1 year. As of June 30, 2023 the weighted average discount rate is 1%.

As of June 30, 2023, the finance lease is included in property, plant and equipment and presented as a liability in the government-wide statement of net assets as follow:

Equipment	\$ 8,278
Accumulated depreciation	<u>(2,483)</u>
Equipment, net	<u>\$ 5,795</u>
Current portion of finance lease payable	\$ 2,759
Long-term finance lease payable	<u>-</u>
Total finance lease payable	<u>\$ 2,759</u>

As of June 30, 2023, future maturities of finance leases liabilities were:

Year Ending June 30, 2023	\$ 2,786
Less: present value discount	<u>(27)</u>
Present value of finance lease liabilities	<u>\$ 2,759</u>

STRONG FOUNDATIONS CHARTER SCHOOL INC.
NOTES TO FINANCIAL STATEMENTS

G | MORTGAGES PAYABLE

Mortgages payable activity for the year ended, June 30, 2023, is as follows:

Beginning balance, July 1, 2022	\$ 4,519,782
Advances on expansion loan	148,632
Principal repayments	<u>(194,535)</u>
Ending balance, June 30, 2023	<u>\$ 4,473,879</u>

Composition

The School has incurred mortgages for the land and building, including improvements and expansion of the facility. As of June 30, 2023, mortgages payable is comprised of the following:

\$1,530,000 mortgage due April 2032, principal and interest payable in monthly installments of \$10,594. Adjustable rate based on Federal Home Loan Bank rate plus 255 basis points per annum, currently at 5.66%. 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. \$ 880,089

\$1,100,000 mortgage due December 2039, principal and interest payable in monthly installments of \$6,583. Adjustable rate based on Federal Home Loan Bank rate plus 255 basis points per annum, currently at 3.73%. 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. 967,688

\$2,596,409 mortgage due April 2042, principal and interest payable in monthly installments of \$17,758. Adjustable rate based on Federal Home Loan Bank rate plus 255 basis points per annum, currently at 5.5%. 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. 2,493,502

\$160,000 mortgage due with balloon payment in November 2027. Principal and interest payable in monthly installments (amortized over 20 years) of \$1,156. Fixed interest rate of 6.0%. 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. 132,600

	<u>4,473,879</u>
Less: current portion of mortgages payable	<u>(207,002)</u>
Mortgage payable, long-term	<u>\$ 4,266,877</u>

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

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>
2024	\$ 207,002	\$ 226,092	\$ 433,094
2025	218,035	215,058	433,093
2026	229,671	203,422	433,093
2027	347,894	191,153	539,047
2028	247,161	174,165	421,326
2029-2033	1,291,474	652,690	1,944,164
2034-2038	1,102,565	364,122	1,466,687
2039-2043	<u>830,077</u>	<u>83,498</u>	<u>913,575</u>
Total	<u>\$ 4,473,879</u>	<u>\$ 2,110,200</u>	<u>\$ 6,584,079</u>

H | LEASE COMMITMENTS

The School leases its facilities from the Foundation. The lease runs until June 2043 (as amended August 18, 2021). 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, 2023, \$419,163 rental expense and rental income are recorded in the governmental funds statement of revenues, expenditures and changes in fund balance.

Future minimum annual commitments for rental payments are as follows:

Year Ended June 30	Amount
2024	\$ 420,427
2025	420,426
2026	420,426
2027	420,427
2028	420,426
2029-2033	1,945,364
2034-2038	1,467,887
2039-2043	<u>914,775</u>
	<u>\$ 6,430,158</u>

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>125,262</u>
Ending balance, June 30, 2023	<u>\$ 126,969</u>

Continued on next page

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

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, 2023 was \$2,478,248 which is approximately 60% of the School's general fund revenue and 60% 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.

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.

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 December 15, 2023, the date the financial statements were available to be issued. Management has determined there are 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.

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, 2023

	ORIGINAL	FINAL	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES				
Federal grants	\$ 282,000	\$ 282,000	\$ 621,482	\$ 339,482
State grants	2,739,000	2,739,000	2,517,000	(222,000)
Local tuition	978,000	978,000	866,171	(111,829)
Student activities	26,000	26,000	80,934	54,934
OG training and other local revenue	4,500	4,500	3,603	(897)
Contributions	50,000	50,000	18,739	(31,261)
Bank Interest	-	-	597	597
TOTAL REVENUES	<u>4,079,500</u>	<u>4,079,500</u>	<u>4,108,526</u>	<u>29,026</u>
EXPENDITURES				
Current Operations				
Instructional services	1,665,661	1,665,661	1,656,162	9,499
Special education	833,261	833,261	816,452	16,809
Other instructional programs	74,538	74,538	111,733	(37,195)
Student support services	125,702	125,702	154,681	(28,979)
Instructional support services	111,634	111,634	101,219	10,415
Administrative, business & fiscal services	289,501	289,501	345,881	(56,380)
Operation & maintenance of facilities	654,491	654,491	759,571	(105,080)
Total Current Operations	3,754,788	3,754,788	3,945,699	(190,911)
Debt Service	-	-	17,012	(17,012)
Capital Outlay	<u>30,550</u>	<u>30,550</u>	<u>152,616</u>	<u>(122,066)</u>
TOTAL EXPENDITURES	<u>3,785,338</u>	<u>3,785,338</u>	<u>4,115,327</u>	<u>(329,989)</u>
Excess of revenues over expenditures	294,162	294,162	(6,801)	(300,963)
OTHER FINANCING SOURCES (USES)				
Interfund transfers to (from)	-	-	35,910	35,910
NET CHANGE IN FUND BALANCE	<u>\$ 294,162</u>	<u>\$ 294,162</u>	29,109	<u>\$ (265,053)</u>
Fund Balance, beginning as restated			<u>962,397</u>	
Fund Balance, ending			<u>\$ 991,506</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).