

**MILL FALLS CHARTER SCHOOL**  
**Financial Statements**  
**June 30, 2021**  
**and**  
**Independent Auditor's Report**

**MILL FALLS CHARTER SCHOOL  
FINANCIAL STATEMENTS  
June 30, 2021**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Mill Falls Charter School

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Mill Falls Charter School, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Mill Falls Charter 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.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Mill Falls Charter School, as of June 30, 2021, and the respective changes in financial position thereof 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 on pages i-v 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.

*Vachon Clukay & Company PC*

Manchester, New Hampshire  
February 23, 2022



**MILL FALLS CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING JUNE 30, 2021**

Presented herewith, please find the Management Discussion and Analysis Report for the Mill Falls Charter School (the School) for the fiscal year ending June 30, 2021. Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the School's financial position, and the results of operations of the various funds of the School. All disclosures necessary to enable the reader to gain an accurate understanding of the School's financial activities have been included.

School Management is responsible for establishing an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual, and human resource assets of the School are protected from loss, theft, and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

### **Overview of the Financial Statements**

The financial statements presented herein include all the activities of the Mill Falls Charter School using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the Mill Falls Charter School's financial statements. The basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

### ***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 Statement of Net Position presents information on all the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the remaining difference reported as net position. 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.

### ***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 School solely employs the use of governmental funds.

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 this comparison between the governmental activities Statement of Net Position and Statement of Activities.

The School maintains one individual governmental fund and a blended component unit. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balance for the General Fund and the Mill Falls Charter School Foundation Fund (a blended component unit).

The School has included information for the Mill Falls Charter School Foundation Fund, a separate non-profit organization, as a blended component unit. Inclusion in the financial statements was determined necessary as the Foundation exists solely for the benefit and support of the School. The Foundation does not issue separate 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.

### ***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which is required to be disclosed by accounting principles generally accepted in the United States of America.

### **Government-Wide Financial Analysis**

#### ***Statement of Net Position***

Net Position of the Mill Falls Charter School as of June 30, 2021 and 2020 is follows:

	<u>2021</u>	<u>2020</u>
Capital and Other Assets:		
Capital assets, net		\$ 121
Other assets	\$ 1,890,437	1,820,870
Total Assets	<u>1,890,437</u>	<u>1,820,991</u>
Deferred Outflows of Resources:		
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>
Long-term and Other Liabilities:		
Long-term liabilities		212,200
Other liabilities	132,379	162,934
Total Liabilities	<u>132,379</u>	<u>375,134</u>
Deferred Inflows of Resources:		
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>
Net Position:		
Net investment in capital assets		121
Restricted	508,884	420,309
Unrestricted	1,249,174	1,025,427
Total Net Position	<u>\$ 1,758,058</u>	<u>\$ 1,445,857</u>

### ***Statement of Activities***

The change in net position for the fiscal years ending June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Program revenues:		
Charges for services	\$ 182,206	\$ 297,263
Operating grants and contributions	148,483	45,522
Total program revenues	<u>330,689</u>	<u>342,785</u>
General revenues:		
State adequacy education grant	1,198,886	1,157,835
State differentiated aid	62,097	61,413
State kindergarten aid		4,831
Interest and investment earnings	5,907	16,669
Miscellaneous	105,707	
PPP loan forgiveness	212,200	65,557
Total general revenues and PPP loan forgiveness	<u>1,584,797</u>	<u>1,306,305</u>
Total revenues	<u>1,915,486</u>	<u>1,649,090</u>
Program expenses:		
Instruction	781,116	670,619
Supporting services	330,772	316,483
Instructional staff services	10,283	
General administration	302,158	301,640
Operation and maintenance of plant	178,956	162,723
Total program expenses	<u>1,603,285</u>	<u>1,451,465</u>
Change in net position	312,201	196,575
Net position - beginning of year	1,445,857	1,249,282
Net position - ending of year	<u>\$ 1,758,058</u>	<u>\$ 1,445,857</u>

## **MILL FALLS CHARTER SCHOOL ACTIVITIES**

As shown in the above statement the School experienced an increase in net position of \$312,201 on the full accrual basis of accounting. A large portion of this increase is attributable to the PPP loan forgiveness in the amount of \$212,200.

The General Fund ended the fiscal year with a total fund balance of \$1,249,174, which is an increase of \$11,547 from the prior year. Conservative spending contributed to the current year change. Additionally, the School engaged with more Title and other federal grant funding than in past years which included COVID related funding passed through the State of NH. The Foundation Fund was able to raise a solid amount of donations despite the ongoing pandemic which allowed for an increase of \$88,575 in fund balance from the prior year.

## **CAPITAL ASSETS**

Mill Falls Charter School considers a capital asset to be an asset whose costs exceed or equal \$1,500 and has a useful life of greater than three years. Assets are depreciated using the straight-line method over the course of their estimated useful life. Current year depreciation expense exceeded capital asset additions by (\$121). See Note 4 in the notes to the basic financial statements for additional information on the capital assets activity.

## **LONG-TERM OBLIGATIONS**

During the year ended June 30, 2020, the School obtained a note payable in the amount of \$212,200 through the Paycheck Protection Program (PPP loan) in response to the Coronavirus pandemic. During the year ended June 30, 2021, the school was granted principal forgiveness for the outstanding principal balance of the PPP loan in its entirety. See Note 5 in the notes to the basic financial statements for additional information on the note payable.

## **ECONOMIC FACTORS AND FY 2021**

The initial approved operating budget for FY21 projected deficit of \$165,319 excluding the unpredictable income from the Fundraising, and Foundation transfers. The approved budget notes that Special Education expenses and reimbursement income is determined by actual student need which is only fully known once the school year begins and as we move through the year. The marked increase in the deficit over recent year budget reflects the Board's decision to focus on salary increases to better match experience, education levels, time served at Mill Falls and the market in these challenging times. At the time of budgeting for FY21 in the Spring of 2020, there was no way to predict the COVID pandemic and its impact on school operations, nor how much COVID-related funds the school would receive.

Like all charter schools, Mill Falls receives a set, per-pupil amount from the State of New Hampshire, which is called Equitable Aid. This per-pupil state aid is built into 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 (unequal) 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 with approximately \$7,188.00 per student (grades k-12), this includes the basic equitable aid given all NH students (\$3,708.78 in FY21). And while NH towns and cities put local property tax toward their education costs above and beyond the basic equitable 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, Mill Falls does not receive any funding from the Manchester School District or the City of Manchester. As per charter law, sending districts are responsible for costs related to Special Education of their resident students with Individualized Education

Plans (IEPs) who attend charter schools. In most cases, sending districts contract with Mill Falls to provide services for our students with IEPs and those sending districts then reimburse the school for services provided. Like all public schools, Mill Falls also receives state funds related to differentiated aid and students who qualify as free and reduced. The state of NH has also re-activated its Lease Aid to public schools who lease; this is reflected in our note. There has also been a precipitous drop on interest income since the pandemic; this is reflected in the school's income for the fiscal year, impacted both the school and the Foundation.

Like all New Hampshire charter schools, Mill Falls is expected to fundraise the dollars needed to make up the difference between the Equitable Aid and the cost of its educational program. The Mill Falls Charter School Foundation has continued to raise funds on behalf of the school. In addition, the school administration in partnership with the parent community, has established some annual school-based fundraising programming. Since March 2020, our income-generating Child Care Program, established in FY 2016, has been suspended due to COVID. The Foundation was creative in generating other income both in directed fundraising efforts (annual appeal, monthly giving) and as a charitable beneficiary of the NH Lottery's Games of Chance in the winter of 2021.

It is important to note that the New Hampshire charter school funding model is far below the funding levels for other public schools. This, along with the renegotiation of our lease in the spring of 2022, means we can expect that an operating deficit each year. To address the gap in funding, the School and Foundation continue to work diligently to stay ahead of this need through ongoing fundraising and related awareness campaigns.

### **CONTACTING MILL FALLS CHARTER SCHOOL**

This financial report is intended to provide a general overview of the Mill Falls 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 Mill Falls Charter School, 100 William Loeb Drive, Unit 1, Manchester, New Hampshire 03109 or by telephone at (603) 232-5176.

EXHIBIT A  
**MILL FALLS CHARTER SCHOOL**  
**Statement of Net Position**  
**June 30, 2021**

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1,620,881
Investments	206,663
Accounts receivable	19,745
Due from State of New Hampshire	27,458
Prepaid items	10,815
Deposits held by others	4,875
Total Current Assets	<u>1,890,437</u>
Noncurrent Assets:	
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>1,890,437</u>
DEFERRED OUTFLOWS OF RESOURCES	
Total Deferred Outflows of Resources	<u>-</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	4,904
Accrued liabilities	125,275
Unearned revenue	2,200
Total Current Liabilities	<u>132,379</u>
Noncurrent liabilities:	
Total Noncurrent Liabilities	<u>-</u>
Total Liabilities	<u>132,379</u>
DEFERRED INFLOWS OF RESOURCES	
Total Deferred Inflows of Resources	<u>-</u>
NET POSITION	
Restricted for:	
Foundation funding	508,884
Unrestricted	1,249,174
Total Net Position	<u>\$ 1,758,058</u>

*See accompanying notes to the basic financial statements*

EXHIBIT B  
**MILL FALLS CHARTER SCHOOL**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
Instruction	\$ 781,116		\$ 71,409	\$ (709,707)
Supporting services	330,772	\$ 182,206	22,615	(125,951)
Instructional staff services	10,283		628	(9,655)
General administration	302,158		17,035	(285,123)
Operation and maintenance of plant	178,956		36,796	(142,160)
Total governmental activities	<u>\$ 1,603,285</u>	<u>\$ 182,206</u>	<u>\$ 148,483</u>	<u>(1,272,596)</u>
General revenues:				
State adequacy education grant				1,198,886
State differentiated aid				62,097
Interest and investment earnings				5,907
Miscellaneous				105,707
PPP loan forgiveness				212,200
Total general revenues and PPP loan forgiveness				<u>1,584,797</u>
Change in net position				312,201
Net Position - beginning of year				<u>1,445,857</u>
Net Position - end of year				<u>\$ 1,758,058</u>

*See accompanying notes to the basic financial statements*

EXHIBIT C  
**MILL FALLS CHARTER SCHOOL**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	General Fund	Mill Falls Charter School Foundation Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,318,660	\$ 302,221	\$ 1,620,881
Investments		206,663	206,663
Accounts receivable	19,745		19,745
Due from State of New Hampshire	27,458		27,458
Prepaid items	10,815		10,815
Deposits held by others	4,875		4,875
Total Assets	<u>1,381,553</u>	<u>508,884</u>	<u>1,890,437</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,381,553</u>	<u>\$ 508,884</u>	<u>\$ 1,890,437</u>
LIABILITIES			
Accounts payable	\$ 4,904		\$ 4,904
Accrued liabilities	125,275		125,275
Unearned revenue	2,200		2,200
Total Liabilities	<u>132,379</u>	<u>\$ -</u>	<u>132,379</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
<i>Nonspendable:</i>			
Prepaid items	10,815		10,815
Deposits held by others	4,875		4,875
<i>Restricted for:</i>			
Foundation funding		508,884	508,884
<i>Unassigned:</i>			
Unassigned - General operations	1,233,484		1,233,484
Total Fund Balances	<u>1,249,174</u>	<u>508,884</u>	<u>1,758,058</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,381,553</u>	<u>\$ 508,884</u>	<u>\$ 1,890,437</u>

*See accompanying notes to the basic financial statements*

EXHIBIT D

**MILL FALLS CHARTER SCHOOL**

**Statement of Revenues, Expenditures and Changes in Fund Balances**

**Governmental Funds**

**For the Year Ended June 30, 2021**

	General Fund	Mill Falls Charter School Foundation Fund	Total Governmental Funds
Revenues:			
Intergovernmental	\$ 1,404,768		\$ 1,404,768
Charges for services	182,206		182,206
Interest income	4,434	\$ 1,473	5,907
Miscellaneous	4,698	105,707	110,405
Total Revenues	<u>1,596,106</u>	<u>107,180</u>	<u>1,703,286</u>
Expenditures:			
Current operations:			
Instruction	781,116		781,116
Supporting services	330,772		330,772
Instructional staff services	10,283		10,283
General administration	294,732	7,305	302,037
Operation and maintenance of plant	178,956		178,956
Total Expenditures	<u>1,595,859</u>	<u>7,305</u>	<u>1,603,164</u>
Excess revenues over (under) expenditures	<u>247</u>	<u>99,875</u>	<u>100,122</u>
Other financing sources (uses):			
Transfers in	11,300		11,300
Transfers out		(11,300)	(11,300)
Total Other financing sources (uses)	<u>11,300</u>	<u>(11,300)</u>	<u>-</u>
Net change in fund balances	11,547	88,575	100,122
Fund Balances at beginning of year	<u>1,237,627</u>	<u>420,309</u>	<u>1,657,936</u>
Fund Balances at end of year	<u>\$ 1,249,174</u>	<u>\$ 508,884</u>	<u>\$ 1,758,058</u>

**MILL FALLS CHARTER SCHOOL**

**Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities**

**For the Year Ended June 30, 2021**

Net Change in Fund Balances--Total Governmental Funds	\$ 100,122
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(121)
Principal forgiveness on long-term debt reduces long-term liabilities in the statement of net position. However, debt forgiveness is not reported as a revenue or expenditure in the governmental funds.	<u>212,200</u>
Change in Net Position of Governmental Activities	<u>\$ 312,201</u>

*See accompanying notes to the basic financial statements*

**MILL FALLS CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2021**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Mill Falls Charter School conform to accounting principles generally accepted in the United States of America for local educational units of government, except as indicated hereinafter. The Mill Falls Charter School is organized as a public charter school to provide educational services as authorized by the State of New Hampshire Department of Education. The provisions of the State of New Hampshire RSA 194-B:10 requires public charter schools to comply with the same financial reporting requirements imposed upon a traditional public school district, on a governmental basis of presentation. Accordingly, the Mill Falls Charter School's basis of presentation follows the governmental reporting model. The following is a summary of significant accounting policies.

***Financial Reporting Entity***

The Mill Falls Charter School (the School) is a public charter school as defined by the provisions of the State of New Hampshire RSA 194-B Chartered Public School. Mill Falls Charter School is the first public Montessori School in New Hampshire. The School is governed by a Board of Trustees and operates under a charter approved on March 9, 2011. The School was formed to create a free, diverse and public school that merges the Montessori method with the Common Core Curriculum.

The financial statements of the following organization are included in this report as a blended component unit:

The *Mill Falls Charter School Foundation* (the "Foundation") is a non-profit organization created for the sole purpose of raising funds for Mill Falls Charter School in support of the school's long-term financial sustainability. The Foundation is governed by a separately appointed 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 does not issue separate financial statements.

***Basis of Presentation***

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

**1. Government-Wide Financial Statements:**

The statement of net position and the statement of activities display information about the School as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the governmental activities of the School at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School's governmental 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 and interest earned on grants that are required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general

**MILL FALLS CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
For the Year Ended June 30, 2021**

revenues of the School. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

**2. Fund Financial Statements:**

During the year, the School segregates transactions related to certain School functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

***Fund Accounting***

The School uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School solely employs the use of governmental funds.

**1. Governmental Funds:**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental 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 governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following are the School's major governmental funds:

The *General Fund* is the main operating fund of the School and is used to account for all financial resources except those required to be accounted for in another fund.

The *Mill Falls Charter School Foundation Fund* is used to account for the financial resources related to various fundraisers, events and donations for the sole purpose of funding the School.

***Measurement Focus***

**1. Government-Wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the School are included on the Statement of Net Position.

**2. Fund Financial Statements:**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources generally are included on the balance sheet. 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. This

**MILL FALLS CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
For the Year Ended June 30, 2021**

approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

**1. 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 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.

**2. 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.

**MILL FALLS CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
For the Year Ended June 30, 2021**

***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.

***Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2021 are recorded as prepaid items and include prepaid rent.

***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.

***Capital Assets***

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School maintains a capitalization threshold of \$1,500 and useful life of 3 or more years. 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:

	<u>Description</u>	<u>Years</u>
	Land improvements	5
	Leasehold improvements	3-5
	Furniture, fixtures and equipment	5

***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.

**MILL FALLS CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
For the Year Ended June 30, 2021**

***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 Balance Policy***

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.

**MILL FALLS CHARTER SCHOOL  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 For the Year Ended June 30, 2021**

*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.

**NOTE 2—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. For the fiscal year ended June 30, 2021, the School purchased commercial insurance to manage risks related to property and liability and worker’s compensation claims.

**NOTE 3—DEPOSITS**

Deposits as of June 30, 2021 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	\$ 1,620,881
Investments	<u>206,663</u>
	<u>\$ 1,827,544</u>

Deposits as of June 30, 2021 consist of the following:

Cash on hand	\$ 39,196
Deposits with financial institutions	<u>1,788,348</u>
	<u>\$ 1,827,544</u>

As of June 30, 2021, the School has not formally adopted an investment policy that limits allowable deposits of the School. The School’s deposits with financial institutions consist of demand deposits, certificates of deposit, and an insured cash sweep account at year end. The Mill Falls Charter School Foundation Fund’s investment policy limits investments to publicly-traded common and preferred stocks, convertible bonds and preferred stocks, bank common funds, mutual funds and fixed-income securities (including corporate bonds and money market instruments).

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School’s deposits may not be returned. Currently, the School and Foundation do not have an investment policy for assurance against custodial credit risk. The School’s and the Foundation’s entire balances of deposits with financial institutions were covered by federal depository insurance.

**MILL FALLS CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
For the Year Ended June 30, 2021**

**NOTE 4—CAPITAL ASSETS**

The following is a summary of changes in capital assets of the governmental activities:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2021</u>
Capital assets:				
Land improvements	\$ 4,889			\$ 4,889
Leasehold improvements	261,935			261,935
Furniture, fixtures and equipment	52,829			52,829
Total capital assets at historical cost	<u>319,653</u>	<u>\$ -</u>	<u>\$ -</u>	<u>319,653</u>
Less accumulated depreciation for:				
Land improvements	(4,889)			(4,889)
Leasehold improvements	(261,935)			(261,935)
Furniture, fixtures and equipment	(52,708)	(121)		(52,829)
Total accumulated depreciation	<u>(319,532)</u>	<u>(121)</u>	<u>-</u>	<u>(319,653)</u>
Total capital assets, net	<u>\$ 121</u>	<u>\$ (121)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to governmental functions as follows:

General administration	<u>\$ 121</u>
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**NOTE 5—LONG-TERM OBLIGATIONS**

*Changes in Long-Term Obligations*

The changes in the School's long-term obligations of the governmental activities for the year ended June 30, 2021 are as follows:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Note payable	<u>\$ 212,200</u>	<u>\$ -</u>	<u>\$ (212,200)</u>	<u>\$ -</u>	<u>\$ -</u>

The School's note payable was obtained in the prior year under the Paycheck Protection Program (PPP). During the year ended June 30, 2021, the School was granted principal forgiveness for the outstanding principal balance in its entirety by the Small Business Administration under the CARES Act.

**NOTE 6—LEASE COMMITMENTS**

*Operating Lease*

In April 2012, the School entered into a lease agreement for its operating facility (School campus) which was set to expire on June 30, 2017. During January 2017, the School renewed its lease agreement for an additional 5-year term. Future minimum payments under the lease agreement will be at a base amount of \$10,500 per month increased by the Consumer Price Index for the Boston Metropolitan Region, but not more than 3% in any one year pursuant to this provision. Total monthly payments under the terms of the lease agreement for the year ended June 30, 2021 were \$129,780.

**MILL FALLS CHARTER SCHOOL  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
For the Year Ended June 30, 2021**

Future minimum annual commitments for rental payments at June 30, 2021 are as follows:

Year Ended <u>June 30,</u>	<u>Amount</u>
2022	<u>\$ 129,780</u>

**NOTE 7—INTERFUND TRANSFERS**

During the year, an interfund transaction occurred between funds. The Mill Falls Charter School Foundation Fund transferred \$11,300 to the General Fund to support current year school operations. The transfer was properly requested and approved by the Boards of Trustees.

**NOTE 8—SIGNIFICANT CONCENTRATION OF REVENUE RISK**

As a public charter school, the School annually receives adequacy, differentiated and kindergarten 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 and differentiated aid funding received for the year ended June 30, 2021 was \$1,260,983 which is approximately 74% and 79% of total Governmental Activities and General Fund revenues, respectively.

**NOTE 9—CONTINGENCIES**

***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.