

Foxborough Regional Charter School
Financial Statements and
Independent Auditors' Report in Accordance with
Government Auditing Standards and the
Uniform Guidance

June 30, 2021 and 2020

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Foxborough Regional Charter School

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Independent Auditors' Report

To the Board of Trustees of
Foxborough Regional Charter School

Report on the Financial Statements

We have audited the accompanying statements of net position of Foxborough Regional Charter School (a governmental entity) (the School), as of and for the years ended June 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements, which collectively comprise the School's financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School, as of June 30, 2021 and 2020, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, Foxboro Regional Charter School Foundation, Inc. (the Foundation), a related nonprofit organization, was evaluated in conformance with Government Accounting Standards Board Statement No. 80, *Blending Requirements for Certain Component Units* and it was determined that it should be reported as a blended component unit of the School and consequently the financial information included within the School's financial statements. The nature and extent of the financial activity of the Foundation was not significant to the School overall, therefore it was excluded from the School's financial statement presentation.

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 4 through 8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the School's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated **Open Date**, 2021, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School's internal control over financial reporting and compliance.

Open Date, 2021

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Foxborough Regional Charter School
Management's Discussion and Analysis
June 30, 2021 (Unaudited)

The following management's discussion and analysis of Foxborough Regional Charter School's (the School) financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2021, with comparative information for the fiscal year ended June 30, 2020. Please read it in conjunction with the financial statements and the related notes, which begin on page 9.

The School as a Whole

The School received their charter on July 1, 1998 to operate as a public charter school in the Commonwealth of Massachusetts. The charter is awarded in five-year increments and is subject to renewal at the discretion of the Commonwealth of Massachusetts Board of Elementary and Secondary Education. The School's charter was most recently renewed for an additional five years effective July 1, 2018. During fiscal years 2021 and 2020, the School operated kindergarten through grade twelve and the enrollment was comprised of approximately 1,688 and 1,658 students, respectively.

The School's mission statement is: *to provide students a challenging academic program to prepare them for college by stressing achievement, discipline, hard work and accountability.*

Financial Reporting Entity

As required by generally accepted accounting principles, and in conformance with Government Accounting Standards Board (GASB) *Statement No. 14, The Financial Reporting Entity* and *GASB Statement No. 39, Determining Whether Certain Schools Are Component Units and subsequently amended by GASB No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* and *GASB No. 80, Blending Requirements for Certain Component Units*, the School evaluated its potential component unit and determined that the Foxborough Regional Charter School Foundation, Inc. (the Foundation) is a component unit of the School and should be presented as blended component unit in the financial statements. Management determined that the nature and extent of the financial activity of the Foundation was not significant to the School as a whole, therefore it was not included as a blended component unit of the School.

Using This Annual Report

This annual report consists of a series of financial statements. *GASB Statement No. 34 - Financial Statement – Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34), the School is considered a special purpose government entity that engages in only business type activities. All of the financial activity of the School is recorded in an enterprise fund within the proprietary fund group in accordance with *GASB No. 34* and *GASB No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the School issues a *Statement of Net Position*, a *Statement of Revenues, Expenses and Changes in Net Position* and a *Statement of Cash Flows*. These statements provide information about the financial activities of the School, as a whole. This annual report also contains notes to the financial statements and other information that is essential to a full understanding of the financial statements and the schedule of expenditures of federal awards which identifies all of the School's Federal funding.

Foxborough Regional Charter School
Management's Discussion and Analysis - *Continued*
June 30, 2021 (Unaudited)

Financial Statements

The *Statement of Net Position* presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the School as a whole, as of the end of the fiscal years. The *Statement of Net Position* is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the School to the readers of the financial statements. Assets are resources with present service capacity that the School presently controls. A deferred inflow of resources is an acquisition of net assets by the School that is applicable to a future reporting period. Liabilities are present obligations to sacrifice resources that the School has little or no discretion to avoid. A deferred outflow of resources is a consumption of net assets by the School that is applicable to a future reporting period. Net position represents the difference between all other elements in a statement of financial position and is displayed in three components—*net investment in capital assets; restricted* (distinguishing between major categories of restrictions); and *unrestricted*.

The *net investment in capital assets* component of net position, which consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets.

The *restricted* component of net position consists of restricted assets reduced by liabilities. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

The *unrestricted* component of net position is the net amount of the assets, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Over time, readers of the financial statements will be able to evaluate the School's fiscal health (liquidity and solvency) or financial position by analyzing the increases and decreases in net position to determine if the School's financial health is improving or deteriorating. The reader will also need to consider other non-financial factors such as changes in economic conditions and new or amended charter school legislation when evaluating the overall financial health of the School. This statement is also a good source for readers to determine how much the School owes to vendors and creditors and the available assets that can be used to satisfy those liabilities.

The *Statement of Revenues, Expenses and Changes in Net Position* reports the financial (revenue and expenses) activities of the School and divides it into two categories: *Operating activities* and *Non-operating activities*. Operating activities include all financial activities associated with the operation of the School and its related programs. Consequently, all non-operating activities include all financial activities not related to the operation of a charter school. Changes in total net position, as presented on the *Statement of Net Position*, are based on the activity presented in this statement. This statement helps to determine whether the School had sufficient revenues to cover expenses during the year and its net increase or decrease in net position based on current year operations.

Foxborough Regional Charter School
Management's Discussion and Analysis - *Continued*
June 30, 2021 (Unaudited)

Financial Statements – *Continued*

The *Statement of Cash Flows* provides information about the School's cash receipts and cash payments during the fiscal year. The statement reports cash receipts, cash payments, and net changes in cash resulting from *operations, investing, and capital and noncapital financing activities* and provides answers to such questions as "from where did cash come?," "for what was cash used?," and "what was the change in the cash balance during the reporting period?" This statement also is an important tool in helping users assess the School's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the information provided in the School's financial statements.

Supplemental Information

The *Schedule of Expenditures of Federal Awards* is presented for the purposes of additional analysis as required by the Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The schedule of expenditures of federal awards can be found on page 25 of this report.

Financial Highlights

The following financial highlights are for the School for fiscal year 2021 and include comparative information from fiscal year 2020:

- The School held total assets of \$54,324,161 and \$53,657,819 at June 30, 2021 and 2020, respectively, of which \$38,401,839 and \$39,616,429 were net capital assets. The majority of the remaining assets consisted of cash, receivables and debt service reserve funds. The increase in total assets was largely due to an increase in cash as a result of a surplus in operating activities.
- The School held total liabilities of \$38,304,024 and \$39,737,937 at June 30, 2021 and 2020, respectively. In 2021, the School held \$3,708,901 in current liabilities and \$34,595,123 in noncurrent liabilities. In 2020, the School held \$4,103,754 in current liabilities and \$35,634,183 in noncurrent liabilities. The decrease in liabilities is largely due to the decrease in bonds payable, as the bonds are paid down annually.
- Total net position for the School was \$19,225,633 and \$17,252,923 at June 30, 2021 and 2020, respectively, of which \$13,179,291 and \$10,562,418 were unrestricted and \$6,046,342 and \$6,690,505 were for net investment in capital assets, respectively. As of June 30, 2021 and 2020, the Board of Trustees has designated \$120,598 and \$124,423, respectively, of unrestricted net assets for the self-insured dental program and \$5,165,006 and \$3,565,006, respectively, of unrestricted net assets for future capital purchases.

Foxborough Regional Charter School
Management's Discussion and Analysis - *Continued*
June 30, 2021 (Unaudited)

Financial Highlights – Continued

- The School earned total revenues (excluding on-behalf pension) of \$27,483,330 and \$25,902,445 for the years ended June 30, 2021 and 2020, respectively, of which 99% and 98% were operating revenues and 1% and 2% were from non-operating revenues for the fiscal years ended June 30, 2021 and 2020.
- The School had a total expenses (excluding on-behalf pension) of \$25,510,620 and \$24,251,852 for the years ended June 30, 2021 and 2020, respectively, and 94% and 93% were operating expenses and 6% and 7% for were from non-operating expenses for the fiscal years ended June 30, 2021 and 2020.
- The School had a change in net position of \$1,972,710 and \$1,650,593 for the years ended June 30, 2021 and 2020, respectively. In fiscal year 2021, the change in net position was comprised of operating income of \$3,559,016 and a non-operating loss of \$1,586,306. The non-operating loss is largely due to interest expense. In fiscal year 2020, the change in net position was comprised of operating income of \$2,767,694 and a non-operating loss of \$1,117,101. The non-operating loss is partially due to current interest expense relating to bonds issued for the construction of new classrooms in 2017.

Budgetary Highlights

For the fiscal year ended June 30, 2021, the School incurred \$25,510,620 in actual expenditures excluding \$4,553,691 of on-behalf expenses, compared to budgeted expenditures of \$27,351,610. The main reason for the decrease in actual over budgeted expenditures was due to a decrease in certain in person activities, which were curtailed in response to the COVID19 pandemic, and related quarantine and shutdown requirements.

For fiscal year 2021, the School budgeted tuition revenue of \$24,024,968, compared to actual revenue of \$24,431,842. The increase is due to an increase in tuition rates from the sending districts.

School's Financial Activities

The majority of the School's funding is received from the Commonwealth of Massachusetts Department of Elementary and Secondary Education and is based on the standard rate per pupil. The School received \$24,431,842 in per pupil funding in fiscal year 2021, versus \$23,094,839 in per pupil funding in fiscal year 2020. This represents 89% of the School's revenue, excluding on-behalf revenue, for the years ended June 30, 2021 and 2020, respectively. In addition, the School received various Federal and Commonwealth of Massachusetts grants, which totaled \$1,662,686 and \$689,300 for fiscal years 2021 and 2020, respectively.

Foxborough Regional Charter School
Management's Discussion and Analysis - *Continued*
June 30, 2021 (Unaudited)

Current Known Facts, Decisions, and Conditions

Coronavirus

On March 11, 2020, the World Health Organization characterized the outbreak of a novel strain of coronavirus as a pandemic. As a result, the School transitioned into a remote working and learning environment for the remainder of fiscal year 2020 and the start of fiscal year 2021. The extent to which the coronavirus may impact the School's activities will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the virus.

Contacting the School's Financial Management

This financial report is designed to provide the reader with a general overview of the School's finances and to show accountability of the funds received. If you have any questions about this report or need additional financial information, contact the Business Office of the School.

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Foxborough Regional Charter School
Statements of Net Position
For The Years Ended June 30, 2021 and 2020

Assets and Deferred Outflows of Resources		
	<i>2021</i>	<i>2020</i>
<i>Current Assets:</i>		
Cash and cash equivalents	\$ 12,508,021	\$ 10,117,141
Grants and accounts receivable	222,630	226,497
Prepaid expenses	-	73,483
Total current assets	12,730,651	10,417,121
<i>Noncurrent Assets:</i>		
Capital assets, net	38,401,839	39,616,429
Debt service reserve fund	3,191,671	3,624,269
Total noncurrent assets	41,593,510	43,240,698
<i>Deferred Outflows of Resources:</i>		
Deferred charge on refunding	3,311,061	3,472,576
Total assets and deferred outflows of resources	\$ 57,635,222	\$ 57,130,395
Liabilities, Deferred Inflows of Resources and Net Position		
	<i>2021</i>	<i>2020</i>
<i>Current Liabilities:</i>		
Accounts payable and accrued expenses	\$ 697,406	\$ 1,090,988
Accrued compensation	1,460,225	1,485,531
Accrued interest payable	599,225	611,225
Capital lease obligation - current	12,900	12,280
Bonds payable - current	939,145	903,730
Total current liabilities	3,708,901	4,103,754
<i>Noncurrent Liabilities:</i>		
Bonds payable, net of current portion	34,536,672	35,562,832
Capital lease obligation, net of current portion	58,451	71,351
Total noncurrent liabilities	34,595,123	35,634,183
Total liabilities	38,304,024	39,737,937
<i>Deferred Inflows of Resources:</i>		
Revenues for future periods	105,565	139,535
<i>Net Position:</i>		
Net investment in capital assets	6,046,342	6,690,505
Unrestricted	13,179,291	10,562,418
Total net position	19,225,633	17,252,923
Total liabilities, deferred inflows of resources and net position	\$ 57,635,222	\$ 57,130,395

See accompanying notes to the financial statements

Foxborough Regional Charter School
Statements of Revenues, Expenses, and Changes in Net Position
For The Years Ended June 30, 2021 and 2020

	<i>2021</i>	<i>2020</i>
<i>Operating revenues:</i>		
Tuition	\$ 24,431,842	\$ 23,094,839
Federal and state grants	1,662,686	689,300
Food service program	174,659	383,766
Transportation	1,053,196	750,939
Other program fees	30,184	131,747
Extended care program	17,568	229,954
On-behalf pension	<u>4,553,691</u>	<u>3,701,444</u>
Total operating revenues	<u>31,923,826</u>	<u>28,981,989</u>
<i>Operating expenses:</i>		
Salaries	14,482,925	13,493,721
Payroll taxes	483,641	464,620
Fringe benefits	<u>1,681,003</u>	<u>1,856,742</u>
Total salary, taxes and related benefits	16,647,569	15,815,083
Contracted services	404,509	240,506
Depreciation	2,323,752	2,035,298
Dues and fees	231,530	185,228
Extended day program	-	9,174
Field trips and competitions	14,327	88,485
Food services program expenses	191,268	446,430
Furniture, equipment and software	161,568	193,597
Insurance	161,592	170,353
Maintenance and supplies	619,043	721,843
Miscellaneous	140,899	168,096
Occupancy costs	495,783	457,034
Office supplies, printing and postage	152,127	179,054
On-behalf pension	4,553,691	3,701,444
Professional development	57,574	42,454
Professional services	62,383	66,291
Student life programs	3,367	41,293
Student supplies and materials	653,510	361,248
Telephone	35,557	29,961
Transportation	1,359,533	1,152,625
Vehicle and equipment leases	86,741	85,548
Bad debt	<u>8,487</u>	<u>23,250</u>
Total operating expenses	<u>28,364,810</u>	<u>26,214,295</u>
Net operating income	<u>3,559,016</u>	<u>2,767,694</u>
<i>Non-operating revenues (expenses):</i>		
Interest expense	(1,699,501)	(1,736,558)
Fundraising	-	2,443
Fundraising expense	-	(2,443)
Interest income	156,616	187,042
Investment (loss)/income	(44,421)	69,324
Private grants and contributions	-	275,656
Rental income	<u>1,000</u>	<u>87,435</u>
Net non-operating expenses	<u>(1,586,306)</u>	<u>(1,117,101)</u>
Change in net position	<u>1,972,710</u>	<u>1,650,593</u>
Net position, beginning of the year	<u>17,252,923</u>	<u>15,602,330</u>
Net position, end of the year	<u>\$ 19,225,633</u>	<u>\$ 17,252,923</u>

See accompanying notes to the financial statements

Foxborough Regional Charter School
Statements of Cash Flows
For The Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Receipts from per student tuition	\$ 24,426,118	\$ 24,949,516
Receipts from federal and state grants	1,637,487	520,862
Receipts from educational fees	1,245,423	1,344,193
Other receipts	31,004	136,596
Payments to employees	(16,672,875)	(15,676,018)
Payments to suppliers and vendors	<u>(5,171,897)</u>	<u>(4,446,360)</u>
Net cash provided by operating activities	<u>5,495,260</u>	<u>6,828,789</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(1,109,167)	(2,223,459)
Principal payments on bonds	(903,730)	(877,777)
Interest paid on bonds	(1,532,517)	(1,564,469)
Interest paid on capital lease	<u>(12,280)</u>	<u>(11,689)</u>
Net cash used in capital and related financing activities	<u>(3,557,694)</u>	<u>(4,677,394)</u>
Cash flows from investing activities:		
Non-operating revenue	26,180	534,885
Non-operating expenses	<u>(5,464)</u>	<u>(13,017)</u>
Net cash provided by investing activities	<u>20,716</u>	<u>521,868</u>
Net increase in cash	1,958,282	2,673,263
Cash, beginning of year	<u>13,741,410</u>	<u>11,068,147</u>
Cash, end of year	<u>\$ 15,699,692</u>	<u>\$ 13,741,410</u>
Reconciliation of net operating income to net cash provided by operating activities:		
Operating income	\$ 3,559,016	\$2,767,694
<i>Adjustments to reconcile the income from operations to net cash provided by operating activities</i>		
Depreciation	2,323,752	2,035,298
<i>Changes in operating assets:</i>		
State and federal receivable	3,867	1,858,387
Prepaid expense	73,483	(73,483)
<i>Changes in operating liabilities:</i>		
Accounts payable and accrued expenses	(393,582)	298,368
Accrued compensation and interest	(37,306)	130,290
Deferred grant revenue	<u>(33,970)</u>	<u>(187,765)</u>
Net cash provided by operating activities	<u>\$ 5,495,260</u>	<u>\$ 6,828,789</u>

See accompanying notes to the financial statements

Foxborough Regional Charter School

Notes to Financial Statements

June 30, 2021 and 2020

1. *Nature of School*

Foxborough Regional Charter School was established on July 1, 1998 after receiving their charter from the Commonwealth of Massachusetts under Chapter 71 Section 89 of the General Laws of Massachusetts. The School's charter is awarded in five year increments and is subject to renewal at the discretion of the Massachusetts Department of Elementary and Secondary Education (DESE). The School's charter expires June 30, 2023. The DESE provided 95% and 93% of funding to the School for the years ended June 30, 2021 and 2020 respectively, through per pupil tuition and federal grants.

The School has one location in Foxborough, Massachusetts and offers children in the towns of Easton, Canton, Foxborough, Mansfield, Medway, Millis, Norfolk, North Attleboro, Norton, Norwood, Plainville, Raynham, Sharon, Stoughton, Walpole, West Bridgewater and Wrentham, and the cities of Attleboro, Avon and Brockton, in grades kindergarten through twelve, a publicly supported academic education. During fiscal years 2021 and 2020, the School served 1,688 and 1,658 children, respectively.

The Foxborough Regional Charter School Foundation, Inc., (the Foundation) was established during fiscal year 2019 and is a legally separate, tax-exempt organization that acts primarily as a fundraising organization to supplement the resources of the School. The Foundation is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Because these resources can only be used by or for the benefit of the School, the Foundation is considered a component unit of the School. However, management determined that the nature and extent of the financial activity of the Foundation was not significant to the School as a whole, therefore it was not included as a blended component unit of the School.

The School's mission is as follows:

The Foxborough Regional Charter School will provide students a challenging academic program to prepare them for college by stressing achievement, discipline, hard work and accountability. We will continually challenge all of our students, regardless of ability, so that we will lead the Commonwealth of Massachusetts in all statewide standards and assessments.

The Foxborough Regional Charter School will promote positive ethical, moral, and civic values and prepare students to serve their respective communities as leaders and good citizens. We will present students with projects and issues requiring critical thinking, problem-solving, decision-making, and real life applications of their academic studies through our Student Life and Community Service Learning programs which are integral components of the overall educational experience at Foxborough Regional Charter School.

The Foxborough Regional Charter School will commit itself to providing a supportive, professional, and challenging environment for its teachers and staff which recognizes the value of professional development, creativity, and initiative. We will constantly seek new ways to allow our teachers and staff to perform to the best of their potential in a collegial atmosphere which recognizes unique talents and the commitment to excel.

Foxborough Regional Charter School
Notes to Financial Statements – *Continued*
June 30, 2021 and 2020

2. *Summary of Significant Accounting Policies*

The accounting policies of the School conform to accounting principles generally accepted in the United States of America, as applicable to governmental units. The following is a summary of the School's significant accounting policies:

Financial Reporting Entity

As required by generally accepted accounting principles, and in conformance with the *Government Accounting Standards Board (GASB) Statements No. 14, The Financial Reporting Entity* and *GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units and subsequently amended by GASB No. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 3, and GASB No. 80, Blending Requirements for Certain Component Units*, the School evaluated its potential component unit to determine the reporting entity. The nature and extent of the financial activity of the Foundation was not significant to the School as a whole, therefore it was not included as a blended component unit in the reporting entity.

Financial Statement Presentation

The School, in accordance with *GASB Statement No. 34 - Basic Financial Statement – and Management's Discussion and Analysis - for State and Local Governments*, is considered a special purpose governmental entity that engages in only business type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared using the accrual basis of accounting and all of the activity is recorded in the enterprise fund.

Basis of Accounting

The accrual basis of accounting is used for all governmental entities that operate as business type entities. Accordingly, revenue is recognized when earned and capital assets and expenditures are recorded when received and incurred, respectively. Grants and contributions are recognized when all eligible requirements are met.

Pursuant to *GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements*, the School has elected to apply the provisions of all relevant pronouncements of Financial Accounting Standards Board (FASB) that do not conflict with or contradict GASB pronouncements.

Tax Status

The School was established under a charter granted by the Commonwealth of Massachusetts' DESE and operates as a part of the Commonwealth of Massachusetts and is therefore, generally exempt from income taxes under Section 115 of the Internal Revenue Code.

Cash and Cash Equivalents

For the purpose of the *Statements of Net Position* and the *Statements of Cash Flows*, the School considers all short-term investments with an original maturity of three months or less to be cash equivalents. As of June 30, 2021 and 2020, the School held \$8,837,381 and \$7,266,895, respectively of cash equivalents.

Foxborough Regional Charter School
Notes to Financial Statements – *Continued*
June 30, 2021 and 2020

2. *Summary of Significant Accounting Policies – Continued*

Grants and Accounts Receivable

Grants and accounts receivables are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience. These receivables are written off when deemed uncollectible. At June 30, 2021 and 2020, no allowance for doubtful accounts had been recorded, as management considers all receivables to be fully collectible.

Capital Assets

Capital assets are recorded at cost or at fair market value at the date of donation. Capital assets purchased with a cost or value greater than \$5,000 are capitalized. Depreciation is computed on a straight-line basis using estimated useful lives of 40 years for the building, 10-20 years for the building improvements, 3-5 years for equipment, computers and software, 4-10 years for furniture and fixtures, or the remaining life of the lease for equipment under capital lease.

Construction in Progress

Construction in progress includes costs associated with the renovation of the elementary school building. These costs are capitalized when incurred.

Capital Leases

A lease is a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time. If a lease transfers ownership at the end of the lease the lease asset is capitalized and amortized over the shorter of the lease term or the useful life. As such, a capital lease is reported within the net capital assets on the *Statement of Net Position*.

Operating Revenue and Expenses

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

Bonds and Related Premiums and Debt Issuance Costs

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium. Pursuant to GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, debt issuance costs are expensed when incurred.

Deferred Inflows and Outflows or Resources

In addition to assets and liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows and outflows of resources. These separate financial statement elements represent an acquisition or disbursement of net position that applies to a future period(s) and so will not be recognized until that time.

Foxborough Regional Charter School
Notes to Financial Statements – *Continued*
June 30, 2021 and 2020

2. *Summary of Significant Accounting Policies – Continued*

Classification of Net Position

The following are the net position classifications:

- Net Investment in Capital Assets – book value of capital assets net of any related debt.
- Restricted – amounts that can be spent only for specific purposes because of externally imposed restrictions by grantors and contributors.
- Unrestricted – portion of funds to support operations.

The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fair Value

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*; the School's investments are measured at fair value on a recurring basis. The School categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

On-Behalf Payments

The School recognizes its proportional share of pension revenue and expense, as reported by Massachusetts Teachers' Retirement System (the MTRS), as on-behalf payments in the *Statement of Revenues, Expenses, and Changes in Net Position*.

Compensated Absences

Employees of the School are entitled to paid vacations and paid holidays, depending on the job classification, length of service, and other factors. The School accrues for these compensated absences.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Foxborough Regional Charter School
Notes to Financial Statements – *Continued*
June 30, 2021 and 2020

3. *Deferred Outflows/Inflows of Resources*

In addition to assets, the *Statement of Net Position* will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The School has only one item that qualifies for reporting in this category, deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources at both June 30, 2021 and 2020 consist of unamortized bond refunding charges of \$3,876,364. Accumulated amortization at June 30, 2021 and 2020 was \$565,303 and \$403,788, respectively.

In addition to liabilities, the *Statement of Net Position* will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents revenue that applies to a future period and will not be recognized until that time. Unearned revenues arise when potential revenue does not meet both the “measureable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are unearned by the School and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School has a legal claim to the resources, the deferred inflow of resources is removed and revenue is recognized.

Deferred inflows of resources at June 30, 2021 and 2020 consists of the following:

	<i>2021</i>	<i>2020</i>
Unearned private grants and contributions	\$ -	\$ 460
Unearned program fees	105,508	134,303
Other unearned revenues	<u>57</u>	<u>4,772</u>
Total	<u>\$ 105,565</u>	<u>\$ 139,535</u>

4. *Deposits with Financial Institutions*

The School maintained its cash accounts at four financial institutions. These balances at times may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit per financial institution. Management acknowledges the possibility of risk in this arrangement; however, the size and longevity of the depository institutions minimizes such risk.

As required by GASB Statement No. 40, *Deposits and Investment Risk Disclosures* at June 30, 2021 and 2020 are as follows:

	<i>2021</i>	<i>2020</i>
Fully insured deposits	\$ 750,000	\$ 750,000
Uncollateralized	<u>14,825,349</u>	<u>13,148,109</u>
Total	<u>\$ 15,575,349</u>	<u>\$ 13,898,109</u>

Foxborough Regional Charter School
Notes to Financial Statements – *Continued*
June 30, 2021 and 2020

5. Fair Value Measurements

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*; the School's investments are measured at fair value on a recurring basis. The School categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The three levels of the fair value hierarchy are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets
- Level 2 - Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There have been no changes in the methodologies used at June 30, 2021 and 2020. The following are descriptions of the valuation methodologies used for assets measured at fair value.

Debt service reserve fund - Invested at least 99.5% of the fund's total assets in cash, U.S. Government securities and/or repurchase agreements that are collateralized fully (i.e., collateralized cash or government securities). Certain issuers of U.S. Government securities are sponsored or chartered by Congress but their securities are neither issued nor guaranteed by the U.S. Treasury. Investing in compliance with industry-standard regulatory requirements for money market funds for the quality, maturity, liquidity and diversification of investments. The agreement suggests maintaining a stable \$1 share price, liquidity, and income. Normally at least 80% of the fund's assets are invested in the U.S. Government securities and repurchase agreements for those securities.

Foxborough Regional Charter School
Notes to Financial Statements – *Continued*
June 30, 2021 and 2020

5. Fair Value Measurements – Continued

The following table sets forth by level, within the fair value hierarchy, the School’s assets at fair value as of June 30, 2021 and 2020:

<i>Investments</i>	<i>Fair Value</i>	<i>Fair Value Measurements Using</i>		
		<i>Level 1 Inputs</i>	<i>Level 2 Inputs</i>	<i>Level 3 Inputs</i>
June 30, 2021 Debt service reserve fund	\$ 3,191,671	\$ -	\$ 3,191,671	\$ -
June 30, 2020 Debt service reserve fund	\$ 3,624,269	\$ -	\$ 3,624,269	\$ -

6. Capital Assets

Changes in capital assets of the School for the years ended June 30, 2021 and 2020 are as follows:

	<i>Balance July 1, 2020</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance June 30, 2021</i>
<i>Capital assets not being depreciated</i>				
Land	\$ 5,379,146	\$ -	\$ -	\$ 5,379,146
Construction in progress	29,281	-	29,281	-
Total capital assets not being depreciated	5,408,427	-	29,281	5,379,146
<i>Capital assets being depreciated</i>				
Building	36,070,922	383,403	4,972	36,449,353
Building improvements	5,228,560	-	-	5,228,560
Equipment	1,047,622	32,134	-	1,079,756
Computers and software	2,623,466	693,793	-	3,317,259
Classroom equipment	179,172	29,118	29,624	178,666
Furniture and fixtures	572,369	-	-	572,369
Total capital assets being depreciated	45,722,111	1,138,448	34,596	46,825,963
<i>Less accumulated depreciation</i>				
Building	8,145,893	1,093,894	4,974	9,234,813
Building improvements	1,738,340	319,669	-	2,058,009
Equipment	308,541	188,803	-	497,344
Computers and software	989,010	554,292	-	1,543,302
Classroom equipment	70,881	30,588	29,624	71,845
Furniture and fixtures	261,444	136,513	-	397,957
Total accumulated depreciation	11,514,109	2,323,752	34,598	13,803,270
Capital assets, net	\$ 39,616,429	\$ (1,185,304)	\$ 29,279	\$ 38,401,839

Foxborough Regional Charter School
Notes to Financial Statements – *Continued*
June 30, 2021 and 2020

6. Capital Assets – Continued

	<i>Balance</i>			<i>Balance</i>
	<i>July 1, 2019</i>	<i>Additions</i>	<i>Deletions</i>	<i>June 30, 2020</i>
<i>Capital assets not being depreciated</i>				
Land	\$ 5,379,146	\$ -	\$ -	\$ 5,379,146
Construction in progress	-	29,281	-	29,281
	<u>5,379,146</u>	<u>29,281</u>	<u>-</u>	<u>5,408,427</u>
<i>Capital assets being depreciated</i>				
Building	35,862,039	208,883	-	36,070,922
Building improvements	4,572,012	656,548	-	5,228,560
Equipment	757,332	290,290	-	1,047,622
Computers and software	1,704,477	918,989	-	2,623,466
Classroom equipment	135,949	43,223	-	179,172
Furniture and fixtures	496,124	76,245	-	572,369
Total capital assets being depreciated	<u>43,527,933</u>	<u>2,194,178</u>	<u>-</u>	<u>45,722,111</u>
<i>Less accumulated depreciation</i>				
Building	7,053,038	1,092,855	-	8,145,893
Building improvements	1,473,786	264,554	-	1,738,340
Equipment	152,086	156,455	-	308,541
Computers and software	628,076	360,934	-	989,010
Classroom equipment	39,018	31,863	-	70,881
Furniture and fixtures	132,807	128,637	-	261,444
Total accumulated depreciation	<u>9,478,811</u>	<u>2,035,298</u>	<u>-</u>	<u>11,514,109</u>
Capital assets, net	<u>\$ 39,428,268</u>	<u>\$ 188,161</u>	<u>\$ -</u>	<u>\$ 39,616,429</u>

7. Lease Commitments

Rental Revenue

The School leased a portion of its property during fiscal year 2021 to various parties. Rental income for the fiscal years ending June 30, 2021 and 2020 was \$1,000 and \$87,435, respectively.

Operating Leases

The School leased office equipment under an operating lease that expires in July 2024. Rent expense on the leases was \$47,564 and \$46,387 for the years ending June 30, 2021 and 2020, respectively.

The School leased vehicles under operating leases that expire at various times through September 2023. Rent expense on the leases was \$39,177 and \$39,161 during the years ending June 30, 2021 and 2020, respectively. Future minimum operating lease commitments are as follows:

<i>Fiscal Year</i>	<i>Amount</i>
2022	\$ 60,242
2023	\$ 60,242
2024	\$ 52,116
2025	\$ 993

Foxborough Regional Charter School
Notes to Financial Statements – *Continued*
June 30, 2021 and 2020

7. Lease Commitments – Continued

Capital Leases

During fiscal year 2019, the School entered into a capital lease agreement under which the related equipment will become the property of the School when all terms of the lease agreement are met. The lease expires September 2025. The capital lease obligation at June 30, 2021 and 2020 and the changes for the fiscal years then ended are as follows:

<i>Fiscal Year</i>	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Amounts Due Within One Year</i>
2021	\$ 83,631	\$ -	\$ 12,280	\$ 71,351	\$ 12,900
2020	\$ 95,230	\$ -	\$ 11,689	\$ 83,631	\$ 12,280

Equipment and related accumulated amortization under the capital lease are as follows:

	<i>2021</i>	<i>2020</i>
Equipment	\$ 111,823	\$ 111,823
Less: accumulated amortization	(43,930)	(27,955)
Net value	<u>\$ 67,893</u>	<u>\$ 83,868</u>

Amortization of leased equipment under capital assets is included with depreciation expense.

The following represents future minimum capital lease payments as of June 30, 2021:

<i>Fiscal Year</i>	<i>Amount</i>
2022	\$ 16,503
2023	16,503
2024	16,503
2025	16,503
2026	<u>20,000</u>
Total minimum lease payments	86,012
Less amount representing interest	<u>(14,661)</u>
Present value of minimum lease payments	<u>\$ 71,351</u>

Foxborough Regional Charter School
Notes to Financial Statements – *Continued*
June 30, 2021 and 2020

8. Bonds Payable

Massachusetts Development Finance Agency (MDFA) Revenue Bonds, Foxborough Regional Charter School Issue, Series 2017B, were issued on December 27, 2017, in the original principal amount of \$25,735,000 to advance refund \$24,915,000 of outstanding 2010 Series bonds with an average interest rate of 6.5%. The net proceeds of \$27,318,627 after payment of \$272,406 in underwriting fees, plus insurance and other issuance costs totaling \$319,337, were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2010 Series bonds. As a result, the 2010 Series bonds are considered to be defeased and the liability for those bonds has been removed from the *Statement of Net Position*. The bond is payable in annual principal installments and interest payments made semi-annually. The bond bears interest at 3% through 2019, 4% through 2026, and 5% through 2042. The bond agreement contains provisions that upon the occurrence and continuance of any event of default, as defined in the note agreement, the principal amount of the note together with accrued interest may be declared due and payable immediately. The School is required to maintain a historical debt service coverage ratio of at least 1.10 measured for each fiscal year and maintain an unrestricted cash balance as of the end of each fiscal year of at least 5% of its operating expenses for the prior fiscal year. The bonds also require a loan to value ratio of no greater than 83% commencing July 1, 2019. The School was in compliance with these covenants at June 30, 2021 and 2020. At June 30, 2021 and 2020, the outstanding loan balance was \$24,225,000 and \$24,825,000, respectively. Interest expense totaled \$1,198,450 and \$1,222,450 for fiscal years ended June 30, 2021 and 2020, respectively. Accrued interest totaled \$599,225 and \$611,225 for fiscal years ended June 30, 2021 and 2020, respectively.

MDFA Revenue Bond, Foxborough Regional Charter School Issue, Series 2017, were issued on May 19, 2017, in the original principal amount of \$10,000,000. The note is payable monthly with interest only payments due from June 19, 2017 through May 19, 2019, and principal and interest payments due monthly thereafter in the amount of \$52,168. The note bears interest at 3.33% and matures on May 19, 2042. The note is collateralized by the land and building located at 131 Central Street, Foxborough, Massachusetts. The note agreement contains provisions that upon the occurrence and continuance of any event of default, as defined in the note agreement, the principal amount of the note together with accrued interest may be declared due and payable immediately. The School is required to maintain a historical debt service coverage ratio of at least 1.20 measured for each fiscal year and to maintain an unrestricted cash balance as of the end of each fiscal year of at least 5% of its operating expenses for the prior fiscal year. The bonds also require a loan to value ratio of no greater than 83%. The School was in compliance with these covenants at June 30, 2021 and 2020. At June 30, 2021 and 2020 the outstanding loan balance was \$9,379,999 and \$9,683,729, respectively. Interest costs totaled \$322,292 and \$333,244, respectively, for the fiscal years ended June 30, 2021 and 2020.

The Series 2017B bonds were issued at a premium. The premium is amortized on a straight-line basis over the life of the loan and recorded as interest income in the statement of revenue, expenses and changes in net position. At June 30, 2021 and 2020, the bond premium was \$2,175,371 and accumulated amortization on the premium was \$304,553 and \$217,538, respectively. Interest income at June 30, 2021 and 2020 was \$87,015 for both years then ended.

Foxborough Regional Charter School
Notes to Financial Statements – *Continued*
June 30, 2021 and 2020

8. Bonds Payable – Continued

The loan balance and the related activity for the fiscal years ended June 30, 2021 and 2020 is as follows:

	<i>Balance</i>			<i>Balance</i>	<i>Amounts Due</i>
	<i>July 1, 2020</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2021</i>	<i>Within One Year</i>
Bonds payable	\$ 34,508,729	\$ -	\$ 903,730	\$ 33,604,999	\$ 939,145
Plus: Bond premium	1,957,833	-	87,015	1,870,818	-
Bonds payable, net	<u>\$ 36,466,562</u>	<u>\$ -</u>	<u>\$ 990,745</u>	<u>\$ 35,475,817</u>	<u>\$ 939,145</u>
	<i>Balance</i>			<i>Balance</i>	<i>Amounts Due</i>
	<i>July 1, 2019</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2020</i>	<i>Within One Year</i>
Bonds payable	\$ 35,386,506	\$ -	\$ 877,777	\$ 34,508,729	\$ 903,730
Plus: Bond premium	2,044,848	-	87,015	1,957,833	-
Bonds payable, net	<u>\$ 37,431,354</u>	<u>\$ -</u>	<u>\$ 964,792</u>	<u>\$ 36,466,562</u>	<u>\$ 903,730</u>

The following is the debt service payments on the School's notes payable.

<i>Fiscal</i>				
<i>Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2022	\$ 939,145	\$ 1,485,327	\$ 2,424,472	
2023	979,917	1,448,355	2,428,272	
2024	1,020,263	1,403,759	2,424,022	
2025	1,067,554	1,355,468	2,423,022	
2026	1,114,472	1,305,800	2,420,272	
2026-2030	6,400,196	5,697,163	12,097,359	
2031-2035	8,010,453	4,047,906	12,058,359	
2036-2040	10,053,372	1,968,988	12,022,360	
2041-2043	<u>4,019,627</u>	<u>98,087</u>	<u>4,117,714</u>	
Total	<u>\$ 33,604,999</u>	<u>\$ 18,810,853</u>	<u>\$ 52,415,852</u>	

The School has a Debt Service Reserve Fund being held by the Trustee. Any earnings from the fund will be used to reduce future principal and interest payments.

9. Retirement Plan

Massachusetts Teachers Retirement System

The Commonwealth of Massachusetts provides for retirement benefits to the School's eligible teachers through the Massachusetts Teachers' Retirement System (MTRS), a contributory retirement system administered by the Massachusetts Teachers' Retirement Board. MTRS is governed by Massachusetts General Laws (M.G.L.), Chapter 32, as well as regulations contained in the Code of Massachusetts Regulations (CMR). Oversight is provided by a seven-member board. MTRS issues a publicly available annual report that includes financial statements and required supplementary information, which may be obtained by writing to Public Employee Retirement Administration Commission (PERAC), 5 Middlesex Avenue, Suite 304, Somerville, Massachusetts, 02145.

Foxborough Regional Charter School
Notes to Financial Statements – *Continued*
June 30, 2021 and 2020

9. Retirement Plan – Continued

This retirement plan requires an employee contribution of five, seven, eight, or eleven percent (depending on the plan and the employment date) of the employee's compensation. The School is not assessed under this plan. This retirement system is a contributory defined benefit plan covering all the employees deemed eligible. Members of the plan become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 55 and upon attaining 20 years of service.

The plan also provides for retirement at age 55 if the participant (1) has a record of 10 years of creditable service, (2) was first employed by the School after January 1, 1978, (3) voluntarily left School employment on or after that date, and (4) left an accumulated annuity deduction in the fund.

MTRS retirement plan, under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, is required by statute to determine the net pension liability for all participants. The net pension liability for the retirement plan at the June 30, 2020 measurement date was determined by an actuarial valuation prepared as of January 1, 2020 and rolled forward to June 30, 2020. At June 30, 2021 and 2020, the School's allocation of MTRS's net pension liability was \$36,867,714 and \$30,523,003, respectively.

10. On-Behalf Payments

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the School is required to recognize its proportional share of pension revenue and expenses, as reported by MTRS, as on-behalf payments in their financial statements. For the years ended June 30, 2021 and 2020, the School recognized \$4,553,691 and \$3,701,444 of on-behalf revenues and expenses, respectively.

11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at June 30, 2021 and 2020 are as follows:

	2021	2020
Payables to vendors	\$ 697,406	\$ 1,090,988
Accrued salaries and benefits	<u>1,460,225</u>	<u>1,485,531</u>
Total	<u>\$ 2,157,631</u>	<u>\$ 2,576,519</u>

12. Board Designated Net Position

As of June 30, 2021 and 2020, the Board of Trustees has designated \$5,165,006 and \$3,565,006, respectively, of unrestricted net position for future capital expenditures, respectively. They have also designated \$120,598 and \$124,423 for the self-insured dental program as of June 30, 2021 and 2020, respectively.

Foxborough Regional Charter School
Notes to Financial Statements – *Continued*
June 30, 2021 and 2020

13. Grants and Accounts Receivables

Grants and accounts receivable for the School at June 30, 2021 and 2020 are as follows:

	<i>2021</i>	<i>2020</i>
Federal and state grants	\$ 222,630	\$ 172,938
Tuition	-	44,248
Other receivables	-	9,311
Total	\$ 222,630	\$ 226,497

14. Contingencies

Grant Funding

The School is subject to an audit of its Commonwealth of Massachusetts and Federal funding and as such, if determined that funds are not expended in accordance with the grant agreements, the grantor agency has the right to recapture these funds. Therefore, final acceptance of costs incurred under these grants and contracts resides with the grantors. As of the date of these statements, the materiality of adjustments to final costs, if any, cannot be determined and management does not anticipate any adjustments.

Cumulative Surplus Revenue

Effective July 1, 2010 any cumulative surplus revenue generated by the School must comply with M.G.L. c. 71, §89 (as amended by Chapter 12 of the Acts of 2010 under §7 (hh)). In accordance with this legislation and subsequent DESE regulations, if the School's cumulative surplus revenue, as defined, exceeds 20% of its operating budget and its budgeted capital costs for the succeeding fiscal year, the amount in excess of said 20% shall be returned by the School to the sending district or districts and the Commonwealth in proportion to their share of tuition paid during the fiscal year. Management does not anticipate any repayment for fiscal year 2021.

Coronavirus

A novel strain of coronavirus has surfaced and spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the School could be materially adversely affected. The extent to which the coronavirus (or any other disease or epidemic) may impact business activity will depend on future developments. The future developments are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

15. Subsequent Events

The School has evaluated subsequent events through **Open Date**, 2021, which is the date the financial statements were issued. There are no recognized subsequent events that provide additional evidence about conditions that existed at the statement of net position date, or non-recognized subsequent events, or events that provide evidence about conditions that did not exist at the statement of net position date, which are necessary to disclose to keep the financial statements from being misleading.

**SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

DRAFT

Foxborough Regional Charter School
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2021

<i>Federal Grantor (Pass-Through Grantor) Program Title or Cluster</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<i>U.S. Department of Education</i>			
Passed through the Massachusetts Department of Elementary and Secondary Education			
Special Education Cluster			
Special Education - Grants to States (IDEA, Part B)	84.027	240-412000-2021-0446	\$ 354,708
Special Education - Grants to States (IDEA, Part B)	84.027	240-317584-2020-0446	33,520
Special Education - Grants to States (IDEA, Part B)	84.027	240-209339-2019-0446	5,288
Special Education - Improvements	84.027	274-484470-2021-0446	9,881
Special Education - Preschool Grants (IDEA Preschool)	84.173	262-413125-2021-0446	1,680
Special Education - Preschool Grants (IDEA Preschool)	84.173	262-317585-2020-0446	<u>74</u>
	Total Special Education Cluster		<u>405,151</u>
Title I Grants to Local Educational Agencies (LEAs)	84.010	305-412002-2021-0446	196,069
Supporting Effective Instruction State Grant	84.367	140-412003-2021-0446	37,625
English Language Acquisition Grants	84.365	180-412001-2021-0446	16,836
English Language Acquisition Grants	84.365	180-314658-2020-0446	10,025
Student Support and Academic Enrichment Grants	84.424	309-412004-2021-0446	13,548
Charter Schools	84.282	534-490466-2021-0446	100,000
Elementary and Secondary Education Relief Funds	84.425D	113-378262-2021-0446	<u>153,009</u>
	Total U.S. Department of Education		<u>932,263</u>
<i>U.S. Department of the Treasury</i>			
Passed through the Massachusetts Department of Elementary and Secondary Education			
Coronavirus Relief Fund			
School Reopening Grant	21.019	102-403410-2021-0446	373,050
Plymouth County Cares Grant	21.019	N/A	15,016
Remote Learning Tech Grant	21.019	118-403151-2021-0446	<u>263,107</u>
	Total U.S. Department of the Treasury		<u>651,173</u>
<i>U.S. Department of Agriculture</i>			
Passed through the Massachusetts Department of Elementary and Secondary Education			
Child Nutrition Cluster			
School Breakfast Program (SBP)	10.553	DOENUT2020SL	62,957
National School Lunch Program	10.555	DOENUT2020SL	<u>99,424</u>
	Total Child Nutrition Cluster		<u>162,381</u>
	Total U.S. Department of Agriculture		<u>162,381</u>
Total expenditures of federal awards			<u>\$ 1,745,817</u>

See accompanying notes to schedule of federal expenditures

Foxborough Regional Charter School
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2021

1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal awards activity of Foxborough Regional Charter School (the School), under programs of the Federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position or cash flows of the School.

2. *Summary of Significant Accounting Policies*

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The School has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

3. *Subrecipients*

There were no pass through federal awards to subrecipients by the School during fiscal year 2021.

**REPORT ON COMPLIANCE AND
INTERNAL CONTROL IN ACCORDANCE
WITH
GOVERNMENT AUDITING STANDARDS**

DRAFT



DANIEL DENNIS & Co
Certified Public Accountants

*Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance
And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With
Government Auditing Standards*

The Board of Trustees of
Foxborough Regional Charter School

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Foxborough Regional Charter School, (the School) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which comprise the School's financial statements and have issued our report thereon dated **Open Date**, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Open Date, 2021

DRAFT

**REPORT IN ACCORDANCE
WITH
THE UNIFORM GUIDANCE**

DRAFT



DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report On Compliance For Each Major Program And On Internal Control Over Compliance Required by the Uniform Guidance

The Board of Trustees of
Foxborough Regional Charter School

Report on Compliance for Each Major Federal Program

We have audited Foxborough Regional Charter School's (the School) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2021. The School's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the School's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on the Major Federal Program

In our opinion, the School, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Open Date, 2021

**SCHEDULE OF FINDINGS
QUESTIONED COSTS**

DRAFT

Foxborough Regional Charter School
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2021

Section I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness (es) identified?	No
• Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance which is material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness (es) identified?	No
• Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor’s report issued	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major program:

<i>CFDA Number</i>	<i>Name of Federal Programs and Clusters</i>
21.019	<u>Coronavirus Relief Fund</u> School Reopening Grant
	Plymouth County Cares Grant
	Remote Learning Tech Grant

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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Foxborough Regional Charter School
Schedule of Findings and Questioned Costs – *Continued*
For the Year Ended June 30, 2021

Section II - FINANCIAL STATEMENT FINDINGS

A. Deficiencies in Internal Control over Financial Reporting

None

B. Material Fraud and Noncompliance with Provisions of Laws and Regulations

None

C. Material Noncompliance with Provisions of Contracts and Grant Agreements

None

D. Material Abuse

None

Section III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

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Foxborough Regional Charter School
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2021

There were no unresolved audit findings from prior year's audit.

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BOARD ACCEPTANCE LETTER

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ACCEPTANCE OF THE BOARD OF TRUSTEES

We, the Board of Trustees of Foxborough Regional Charter School have voted to accept the representations of management and the expression of the opinions made by Daniel Dennis & Company LLP as embodied in the combined financial statements and independent auditors' reports for the year ended June 30, 2021.

We also certify that the representations made by management and the disclosures in the combined financial statements are accurate and have been correctly and completely disclosed as required by accounting principles generally accepted in the United States of America and the Commonwealth of Massachusetts Charter School Audit Guide for the year ended June 30, 2021.

Board President or Treasurer
Or Other Designated Person

Date

DRAFT