

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

June 30, 2022 and 2021

Revised Draft For Discussion Only 10-2-22

# Foxborough Regional Charter School

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Revised Draft For Discussion Only 10-2-22



*Independent Auditors' Report*

To the Board of Trustees of  
**Foxborough Regional Charter School**

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying statements of net position of Foxborough Regional Charter School (a governmental entity), as of and for the years ended June 30, 2022 and 2021, 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 Foxborough Regional Charter School's financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Foxborough Regional Charter School, as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

We conducted our audit 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Foxborough Regional Charter School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Emphasis of Matter***

*Component Unit*

As discussed in Note 1 to the financial statements, 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 Foxborough Regional Charter 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 Foxborough Regional Charter School's financial statement presentation.

*Change in Accounting Principle*

As discussed in Note 3 to the financial statements, Foxborough Regional Charter School has adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Foxborough Regional Charter School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Foxborough Regional Charter School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Foxborough Regional Charter School's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the financial statements. Such information is the responsibility of management and, 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 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 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.

### ***Supplementary Information***

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

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September XX, 2022, on our consideration of the Foxborough Regional Charter 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 solely 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 Foxborough Regional Charter 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 Foxborough Regional Charter School’s internal control over financial reporting and compliance.

September XX, 2022

Revised Draft For Discussion Only 10-2-22

**Foxborough Regional Charter School**  
Management's Discussion and Analysis  
June 30, 2022 (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, 2022, with comparative information for the fiscal year ended June 30, 2021. Please read it in conjunction with the financial statements and the related notes, which begin on page 10.

**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 2022 and 2021, the School operated kindergarten through grade twelve and the enrollment was comprised of approximately 1,665 and 1,695 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. In accordance with *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, 2022 (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, 2022 (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 28 of this report.

**Financial Highlights**

The following financial highlights are for the School for fiscal year 2022 and include comparative information from fiscal year 2021:

- The School held total assets of \$53,644,308 and \$54,491,097 at June 30, 2022 and 2021, respectively, of which \$37,442,502 and \$38,548,168 were net capital assets. The majority of the remaining assets consisted of cash, receivables and debt service reserve funds. The decrease in total assets was largely due to a decrease in cash and capital assets, net offset by an increase in accounts receivable.
- The School held total liabilities of \$33,094,021 and \$38,474,551 at June 30, 2022 and 2021, respectively. In 2022, the School held \$4,725,122 in current liabilities and \$28,368,899 in noncurrent liabilities. In 2021, the School held \$3,798,612 in current liabilities and \$34,675,939 in noncurrent liabilities. The decrease in liabilities is largely due to the annual payments made on the bonds and also an additional \$5 million payment made against the bonds in fiscal year 2022.
- Total net position for the School was \$23,608,958 and \$19,222,042 at June 30, 2022 and 2021, respectively, of which \$12,635,104 and \$13,179,291 were unrestricted and \$10,973,854 and \$6,042,751 were for net investment in capital assets, respectively. As of June 30, 2022 and 2021, the Board of Trustees has designated \$5,165,006 of unrestricted net assets for future capital purchases.

**Foxborough Regional Charter School**  
Management's Discussion and Analysis - *Continued*  
June 30, 2022 (Unaudited)

***Financial Highlights – Continued***

- The School earned total revenues (excluding on-behalf pension) of \$32,622,645 and \$27,527,751 for the years ended June 30, 2022 and 2021, of which, 99% were operating revenues and 1% were from non-operating revenues for the fiscal years ended June 30, 2022 and 2021, respectively. The increase is attributable to an increase in the sending districts foundation rated and above foundation rates.
- The School had a total expenses (excluding on-behalf pension) of \$28,235,729 and \$25,558,632 for the years ended June 30, 2022 and 2021, respectively, and 95% and 94% were operating expenses and 5% and 6% for were from non-operating expenses for the fiscal years ended June 30, 2022 and 2021, respectively.
- The School had a change in net position of \$4,386,916 and \$1,969,119 for the years ended June 30, 2022 and 2021, respectively. In fiscal year 2022, the change in net position was comprised of operating income of \$5,912,002 and a non-operating loss of \$1,525,086. The non-operating loss is largely due to interest expense. In fiscal year 2021, the change in net position was comprised of operating income of \$3,564,322 and a non-operating loss of \$1,595,203. 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, 2022, the School incurred \$28,235,729 in actual expenditures excluding \$2,365,163 of on-behalf expenses, which was consistent with budgeted expenditures of \$28,277,797.

For fiscal year 2022, the School budgeted tuition revenue of \$24,287,500, compared to actual revenue of \$26,082,687. 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 \$26,082,687 in per pupil funding in fiscal year 2022, versus \$24,431,842 in per pupil funding in fiscal year 2021. This represents 80% and 89% of the School's revenue, excluding on-behalf revenue, for the years ended June 30, 2022 and 2021, respectively. In addition, the School received various Federal and Commonwealth of Massachusetts grants, which totaled \$3,415,593 and \$1,662,686 for fiscal years 2022 and 2021, respectively.

**Foxborough Regional Charter School**  
Management's Discussion and Analysis - *Continued*  
June 30, 2022 (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 was in a remote working and learning environment for 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, 2022 and 2021

<b>Assets and Deferred Outflows of Resources</b>		
	<i>2022</i>	<i>2021</i>
<b><i>Current Assets:</i></b>		
Cash and cash equivalents	\$ 11,849,680	\$ 12,528,628
Grants and accounts receivable	1,209,915	222,630
Prepaid expenses	<u>759</u>	<u>-</u>
Total current assets	<u>13,060,354</u>	<u>12,751,258</u>
<b><i>Noncurrent Assets:</i></b>		
Capital assets, net	37,442,502	38,548,168
Debt service reserve fund	<u>3,141,452</u>	<u>3,191,671</u>
Total noncurrent assets	<u>40,583,954</u>	<u>41,739,839</u>
<b><i>Deferred Outflows of Resources:</i></b>		
Deferred charge on refunding	<u>3,149,546</u>	<u>3,311,061</u>
Total assets and deferred outflows of resources	<u>\$ 56,793,854</u>	<u>\$ 57,802,158</u>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>		
	<i>2022</i>	<i>2021</i>
<b><i>Current Liabilities:</i></b>		
Accounts payable and accrued expenses	\$ 1,198,759	\$ 718,013
Accrued compensation	1,698,437	1,460,225
Accrued interest payable	586,725	599,225
Lease liability - current	72,441	69,104
Note payable - current	13,551	12,900
Bonds payable - current	<u>1,155,209</u>	<u>939,145</u>
Total current liabilities	<u>4,725,122</u>	<u>3,798,612</u>
<b><i>Noncurrent Liabilities:</i></b>		
Lease liability - net of current	141,635	80,816
Note payable - net of current portion	44,900	58,451
Bonds payable - net of current portion	<u>28,182,364</u>	<u>34,536,672</u>
Total noncurrent liabilities	<u>28,368,899</u>	<u>34,675,939</u>
Total liabilities	<u>33,094,021</u>	<u>38,474,551</u>
<b><i>Deferred Inflows of Resources:</i></b>		
Revenues for future periods	<u>90,875</u>	<u>105,565</u>
<b><i>Net Position:</i></b>		
Net investment in capital assets	10,973,854	6,042,751
Unrestricted	<u>12,635,104</u>	<u>13,179,291</u>
Total net position	<u>23,608,958</u>	<u>19,222,042</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 56,793,854</u>	<u>\$ 57,802,158</u>

*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, 2022 and 2021**

	2022	2021
<i>Operating revenues:</i>		
Tuition	\$ 26,082,687	\$ 24,431,842
Federal and state grants	3,415,593	1,662,686
Food service program	995,992	174,659
Transportation	1,807,634	1,053,196
Other program fees	128,910	30,184
Extended care program	2,590	17,568
On-behalf pension	<u>2,365,163</u>	<u>4,553,691</u>
Total operating revenues	<u>34,798,569</u>	<u>31,923,826</u>
<i>Operating expenses:</i>		
Salaries	15,390,417	14,482,925
Payroll taxes	506,572	483,641
Fringe benefits	<u>1,542,909</u>	<u>1,681,003</u>
Total salaries, taxes and related benefits	17,439,898	16,647,569
Contracted services	842,365	404,509
Depreciation	2,442,353	2,323,752
Amortization	71,807	54,936
Dues and fees	235,723	231,530
Field trips and competitions	37,918	14,327
Food services program expenses	813,233	191,268
Furniture, equipment and software	193,948	161,568
Insurance	166,457	161,592
Maintenance and supplies	988,881	619,043
Miscellaneous	87,197	140,899
Occupancy costs	521,167	495,783
Office supplies, printing and postage	156,312	178,626
On-behalf pension	2,365,163	4,553,691
Professional development	39,871	57,574
Professional services	72,875	62,383
Student life programs	64,006	3,367
Student supplies and materials	693,524	653,510
Telephone	34,476	35,557
Transportation	1,618,919	1,359,533
Bad debt	<u>476</u>	<u>8,487</u>
Total operating expenses	<u>28,886,567</u>	<u>28,359,504</u>
Net operating income	<u>5,912,002</u>	<u>3,564,322</u>
<i>Non-operating revenues (expenses):</i>		
Interest expense	(1,599,604)	(1,708,398)
Interest income	142,239	156,616
Loss on investments	(114,721)	(44,421)
Rental income	<u>47,000</u>	<u>1,000</u>
Net non-operating expenses	<u>(1,525,086)</u>	<u>(1,595,203)</u>
Change in net position	<u>4,386,916</u>	<u>1,969,119</u>
Net position, beginning of the year	<u>19,222,042</u>	<u>17,252,923</u>
Net position, end of the year	<u>\$ 23,608,958</u>	<u>\$ 19,222,042</u>

*See accompanying notes to the financial statements*

**Foxborough Regional Charter School**  
**Statements of Cash Flows**  
For The Years Ended June 30, 2022 and 2021

	2022	2021
<b>Cash flows from operating activities:</b>		
Receipts from per student tuition	\$ 26,082,687	\$ 24,431,842
Receipts from federal and state grants	2,472,552	1,622,992
Receipts from educational fees	2,802,739	1,254,194
Other receipts	73,453	31,004
Payments to employees	(17,201,686)	(16,672,875)
Payments to suppliers and vendors	(6,099,859)	(5,122,661)
Net cash provided by operating activities	<u>8,129,886</u>	<u>5,544,496</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	(1,275,241)	(1,109,167)
Principal payments on bonds	(6,051,229)	(903,730)
Principal reduction on leases	(69,107)	(40,984)
Interest paid on bonds	(1,385,743)	(1,532,517)
Interest paid on leases	(10,243)	(13,952)
Interest paid on note payable	(12,900)	(12,280)
Net cash used in capital and related financing activities	<u>(8,804,463)</u>	<u>(3,612,630)</u>
<b>Cash flows from investing activities:</b>		
Non-operating revenue	102,224	26,180
Non-operating expenses	(156,814)	(5,464)
Net cash (used in)/provided by investing activities	<u>(54,590)</u>	<u>20,716</u>
Net change in cash and cash equivalents	(729,167)	1,952,582
Cash, beginning of year	<u>15,720,299</u>	<u>13,767,717</u>
Cash, end of year	<u>\$ 14,991,132</u>	<u>\$ 15,720,299</u>
<b>Reconciliation of net operating income to net cash provided by operating activities:</b>		
Operating income	\$ 5,912,002	\$ 3,559,016
<i>Adjustments to reconcile the income from operations to net cash provided by operating activities</i>		
Depreciation	2,442,353	2,323,752
Amortization	71,807	54,936
<i>Changes in operating assets:</i>		
Grants and accounts receivable	(987,285)	3,867
Prepaid expense	(759)	73,483
<i>Changes in operating liabilities:</i>		
Accounts payable and accrued expenses	480,746	(399,282)
Accrued compensation and interest	225,712	(37,306)
Deferred grant revenue	(14,690)	(33,970)
Net cash provided by operating activities	<u>\$ 8,129,886</u>	<u>\$ 5,544,496</u>

*See accompanying notes to the financial statements*

## Foxborough Regional Charter School

### Notes to Financial Statements

June 30, 2022 and 2021

#### 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 93% and 95% of funding to the School for the years ended June 30, 2022 and 2021 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 2022 and 2021, the School served 1,688 and 1,688 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, 2022 and 2021

**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, 2022 and 2021, the School held \$7,609,102 and \$8,837,381, respectively of cash equivalents.



**Foxborough Regional Charter School**  
Notes to Financial Statements – *Continued*  
June 30, 2022 and 2021

**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, 2022 and 2021, 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.

*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.

*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.

**Foxborough Regional Charter School**  
Notes to Financial Statements – *Continued*  
June 30, 2022 and 2021

**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*.

*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.

*Adoption of Accounting Standard*

In fiscal year 2022, the School implemented GASB Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the School's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

**Foxborough Regional Charter School**  
Notes to Financial Statements – *Continued*  
June 30, 2022 and 2021

**3. Change in Accounting Principle and Restatement**

In fiscal year 2022, the School implemented GASB Statement No. 87, *Leases*. These changes were incorporated in the June 30, 2022 financial statements and had an effect on the beginning net position of the School. The School recognized \$146,329 in net book value for the intangible right to use and a lease liability of \$149,920 for equipment leased by the School.

The implementation of GASB Statement No. 87 had the following effect on net position as reported June 30, 2021:

	<i>Business-Type Activities</i>
Net position - June 30, 2021	\$ 19,225,633
Adjustments:	
Net book value leased asset	146,329
Lease liability	<u>(149,920)</u>
Restated net position - June 30, 2021	<u>\$ 19,222,042</u>

**4. 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, 2022 and 2021 consist of unamortized bond refunding charges of \$3,876,364. Accumulated amortization at June 30, 2022 and 2021 was \$726,818 and \$565,303, 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, 2022 and 2021 consists of the following:

	2022	2021
Unearned program fees	\$ 89,251	\$ 105,508
Other unearned revenues	<u>1,624</u>	<u>57</u>
Total	<u>90,875</u>	<u>105,565</u>

**Foxborough Regional Charter School**  
Notes to Financial Statements – *Continued*  
June 30, 2022 and 2021

**5. 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, 2022 and 2021 are as follows:

	2022	2021
Fully insured deposits	\$ 1,000,000	\$ 1,000,000
Uncollateralized	<u>14,034,329</u>	<u>14,034,329</u>
Total	<u>\$ 15,034,329</u>	<u>\$ 15,825,349</u>

**6. 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.

**Foxborough Regional Charter School**  
Notes to Financial Statements – *Continued*  
June 30, 2022 and 2021

**6. Fair Value Measurements – Continued**

There have been no changes in the methodologies used at June 30, 2022 and 2021. 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.

The following table sets forth by level, within the fair value hierarchy, the School's assets at fair value as of June 30, 2022 and 2021:

<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, 2022 Debt service reserve fund	\$ 3,141,452	\$ -	\$ 3,141,452	\$ -
June 30, 2021 Debt service reserve fund	\$ 3,191,671	\$ -	\$ 3,191,671	\$ -

**7. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses at June 30, 2022 and 2021 are as follows:

	2022	2021
Payables to vendors	\$ 1,198,759	\$ 718,013
Accrued salaries and benefits	<u>1,698,437</u>	<u>1,460,225</u>
Total	<u>\$ 2,897,196</u>	<u>\$ 2,178,238</u>

**8. Grants and Accounts Receivables**

Grants and accounts receivable for the School at June 30, 2022 and 2021 are as follows:

	2022	2021
Federal and state grants	\$ 1,151,261	\$ 222,630
Other receivables	<u>58,654</u>	<u>-</u>
Total	<u>\$ 1,209,915</u>	<u>\$ 222,630</u>

**Foxborough Regional Charter School**  
Notes to Financial Statements – *Continued*  
June 30, 2022 and 2021

**9. 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, 2022 and 2021, the School recognized \$2,365,163 and \$4,553,691 of on-behalf revenues and expenses, respectively.

**10. Capital Assets**

Changes in capital assets of the School for the years ended June 30, 2022 and 2021 are as follows:

	<i>Balance</i> <i>July 1, 2021</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance</i> <i>June 30, 2022</i>
<i>Capital assets not being depreciated</i>				
Land	\$ 5,379,146	\$ -	\$ -	\$ 5,379,146
Total capital assets not being depreciated	<u>5,379,146</u>	<u>-</u>	<u>-</u>	<u>5,379,146</u>
<i>Capital assets being depreciated and amortized</i>				
Building	36,449,353	489,852	-	36,939,205
Building improvements	5,228,560	9,646	-	5,238,206
Equipment	1,079,756	149,484	-	1,229,240
Intangible right to use lease - equipment	201,265	133,260	-	334,525
Computers and software	3,317,259	600,084	-	3,917,343
Classroom equipment	178,666	-	-	178,666
Furniture and fixtures	572,369	26,175	-	598,544
Total capital assets being depreciated and amortized	<u>47,027,228</u>	<u>1,408,501</u>	<u>-</u>	<u>48,435,729</u>
<i>Less accumulated depreciation and amortization</i>				
Building	9,234,813	1,130,461	-	10,365,274
Building improvements	2,058,009	319,829	-	2,377,838
Equipment	497,344	195,164	-	692,508
Intangible right to use lease - equipment	54,936	71,807	-	126,743
Computers and software	1,543,302	630,457	-	2,173,759
Classroom equipment	71,845	41,115	-	112,960
Furniture and fixtures	397,957	125,334	-	523,291
Total accumulated depreciation and amortization	<u>13,858,206</u>	<u>2,514,160</u>	<u>-</u>	<u>16,372,373</u>
Capital assets, net	<u>\$ 38,548,168</u>	<u>\$ (1,105,659)</u>	<u>\$ -</u>	<u>\$ 37,442,502</u>

**Foxborough Regional Charter School**  
Notes to Financial Statements – *Continued*  
June 30, 2022 and 2021

**10. Capital Assets – Continued**

	<i>Balance</i> <i>July 1, 2020</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance</i> <i>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	-
	<u>5,408,427</u>	<u>-</u>	<u>29,281</u>	<u>5,379,146</u>
<i>Capital assets being depreciated and amortized</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
Intangible right to use lease - equipment	201,265	-	-	201,265
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	<u>45,923,376</u>	<u>1,138,448</u>	<u>34,596</u>	<u>47,027,228</u>
<i>Less accumulated depreciation and amortization</i>				
Building	8,145,893	1,093,894	4,974	9,234,813
Building improvements	1,738,340	319,669	-	2,058,009
Equipment	308,548	188,796	-	497,344
Intangible right to use lease - equipment	-	54,936	-	54,936
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 and amortization	<u>11,514,116</u>	<u>2,378,688</u>	<u>34,598</u>	<u>13,858,206</u>
Capital assets, net	<u>\$ 39,817,687</u>	<u>\$ (1,240,240)</u>	<u>\$ 29,279</u>	<u>\$ 38,548,168</u>

The equipment lease amortization is presented as amortization expenses on the *Statements of Revenues, Expenses, and Changes in Net Position* related to the School's intangible assets of equipment, which is included in the above table as Intangible Right to Use Lease. With implementation of GASB No. 87, *Leases*, a lease meeting the criteria of this Statement requires the lessee to recognize a lease liability and an intangible right to use asset.

**11. Leases**

The School's lease agreements at June 30, 2022 and 2021 are as follows:

<i>Description</i>	<i>Date</i>	<i>Payment Terms</i>	<i>Yearly</i>		<i>Total Lease Liability</i>	<i>Balance June 30, 2022</i>	<i>Balance June 30, 2021</i>
			<i>Payment Amount</i>	<i>Interest Rate</i>			
Vehicle	8/26/2021	60 months	\$ 13,774	5%	\$ 60,823	\$ 50,777	\$ -
Vehicle	10/1/2018	60 months	\$ 5,957	5%	\$ 17,834	7,204	12,652
Vehicle	8/25/2017	60 months	\$ 9,752	5%	\$ 19,256	809	10,263
Postage machine	4/5/2022	60 months	\$ 2,162	5%	\$ 9,510	9,089	-
Seven copiers	8/4/2019	60 months	\$ 44,533	5%	\$ 164,175	87,936	127,005
Two copiers	2/1/2022	60 months	\$ 14,250	5%	\$ 62,926	58,261	-
						<u>\$ 214,076</u>	<u>\$ 149,920</u>

**Foxborough Regional Charter School**  
Notes to Financial Statements – *Continued*  
June 30, 2022 and 2021

**11. Leases – Continued**

The School leased various equipment including vehicles, postage machine, and copiers for a term of 5 years at rate of 5% and expiring at various dates through September 2027. These leases are not renewable and the School will not acquire the equipment at the end of the lease terms.

Annual requirements to amortize long-term obligations and related interest are as follows:

<i>Fiscal Year</i>	<i>Principal</i>	<i>Interest</i>
2023	\$ 72,441	\$ 9,047
2024	\$ 70,753	\$ 5,455
2025	\$ 31,137	\$ 2,759
2026	\$ 28,845	\$ 1,341
2027	\$ 10,900	\$ 181

**12. 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, 2022 and 2021. At June 30, 2022 and 2021, the outstanding loan balance was \$23,600,000 and \$24,225,000, respectively. Interest expense totaled \$1,173,450 and \$1,198,450 for fiscal years ended June 30, 2022 and 2021, respectively. Accrued interest totaled \$586,725 and \$599,225 for fiscal years ended June 30, 2022 and 2021, respectively.



**Foxborough Regional Charter School**  
Notes to Financial Statements – *Continued*  
June 30, 2022 and 2021

**12. Bonds Payable – Continued**

MDFFA 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, 2022 and 2021. At June 30, 2022 and 2021 the outstanding loan balance was \$3,953,770 and \$9,379,999, respectively. Interest costs totaled \$199,793 and \$322,292, respectively, for the fiscal years ended June 30, 2022 and 2021.

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, 2022 and 2021, the bond premium was \$2,175,371 and accumulated amortization on the premium was \$391,568 and \$304,553, respectively. Interest income at June 30, 2022 and 2021 was \$87,015 for both years then ended.

The loan balance and the related activity for the fiscal years ended June 30, 2022 and 2021 is as follows:

	<i>Balance</i>			<i>Balance</i>	<i>Amounts Due</i>
	<i>July 1, 2021</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2022</i>	<i>Within One Year</i>
Bonds payable	\$ 33,604,999	\$ -	\$ 6,051,229	\$ 27,553,770	\$ 1,155,209
Plus: Bond premium	1,870,818	-	87,015	1,783,803	-
Bonds payable, net	<u>\$ 35,475,817</u>	<u>\$ -</u>	<u>\$ 6,138,244</u>	<u>\$ 29,337,573</u>	<u>\$ 1,155,209</u>
	<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>

**Foxborough Regional Charter School**  
Notes to Financial Statements – *Continued*  
June 30, 2022 and 2021

**12. Bonds Payable – Continued**

The following is the debt service payments on the School’s bonds payable.

<i>Fiscal Year</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2023	\$ 1,155,209	\$ 1,273,063	\$ 2,428,272
2024	1,202,071	1,221,951	2,424,022
2025	1,255,092	1,167,930	2,423,022
2026	1,308,440	1,111,832	2,420,272
2027	1,367,417	1,053,105	2,420,522
2028-2032	5,915,541	4,373,240	10,288,781
2033-2037	5,940,000	2,976,250	8,916,250
2038-2042	7,640,000	1,245,250	8,885,250
2043	1,770,000	-	1,770,000
<b>Total</b>	<b><u>\$ 27,553,770</u></b>	<b><u>\$ 14,422,621</u></b>	<b><u>\$ 41,976,391</u></b>

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.

**13. 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.

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.

**Foxborough Regional Charter School**  
Notes to Financial Statements – *Continued*  
June 30, 2022 and 2021

**13. Retirement Plan – Continued**

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, 2021 measurement date was determined by an actuarial valuation prepared as of January 1, 2021 and rolled forward to June 30, 2021. At June 30, 2022 and 2021, the School's allocation of MTRS's net pension liability was \$29,473,967 and \$36,867,714, respectively.

**14. Board Designated Net Position**

As of June 30, 2022 and 2021, the Board of Trustees has designated \$5,165,006 and \$5,165,006, respectively, of unrestricted net position for future capital expenditures, respectively. They have also designated \$44,400 and \$120,598 for the self-insured dental program as of June 30, 2022 and 2021, respectively.

**15. 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 2022.

*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.

**Foxborough Regional Charter School**  
Notes to Financial Statements – *Continued*  
June 30, 2022 and 2021

**16. Subsequent Events**

The School has evaluated subsequent events through September XX, 2022, 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.

Revised Draft For Discussion Only 10-2-22

**SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS**

Revised Draft For Discussion Only 10-2-22

**Foxborough Regional Charter School**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

<i>Federal Grantor (Pass-Through Grantor) Program Title or Cluster</i>	<i>Federal Assistance Listing Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Total Federal Expenditures</i>
<b>U.S. Department of Education</b>			
Passed through the Massachusetts Department of Elementary and Secondary Education			
Special Education Cluster			
Special Education - Grants to States (IDEA, Part B)	84.027	240-532054-2022-0446	\$ 327,331
Special Education - Grants to States (IDEA, Part B)	84.027	240-412000-2021-0446	18,040
Special Education - Grants to States (IDEA, Part B)	84.027	240-317584-2020-0446	790
Special Education - Improvements	84.027	252-566059-2022-0446	55,821
Special Education - Preschool Grants (IDEA Preschool)	84.173	262-532055-2022-0446	1,845
Special Education - Preschool Grants (IDEA Preschool)	84.173	264-566060-2022-0446	2,615
		Total Special Education Cluster	<u>406,442</u>
Title I Grants to Local Educational Agencies (LEAs)	84.010	305-556058-2022-0446	196,069
Supporting Effective Instruction State Grant	84.367	140-556059-2022-0446	43,373
English Language Acquisition Grants	84.365	180-534029-2022-0446	12,011
English Language Acquisition Grants	84.365	180-412001-2021-0446	3,200
Student Support and Academic Enrichment Grants	84.424	309-556060-2022-0446	13,337
COVID - Elementary and Secondary Education Relief Funds	84.425D	115-528059-2022-0446	630,031
COVID - Elementary and Secondary Education Relief Funds	84.425D	119-532152-2022-0446	1,447,651
COVID - Elementary and Secondary Education Relief Funds	84.425D	120-510470-2022-0446	100,000
COVID - Elementary and Secondary Education Relief Funds	84.425D	121-510668-2022-0446	42,200
COVID - Elementary and Secondary Education Relief Funds	84.425U	719-670963-2022-0446	120,456
		Total U.S. Department of Education	<u>3,014,770</u>
<b>U.S. Department of Agriculture</b>			
Passed through the Massachusetts Department of Elementary and Secondary Education			
Child Nutrition Cluster			
School Breakfast Program (SBP)	10.553	DOENUT2021SL	198,084
National School Lunch Program	10.555	DOENUT2021SL	702,089
		Total Child Nutrition Cluster	<u>900,173</u>
		Total U.S. Department of Agriculture	<u>900,173</u>
Total expenditures of federal awards			<u>\$ 3,914,943</u>

See accompanying notes to schedule of federal expenditures

**Foxborough Regional Charter School**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2022

**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, 2022. 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 2022.

Revised Draft For Discussion Only 10/2/22

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

Revised Draft For Discussion Only 10-2-22





**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 statement of net position of Foxborough Regional Charter School, (the School) as of and for the year ended June 30, 2022, and the statement of revenues, expenses and changes in net position, and cash flows, and the related notes to the financial statements, which comprise Foxborough Regional Charter School's financial statements and have issued our report thereon dated September XX, 2022.

**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 Foxborough Regional Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Foxborough Regional Charter 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 were not identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Foxborough Regional Charter 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 Foxborough Regional Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September XX, 2022

Revised Draft For Discussion Only 10-2-22

**REPORT IN ACCORDANCE  
WITH  
THE UNIFORM GUIDANCE**

Revised Draft For Discussion Only 10-2-22



**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**

***Opinion on 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 Foxborough Regional Charter School's major federal programs for the year ended June 30, 2022. Foxborough Regional Charter School's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Foxborough Regional Charter School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

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)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Foxborough Regional Charter School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Foxborough Regional Charter School's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Foxborough Regional Charter School's federal programs.

## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Foxborough Regional Charter School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Foxborough Regional Charter School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Foxborough Regional Charter School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Foxborough Regional Charter School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on 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.

***Report on Internal Control over Compliance – Continued***

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

September XX, 2022

Revised Draft For Discussion Only 10-2-22

**SCHEDULE OF FINDINGS  
QUESTIONED COSTS**

Revised Draft For Discussion Only 10-2-22

**Foxborough Regional Charter School**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2022

**Section I - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	_____ <u>X</u> none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

*Federal Awards*

Internal control over major programs:		
Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	_____ <u>X</u> none reported

Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance?	_____ yes	_____ <u>X</u> no

Identification of major programs:

*Federal Assistance Listing Number*

*Name of Program*

10.553

Child Nutrition Cluster

10.555

School Breakfast Program (SBP)

National School Lunch Program (NSLP)

14.825

Elementary and Secondary Education Relief Funds

Dollar threshold used to distinguish between type A and type B programs:	\$	750,000
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Auditee qualified as low-risk auditee?	_____ <u>X</u> yes	_____ no
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**Foxborough Regional Charter School**  
Schedule of Findings and Questioned Costs – *Continued*  
For the Year Ended June 30, 2022

**Section II - FINANCIAL STATEMENT FINDINGS**

None

**Section III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

Revised Draft For Discussion Only 10-2-22

**Foxborough Regional Charter School**  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2022

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

Revised Draft For Discussion Only 10-2-22

**BOARD ACCEPTANCE LETTER**

Revised Draft For Discussion Only 10-2-22

**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, 2022.

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, 2022.

\_\_\_\_\_  
Board President or Treasurer  
Or Other Designated Person

\_\_\_\_\_  
Date

Revised Draft For Discussion Only 7-0-2-22