



Date: September 20, 2023  
To: Navigator Schools Board of Directors  
From: Caprice Young, Ed.D., CEO and Superintendent  
Subject: Employee Retention Credit

The IRS offers an Employee Retention Credit ([link](#)) impacted by the pandemic of up to \$26,000 per employee. For us, this could mean more than \$2 million in unrestricted funds. Hundreds of charter schools have taken advantage of this opportunity for reimbursement of employee wages by filing a request. We qualify because by being forced to move to remote or hybrid operations, “the operation of your business or organization fully or partially suspended by a government order due to the COVID-19 pandemic during 2020 or the first three calendar quarters (Jan. through Sept.) of 2021,” according to the IRS guidelines. If we file in October, the funds would come to us in approximately one year.

In assessing whether or not to claim this credit, we consulted with other charter schools (thank you, Shara!) on their experience and with our auditor and other auditors. Our auditors believed that we would not qualify because we did not forgo revenue due to the pandemic; however, other charter school leaders, auditors and CFOs disagreed. Because this is a fairly new IRS program, we are approaching it cautiously. We are watching what happens with the two existing ERC audits of charter schools to see whether their filings are rejected and, if they are, on what grounds. When we file, and assuming we receive funds, we plan to save the funds until the statute of limitations on an ERC audit runs out (three years from the filing date) before using the funds, or until we see the results of enough audits to be reasonably certain that our funds will not need to be returned.

We interviewed three firms purporting to handle our filing and selected the one with the most charter school references and the lowest commission rate (7.5% versus 12% and 15%). We also required that CFOMW escrow their commission fees until the end of three years when the statute of limitations runs out and that they will represent us in an audit as part of their commission if we are subject to an audit. If we were to receive \$2 million in ERC next year due to this filing, CFOMW would receive \$150,000 of those funds and we would receive the rest.

This is a low-risk proposition because the worst-case scenario is that we would need to return the funds with interest. The best-case scenario is that within about three years we will have approximately \$1,850,000 in new one-time, unrestricted funds.

### **Recommendation**

It is recommended that the Board of Directors approve the following motion during its regularly scheduled meeting on September 26, 2023: Approve Contracting with Michael Williams of CFOMW to File for the Employee Retention Credit.