

GATE CITY CHARTER SCHOOL

Financial Statements

June 30, 2024

and

Independent Auditor's Report

**GATE CITY CHARTER SCHOOL
FINANCIAL STATEMENTS
June 30, 2024**

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	<u>Page(s)</u>
BASIC FINANCIAL STATEMENTS	
EXHIBITS:	
A Statement of Net Position	1
B Statement of Activities	2
C Balance Sheet – Governmental Funds	3
D Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
NOTES TO BASIC FINANCIAL STATEMENTS	5-13

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Gate City Charter School

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Gate City Charter School as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Gate City Charter School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Gate City Charter School, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Gate City 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 opinions.

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 the Gate City 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.

Auditor's 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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Gate City 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 the Gate City 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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Vachon Clukay & Company PC

Manchester, New Hampshire
September 28, 2025

EXHIBIT A
GATE CITY CHARTER SCHOOL
Statement of Net Position
June 30, 2024

	Governmental <u>Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 118,647
Accounts receivable	59,944
Due from other governments	119,246
Prepaid items	6,176
Deposits held by others	20,000
Total Current Assets	<u>324,013</u>
Noncurrent Assets:	
Capital assets:	
Depreciable capital assets, net	<u>38,379</u>
Total Noncurrent Assets	<u>38,379</u>
Total Assets	<u>362,392</u>
DEFERRED OUTFLOWS OF RESOURCES	
Total Deferred Outflows of Resources	<u>-</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	59,320
Accrued liabilities	141,344
Short-term loan	50,000
Current portion of lease obligation	22,252
Total Current Liabilities	<u>272,916</u>
Noncurrent liabilities:	
Total Noncurrent Liabilities	<u>-</u>
Total Liabilities	<u>272,916</u>
DEFERRED INFLOWS OF RESOURCES	
Total Deferred Inflows of Resources	<u>-</u>
NET POSITION	
Net investment in capital assets	16,127
Unrestricted	73,349
Total Net Position	<u>\$ 89,476</u>

See accompanying notes to the basic financial statements

EXHIBIT B
GATE CITY CHARTER SCHOOL
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs		Program Revenues		Net (Expense) Revenue
				and Changes
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>in Net Position</u>
		<u>Services</u>	<u>Grants and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Activities</u>
Governmental Activities:				
Instruction	\$ 987,701	\$ 105,349	\$ 330,945	\$ (551,407)
Supporting services	105,438			(105,438)
General administration	415,032			(415,032)
Operation and maintenance of plant	388,876		48,835	(340,041)
Total governmental activities	<u>\$ 1,897,047</u>	<u>\$ 105,349</u>	<u>\$ 379,780</u>	<u>(1,411,918)</u>
General revenues:				
				1,291,140
State adequacy education grant				99,917
State differentiated aid				127
Interest and investment earnings				47,404
Miscellaneous				<u>1,438,588</u>
Total general revenues				26,670
Change in net position				62,806
Net Position at beginning of year				<u>\$ 89,476</u>
Net Position at end of year				

See accompanying notes to the basic financial statements

EXHIBIT C
GATE CITY CHARTER SCHOOL
Balance Sheet
Governmental Funds
June 30, 2024

	General <u>Fund</u>	Total Governmental <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 118,647	\$ 118,647
Accounts receivable	59,944	59,944
Due from other governments	119,246	119,246
Prepaid items	6,176	6,176
Deposits held by others	20,000	20,000
Total Assets	<u>324,013</u>	<u>324,013</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 324,013</u>	<u>\$ 324,013</u>
LIABILITIES		
Accounts payable	\$ 59,320	\$ 59,320
Accrued liabilities	141,344	141,344
Short-term loan	50,000	50,000
Total Liabilities	<u>250,664</u>	<u>250,664</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>
FUND BALANCES		
<i>Nonspendable:</i>		
Prepaid items	6,176	6,176
Deposits held by others	20,000	20,000
<i>Unassigned:</i>		
Unassigned - General operations	47,173	47,173
Total Fund Balance	<u>73,349</u>	<u>73,349</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 324,013</u>	

Amounts reported for governmental activities in the statement of
net position are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. 38,379

Long-term liabilities are not due and payable in the current period
and, therefore, are not reported in the funds. Long-term liabilities
at year end consist of the following:
Lease obligation payable (22,252)

Net Position of Governmental Activities \$ 89,476

See accompanying notes to the basic financial statements

EXHIBIT D

GATE CITY CHARTER SCHOOL**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds****For the Year Ended June 30, 2024**

	General Fund	Total Governmental Funds
Revenues:		
Intergovernmental	\$ 1,770,837	\$ 1,770,837
Charges for services	105,349	105,349
Investment income	127	127
Miscellaneous	47,404	47,404
Total Revenues	<u>1,923,717</u>	<u>1,923,717</u>
Expenditures:		
Current operations:		
Instruction	987,532	987,532
Supporting services	105,438	105,438
General administration	415,032	415,032
Operation and maintenance of plant	<u>397,521</u>	<u>397,521</u>
Total Expenditures	<u>1,905,523</u>	<u>1,905,523</u>
Net change in fund balances	18,194	18,194
Fund Balance at beginning of year	<u>55,155</u>	<u>55,155</u>
Fund Balance at end of year	<u>\$ 73,349</u>	<u>\$ 73,349</u>

GATE CITY CHARTER SCHOOL**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities****For the Year Ended June 30, 2024**

Net Change in Fund Balances--Total Governmental Funds	\$ 18,194
---	-----------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense and amortization expense. Capital outlays and depreciation and amortization expense in the current period are as follows:

Depreciation expense	(7,199)
Amortization expense	(245,968)

Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

261,643

Change in Net Position of Governmental Activities	\$ 26,670
---	-----------

See accompanying notes to the basic financial statements

GATE CITY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2024

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

Gate City Charter School (the "School") is a public charter school as defined by the provisions of New Hampshire RSA 194-B Chartered Public Schools. The School is organized as a 501(c)(3) nonprofit public charity granted status under section 170(b)(1)(A)(ii) of the Internal Revenue Code. The School is governed by a Board of Trustees and operates under a charter approved by the State of New Hampshire on July 18, 2013. The School was formed to provide a competency-based education for students overall, using an arts-integrated curriculum.

Basis of Presentation

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

1. Government-Wide Financial Statements:

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

The statement of net position presents the financial condition of the governmental activities of the School at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that are required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

GATE CITY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2024

2. Fund Financial Statements:

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

Fund Accounting

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

1. Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following is the School's major governmental fund:

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

Measurement Focus

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

GATE CITY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2024

Basis of Accounting

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

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: State adequacy funding, grants and student fees.

Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred inflows of resources.

2. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The School's budget represents functional appropriations as authorized by the Board of Trustees. The Board of Trustees may transfer funds between operating categories as they deem necessary.

GATE CITY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2024

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The School maintains a capitalization threshold of \$1,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Right-to-use assets intangible assets originating from the execution of long-term lease agreements are amortized over the remaining life of the underlying lease agreements. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Years</u>
Building improvements	7-20
Furniture and fixtures	5-10
Equipment	5
Right-to-use leased assets	3

Lease Liabilities and Leased Assets

Lease liabilities are measured at the present value of payments expected to be made during the lease term. Leased assets are measured at the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs and are amortized on a straight-line basis over the life of the related lease.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the residual amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The School's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**GATE CITY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2024**

Fund Balance Policy

As of June 30, 2024, the School has not adopted a formal fund balance policy. The School has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Non-spendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Amounts constrained to specific purposes stipulated by external resource providers or through enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or by the enabling legislation.
- *Committed Fund Balance*: Amounts constrained to specific purposes by the School itself using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the School takes the same highest-level action to remove or change the constraint.
- *Assigned Fund Balance*: Amounts the School intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance*: Amounts that are available for any purpose; these amounts are reported only in the General Fund, except for any deficit fund balance of another governmental fund.

In circumstances where expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2—GOING CONCERN AND MANAGEMENT’S PLANS

As of June 30, 2024, the School’s financial condition reflects that there is substantial doubt about the ability to continue as a going concern. The School’s financial position remained at a decreased level and the School has placed reliance on short-term borrowing in the current year. Additionally, there is a long lead time for billing School services.

The School has taken the following actions to help mitigate the decrease in financial position over the past two years. The School has an agreement to lease out unutilized space during non-instructional hours, expanded its fundraising efforts through reaching out to a broader donor base and engaging additional community and corporate support, expanded efforts within the community to ensure student enrollment remains at or near capacity, placing a greater emphasis on identifying and applying for competitive grants at various levels to secure additional funding, actively working with local school districts to improve the documentation process ensuring all eligible special education services are accurately reported and

GATE CITY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2024

claimed, reviewing and restructuring the School's staff bonus programs to ensure they are financially sustainable and align with retention goals, and combining and reducing employee positions. Additionally, the School has introduced new revenue sources to provide recurring support as well as future plans to add before and after care.

The financial statements do not include any adjustments that might be necessary if the School is unable to continue as a going concern.

NOTE 3—DEPOSITS

Deposits as of June 30, 2024 are classified in the accompanying financial statements as follows:

Cash and cash equivalents	<u>\$ 118,647</u>
---------------------------	-------------------

Deposits at June 30, 2024 consist of the following:

Cash on hand	\$ 75
Deposits with financial institutions	<u>118,572</u>
	<u>\$ 118,647</u>

As of June 30, 2024, the School does not have a formal investment policy which limits allowable deposits or investments of the School.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the School's deposits may not be returned. Currently, the School has no investment policy for assurance against custodial credit risk; however, the School's entire balance of deposits with financial institutions at year end was covered by federal depository insurance.

NOTE 4—CAPITAL ASSETS

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

	Balance <u>July 1, 2023</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2024</u>
Other capital assets:				
Building improvements	\$ 62,001			\$ 62,001
Furniture and fixtures	26,578			26,578
Equipment	61,438			61,438
Intangible right-to-use asset - building	<u>758,401</u>			<u>758,401</u>
Total other capital assets at historical cost	<u>908,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>908,418</u>

GATE CITY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2024

Less accumulated depreciation for:

Building improvements	(38,549)	(5,901)		(44,450)
Furniture and fixtures	(24,949)	(1,298)		(26,247)
Equipment	(61,438)			(61,438)
Intangible right-to-use asset - building	(491,936)	(245,968)		(737,904)
Total accumulated depreciation/amortization	<u>(616,872)</u>	<u>(253,167)</u>	<u>-</u>	<u>(870,039)</u>
Total other capital assets, net	<u>291,546</u>	<u>(253,167)</u>	<u>-</u>	<u>38,379</u>
Total capital assets, net	<u>\$ 291,546</u>	<u>\$ (253,167)</u>	<u>\$ -</u>	<u>\$ 38,379</u>

Depreciation and amortization expense was charged to governmental functions as follows:

Instruction	\$ 169
Operation and maintenance of plant	<u>252,998</u>
	<u>\$ 253,167</u>

NOTE 5—LONG-TERM OBLIGATIONS

Changes in Long-term Obligations

Changes in long-term obligations for the year ended June 30, 2024, are as follows:

Type	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year
Lease obligation payable	<u>\$ 283,895</u>	<u>\$ -</u>	<u>\$ (261,643)</u>	<u>\$ 22,252</u>	<u>\$ 22,252</u>

Lease Obligation Payable

During June 2014, the School entered into a long-term lease agreement to rent facilities through July 31, 2024. Payments under the terms of the agreement will be at an initial base rent of \$12.75 per square foot for years 1-5, increase by \$.25 per square foot for year 6 and increase \$.50 per square foot annually August 1st in years 7-10.

The School has recognized a long-term right-to-use intangible asset for its right to use the building based on the present value of cash flows required under the terms of the agreement and an incremental borrowing rate of 3.25%. The total estimated value of the right-to-use asset of \$758,401 is included as a component of capital assets within the Statement of Net Position and is amortized on a straight-line basis over the life of the agreement and has been reported as a component of operation and maintenance of plant expense within the Statement of Activities.

The balance of the lease obligation outstanding as of June 30, 2024, was \$22,252. Interest expense recognized on the lease obligation for the year ended June 30, 2024, was \$5,363 and has been reported as a component of operation and maintenance of plant expense within the Statement of Activities.

Future minimum payments required under the terms of the lease obligation as of June 30, 2024 are as follows:

GATE CITY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2024

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2025	\$ 22,252	\$ 62	\$ 22,314

NOTE 6—SHORT-TERM OBLIGATIONS

Note Payable

During the year ended June 30, 2023, the School entered into a note payable agreement with an individual to assist in cash flow for its operational needs in the amount of \$75,000. The note bears interest at 0% and does not have defined payment terms. The balance of the note payable outstanding as of June 30, 2024, was \$50,000.

Changes in the School's short-term obligations for the year ended June 30, 2024 are as follows:

Balance - July 1, 2023	\$ 75,000
Additions	25,000
Reductions	<u>(50,000)</u>
Balance June 30, 2024	<u>\$ 50,000</u>

NOTE 7—SIGNIFICANT CONCENTRATION OF REVENUE RISK

As a public charter school, the School annually receives adequacy and differentiated aid funding from the State of New Hampshire Department of Education on a per pupil basis of average daily membership attendance at a rate determined by the State. Total adequacy and differentiated aid funding received for the year ended June 30, 2024 was \$1,391,057 which is approximately 72% of total Governmental Activities and General Fund revenues.

NOTE 8—RISK MANAGEMENT

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year ended June 30, 2024, the School purchased commercial insurance to manage risks related to property and liability and worker's compensation claims.

NOTE 9—CONTINGENCIES

Federal Grants

The School participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the School expects such amounts, if any, to be immaterial.

**GATE CITY CHARTER SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended June 30, 2024**

Litigation

There may be various claims and suits pending against the School, which arise in the normal course of the School's activities. In the opinion of School management, any potential claims against the School, which are not covered by insurance are immaterial and would not affect the financial position of the School.

NOTE 10—CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 100 – Accounting Changes and Error Corrections

During the year ended June 30, 2024, the School implemented GASB Statement No. 100, *Accounting Changes and Error Corrections*. GASB Statement No. 100 enhances transparency, consistency, and comparability of financial reporting when accounting for changes in accounting principles, estimates or error corrections. Under this statement, the categories of accounting changes are clarified, required disclosures are expanded, and the presentation of restatements are standardized. No changes in accounting principles, estimates, or error corrections have been identified during the year ended June 30, 2024. Accordingly, management has determined that there is no effect of implementing GASB Statement No. 100 on the financial statements.

NOTE 11—SUBSEQUENT EVENT

Lease Obligation Payable

On August 1, 2024, the School executed an amendment to its facility lease. The amendment extends the existing lease term for an additional five years through July 31, 2029, with monthly payments ranging from \$31,000 to \$39,000 over the lease term.