

GATHERING WATERS CHARTERED PUBLIC SCHOOL
FINANCIAL STATEMENTS
WITH SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022
AND
INDEPENDENT AUDITORS' REPORT

GATHERING WATERS CHARTERED PUBLIC SCHOOL

FINANCIAL STATEMENTS

JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Gathering Waters Chartered Public School

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Gathering Waters Chartered Public School, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Gathering Waters Chartered Public School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Gathering Waters Chartered Public School, as of June 30, 2022, 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 (GAAS) 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 Gathering Waters Chartered Public 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

Gathering Waters Chartered Public School's 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 Gathering Waters Chartered Public 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.

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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 GAAS 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 GAAS, 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 Gathering Waters Chartered Public 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 Gathering Waters Chartered Public 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 i-v be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gathering Waters Chartered Public School's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2023 on our consideration of the Gathering Waters Chartered Public 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 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 the Gathering Waters Chartered Public School's internal control over financial reporting and compliance.



Keene, New Hampshire
April 6, 2023

GATHERING WATERS CHARTERED PUBLIC SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

Presented herewith please find the Management Discussion and Analysis Report for the Gathering Waters Chartered Public School (the School) for the year ended June 30, 2022. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the School's financial position, and the results of operations of the various funds of the School. All disclosures necessary to enable the reader to gain an accurate understanding of the School's financial activities have been included.

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

Overview of the Financial Statements

The Gathering Waters Chartered Public School is organized as a nonprofit organization providing public charter school educational services as authorized by the State of New Hampshire Department of Education. The State requires public charter schools to comply with the same financial reporting requirements imposed upon a public school, on a governmental basis of presentation, rather than a nonprofit basis of presentation. Accordingly, the Gathering Waters Chartered Public School's financial statements are reported using the governmental reporting model.

The financial statements presented herein include all of the activities of the Gathering Waters Chartered Public School using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the Gathering Waters Chartered Public School's financial statements. The basic financial statements are comprised of three components:

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

This report also contains supplementary information on federal compliance and a schedule of expenditures.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to most private-sector companies.

GATHERING WATERS CHARTERED PUBLIC SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

The Statement of Net Position presents information on all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the remaining difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities presents information showing how the School's net position changed during the most recent fiscal year. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School solely employs the use of governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental activities Statement of Net Position and Statement of Activities.

The School maintains one governmental fund. Information is presented in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balance for the General Fund.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

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

GATHERING WATERS CHARTERED PUBLIC SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

Government-Wide Financial Analysis

Statement of Net Position

Net position of the Gathering Waters Chartered Public School as of June 30, 2022 is as follows:

Capital and other assets:	
Capital assets, net	\$ 573,718
Right of use assets, net	457,158
Other assets	<u>679,776</u>
Total assets	<u>1,710,652</u>
 Deferred outflows of resources:	 <u>-</u>
 Long-term and other liabilities:	
Long-term liabilities	1,049,272
Other liabilities	<u>146,003</u>
Total liabilities	<u>1,195,275</u>
 Deferred inflows of resources:	 40,848
 Net position:	
Net investment in capital assets	573,718
Net investment in right of use assets	457,158
Unrestricted	<u>(556,347)</u>
Total net position	\$ <u><u>474,529</u></u>

GATHERING WATERS CHARTERED PUBLIC SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

Statement of Activities

Change in net position for the year ended June 30, 2022 is as follows:

Program revenues:	
Charges for services	\$ 190,588
Operating grants and contributions	797,883
Total program revenues	<u>988,471</u>
General revenues:	
State adequacy education grant	1,635,263
Contributions	211,777
Fundraising, net	6,736
Interest and investment earnings	126
Other income	15,946
Total general revenues	<u>1,869,848</u>
Total revenues	<u>2,858,319</u>
Operating expenditures	
General governmental	2,206,520
Lease financing principal	117,917
Interest	39,524
Capital outlay	10,532
Total operating expenditures	<u>2,374,493</u>
Change in net position	483,826
Net position - beginning of year	<u>(9,297)</u>
Net position - end of year	<u>\$ 474,529</u>

Gathering Waters Chartered Public School Activities

As shown in the above statement the School experienced an increase in net position of \$483,826 on the full accrual basis of accounting.

The General Fund shows a fund balance of \$492,924 at year end. This is an increase of \$502,221 from the previous year. During the year ended June 30, 2022, the overall increase in revenues was due to the School not being in operation until July 1, 2021, so there were no prior year revenues.

GATHERING WATERS CHARTERED PUBLIC SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022

Capital Assets

Gathering Waters Chartered Public School considers a capital asset to be an asset whose costs exceed or equal \$500 and has a useful life of greater than one year. Assets are depreciated using the straight-line method over the course of their estimated useful life. Current year additions exceeded current year depreciation by \$573,718. See Note 4 in the notes to the basic financial statements for additional information on the capital assets activity.

Additionally, GASB 87 was implemented effective July 1, 2021 in compliance with the standard. The new standard clarifies the definitions of a lease, requires a dual approach to lease classification similar to the previous lease classifications, and causes lessees to recognize leases on the balance sheet as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than twelve months. See Notes 5 and 6 in the notes to the basic financial statements for a summary of all right-of-use and lease liability activity.

Long-Term Obligations

During the fiscal year ended June 30, 2022, the School obtained three new notes payable for a total of \$648,513 in long-term borrowings. See Note 7 in the notes to the basic financial statements for additional information on long-term obligations.

Contacting the Gathering Waters Chartered Public School Financial Management

This financial report is intended to provide a general overview of the Gathering Waters Chartered Public School's finances and to show accountability for the money it receives. If you have questions about this report or need to get additional information, contact the Chairman of the Board of Trustees or the Business Manager at Gathering Waters Chartered Public School, 98 S Lincoln St, Keene, NH 03431 or by telephone at (603) 352-0659.

GATHERING WATERS CHARTERED PUBLIC SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2022

EXHIBIT A

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 328,294
Accounts receivable, net	26,231
Due from other governments	295,960
Prepaid expenses	8,108
Security deposit	15,890
Employee cash advance	3,300
Start-up costs	<u>1,993</u>
Total current assets	<u>679,776</u>
Noncurrent assets:	
Depreciable capital assets, net	573,718
Right of use asset, net	<u>457,158</u>
Total noncurrent assets	<u>1,030,876</u>
Total assets	<u>1,710,652</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Total deferred outflows of resources	<u>-</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	57,362
Accrued expenses	88,642
Lease liability	135,222
Notes payable	<u>75,240</u>
Total current liabilities	<u>356,466</u>
Noncurrent liabilities:	
Lease liability	321,936
Notes payable	<u>516,873</u>
Total noncurrent liabilities	<u>838,809</u>
Total liabilities	<u>1,195,275</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unearned revenue	<u>40,848</u>
Total deferred inflows of resources	<u>40,848</u>
<u>NET POSITION</u>	
Net investment in capital assets	573,718
Net investment in right of use asset	457,158
Unrestricted	<u>(556,347)</u>
Total net position	<u>\$ 474,529</u>

The accompanying notes are an integral part of these financial statements.

EXHIBIT B

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		<u>Charges for Services</u>	Operating	Revenue
			<u>Grants and Contributions</u>	and Changes in Net Position
				<u>Governmental Activities</u>
Governmental activities:				
General government	\$ <u>2,374,493</u>	\$ <u>190,588</u>	\$ <u>797,883</u>	\$ <u>(1,386,022)</u>
Total governmental activities	\$ <u><u>2,374,493</u></u>	\$ <u><u>190,588</u></u>	\$ <u><u>797,883</u></u>	<u>(1,386,022)</u>
General revenues:				
	State adequacy education grant			1,635,263
	Contributions			211,777
	Fundraising, net			6,736
	Interest income			126
	Other income			<u>15,946</u>
	Total general revenues			<u>1,869,848</u>
	Change in net position			483,826
	Net position - beginning			<u>(9,297)</u>
	Net position - ending			\$ 474,529

The accompanying notes are an integral part of these financial statements.

GATHERING WATERS CHARTERED PUBLIC SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

EXHIBIT C

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 328,294	\$ 328,294
Accounts receivable, net	26,231	26,231
Due from other governments	295,960	295,960
Prepaid expenses	8,108	8,108
Security deposit	15,890	15,890
Employee cash advance	3,300	3,300
Start-up costs	<u>1,993</u>	<u>1,993</u>
Total assets	<u>679,776</u>	<u>679,776</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Total deferred outflows of resources	-	-
Total assets and deferred outflows of resources	\$ <u>679,776</u>	\$ <u>679,776</u>
<u>LIABILITIES</u>		
Accounts payable	\$ 57,362	\$ 57,362
Accrued expenses	<u>88,642</u>	<u>88,642</u>
Total liabilities	<u>146,004</u>	<u>146,004</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred revenue	<u>40,848</u>	<u>40,848</u>
Total deferred inflows of resources	<u>40,848</u>	<u>40,848</u>
<u>FUND BALANCES</u>		
Nonspendable	8,108	8,108
Spendable	<u>484,816</u>	<u>484,816</u>
Total fund balances	<u>492,924</u>	<u>492,924</u>
Total liabilities, deferred inflows of Resources and fund balances	\$ <u>679,776</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	573,718
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(592,113)
Right of use assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	457,158
Lease liability, right of use asset	<u>(457,158)</u>
Net position of governmental activities	\$ <u>474,529</u>

The accompanying notes are an integral part of these financial statements.

GATHERING WATERS CHARTERED PUBLIC SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Total Governmental Funds
Revenues:		
Intergovernmental revenues	\$ 2,433,146	\$ 2,433,146
Contributions	211,777	211,777
Tuition and fees	190,588	190,588
Fundraising, net	6,736	6,736
Interest income	126	126
Other income	15,946	15,946
Total revenues	<u>2,858,319</u>	<u>2,858,319</u>
Expenditures:		
Current operations:		
General government	2,206,520	2,206,520
Lease right of use asset	575,075	575,075
Lease financing principal	117,917	117,917
Interest	39,524	39,524
Capital outlay	584,250	584,250
Total expenditures	<u>3,523,286</u>	<u>3,523,286</u>
Other financing sources:		
Notes payable	592,113	592,113
Lease financing	575,075	575,075
Total other financing sources	<u>1,167,188</u>	<u>1,167,188</u>
Net change in fund balance	502,221	502,221
Fund balances, beginning of year	<u>(9,297)</u>	<u>(9,297)</u>
Fund balances, end of year	\$ <u>492,924</u>	\$ <u>492,924</u>

GATHERING WATERS CHARTERED PUBLIC SCHOOL
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

EXHIBIT D

Change in fund balances - total governmental funds	\$ 502,221
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount that capital outlays exceeded depreciation expense in the current period.	573,718
Governmental funds treat long-term non-ownership-transferring leases as both an expenditure and an "other financing source". This is the amount that the amortization of the right to use asset exceeded the lease financing principal.	-
Governmental funds treat long-term debt as other financing sources. This is the amount of long term included in fund balance, but not part of governmental activities.	<u>(592,113)</u>
Change in net position of governmental activities	\$ <u>483,826</u>

The accompanying notes are an integral part of these financial statements.

GATHERING WATERS CHARTERED PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Gathering Waters Chartered Public School conform to accounting principles generally accepted in the United States of America for local educational units of government, except as indicated hereinafter. The Gathering Waters Chartered Public School is organized as a nonprofit organization to provide public charter school 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 require public charter schools to comply with the same financial reporting requirements imposed upon a traditional public school district, on a governmental basis of presentation. Accordingly, the Gathering Waters Chartered Public School's basis of presentation follows the governmental reporting model. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Gathering Waters Chartered Public School (the School) is a public charter school as defined by the provisions of the State of New Hampshire RSA 194-B Chartered Public School. 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 was formed to offer students in the Monadnock region an education that enables them to discover their interests and capabilities; explore the surrounding world; and cultivate a lifelong love of learning, a sense of community responsibility and understanding of environmental sustainability. The School carries out this mission by providing a rich and engaging academic curriculum that integrates the arts, meaningful practical work, outdoor education and service to the larger community. The School is governed by a Board of Trustees comprised of at least eight members and operates under a charter approved on December 10, 2020.

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.

The School follows GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* Under this standard, financial statements include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and reports net position instead of net assets.

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.

GATHERING WATERS CHARTERED PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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 is 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.

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. The School only maintains one governmental fund.

Fund Accounting

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

1. Governmental Funds:

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

GATHERING WATERS CHARTERED PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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.

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, the recording of unearned 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 year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the School, available means expected to be received within sixty days of 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 are recognized in the 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 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.

GATHERING WATERS CHARTERED PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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. The basis of the budget adopted by the School differs somewhat from accounting principles generally accepted in the United States of America, in that the focus is on the School as a whole, rather than on the basis of fund types.

Accounts Receivable

The School recognizes uncollectible accounts under the allowance method. Charges for services billed during the current year and prior, and uncollected at June 30, 2022 are recorded as receivables net of an allowance for doubtful accounts. At June 30, 2022 management determined that an allowance for doubtful accounts was not necessary.

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 fair values as of the date received. The School maintains a capitalization threshold of \$500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings and improvements	10-39
Furniture and fixtures	7
Equipment	5

GATHERING WATERS CHARTERED PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. Other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Net Position

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

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

Fund Balance Policy

In accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. The components of fund balance are defined as follows:

- *Nonspendable Fund Balance:* Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance:* Amounts constrained to specific purposes by their providers through constitutional provisions or by enabling legislation.
- *Committed Fund Balance:* Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- *Assigned Fund Balance:* Amounts a government 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.

GATHERING WATERS CHARTERED PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

As of June 30, 2022, School has not adopted a formal fund balance policy.

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. Significant estimates include depreciation expense and the allowance for uncollectible receivables.

NOTE 2—DEPOSITS

Deposits as of June 30, 2022, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and cash equivalents	\$ <u>328,294</u>
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Deposits at June 30, 2022 consist of the following:

Cash on hand	\$ 37,956
Deposits with financial institutions	<u>290,338</u>
	\$ <u>328,294</u>

As of June 30, 2022, the School has not formally adopted an investment policy that limits allowable deposits or investments of the School. Of the School's entire balance of deposits with financial institutions, \$38,389 was uninsured due to it being over the FDIC's insured limit of \$250,000.

NOTE 3—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. During the year ended June 30, 2022, the School purchased commercial insurance to manage risks related to property and liability and workers' compensation claims.

GATHERING WATERS CHARTERED PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4—CAPITAL ASSETS

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

	<u>Balance</u> <u>7/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2022</u>
Capital assets:				
Equipment	\$ -	\$ 21,056	\$ -	\$ 21,056
Furniture and fixtures	-	34,791	-	34,791
Computer equipment	-	52,051	-	52,051
Building Improvements	-	89,330	-	89,330
Building - 98 S Lincoln	-	366,040	-	366,040
Land - 98 S Lincoln	-	20,982	-	20,982
Total other capital assets at historical cost	<u>-</u>	<u>584,250</u>	<u>-</u>	<u>584,250</u>
Less accumulated depreciation for:				
Equipment	-	(1,142)	-	(1,142)
Furniture and fixtures	-	(1,095)	-	(1,095)
Computer equipment	-	(4,965)	-	(4,965)
Building Improvements	-	(1,003)	-	(1,003)
Building - 98 S Lincoln	-	(2,327)	-	(2,327)
Total accumulated depreciation	<u>-</u>	<u>(10,532)</u>	<u>-</u>	<u>(10,532)</u>
Total other capital assets, net	<u>-</u>	<u>573,718</u>	<u>-</u>	<u>573,718</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ 573,718</u>	<u>\$ -</u>	<u>\$ 573,718</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ <u>10,532</u>
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NOTE 5—RIGHT-OF-USE ASSETS

The following is a summary of changes in right-of-use assets in the governmental activities, refer to Note 6 for the related lease information:

GATHERING WATERS CHARTERED PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

	<u>Balance</u> <u>7/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2022</u>
Governmental activities:				
Right-to-use assets				
School building - 31 Washington St.	\$ -	\$ 575,075	\$ -	\$ 575,075
Total right-to-use assets	<u>-</u>	<u>575,075</u>	<u>-</u>	<u>575,075</u>
Less accumulated amortization for:				
Right-to-use asset - school building	<u>-</u>	<u>(117,917)</u>	<u>-</u>	<u>(117,917)</u>
Total accumulated amortization	<u>-</u>	<u>(117,917)</u>	<u>-</u>	<u>(117,917)</u>
Total right-to-use assets, net	<u>\$ -</u>	<u>\$ 457,158</u>	<u>\$ -</u>	<u>\$ 457,158</u>

NOTE 6—LEASE OBLIGATION

The School conducts its upper-school operations from a facility that is leased from Washington Park of Keene, LLC, which is approximately 13,100 square feet of teaching and other school function spaces. The school lease is a two-year lease, effective August 1, 2021 and terminating on July 31, 2023. There is an option to extend the school lease an additional two years following the expiration of the initial term of the lease.

The lease has a set monthly payment of \$13,000 for the initial two-year lease term, with the provision for a 5% increase in the base rent for each renewal term with payments due the first of each month. The lease conveys no ownership at the end of the lease term, contains no purchase option, and requires no guarantee of residual value.

The School adopted GASB 87 on the effective date of July 1, 2021, when the implicit interest rate known to the School was 5.25%. Because the noncancelable lease term extends past one year and does not transfer ownership, Paragraph 20 of GASB 87 requires the lessee to recognize a lease liability and an intangible right-of-use asset. These amounts are reported on Exhibit A, Statement of Net Position (refer to Note 5 for details). In order to convey the commitment due to the full lease with the expectation of utilizing the renewal term of the lease, the calculations per GASB 87 were calculated to include the renewal period in the present value calculation.

With an implicit interest rate of 5.25%, the present value of the lease liability as of the GASB 87 effective date of July 1, 2021 was \$575,075. Total lease payments during the year ended June 30, 2022 were as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2021 - 2022	\$ <u>25,083</u>	\$ <u>117,917</u>	\$ <u>143,000</u>

GATHERING WATERS CHARTERED PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

The future minimum lease commitments are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2022 - 2023 (current portion)	\$ 20,778	\$ 135,222	\$ 156,000
2023 - 2024	13,347	149,803	163,150
2024 - 2025	5,258	158,542	163,800
2025 - 2026	59	13,591	13,650
	<u>\$ 39,442</u>	<u>\$ 457,158</u>	<u>\$ 496,600</u>

NOTE 7—LONG-TERM OBLIGATIONS

Changes in long-term obligations

Changes in long-term obligations of the governmental activities for the year ended June 30, 2022 are as follows:

<u>Type</u>	<u>Balance</u> <u>7/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/2022</u>	<u>Due within</u> <u>one year</u>
Working capital loan	\$ -	\$ 200,000	\$ (200,000)	\$ -	\$ -
Notes payable	<u>-</u>	<u>648,513</u>	<u>(56,400)</u>	<u>592,113</u>	<u>75,240</u>
	<u>\$ -</u>	<u>\$ 848,513</u>	<u>\$ (256,400)</u>	<u>\$ 592,113</u>	<u>\$ 75,240</u>

Notes payable

During the year ended June 30, 2022, the School obtained a note payable from Savings Bank of Walpole in the amount of \$200,000, secured by a security interest in all business assets. This note is payable in monthly installments of \$3,798, including interest at 5.25%, through July 2026.

During the year ended June 30, 2022, the School obtained a note payable from the New Hampshire Health and Education Facilities Authority in the amount of \$100,000. This note is payable in monthly installments of \$1,709, including interest at 1.00%, through August 2026.

During the year ended June 30, 2022, the School obtained a note payable from 98 South Lincoln, LLC in the amount of \$348,513, secured by certain assets. This note is payable in monthly installments of \$2,578, including interest at 4.00%, through March 2037.

GATHERING WATERS CHARTERED PUBLIC SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Working capital loan

The School maintains a working capital loan with the New Hampshire Health and Education Facilities Authority. Under terms of the agreement, the School is approved to borrow up to \$100,000 on a semiannual basis. Loan advances bear interest at 1% and the outstanding principal and interest balances are payable twice a year by March 5th or November 5th following the date of any advance. There was no outstanding balance as of June 30, 2022 on the working capital loan.

NOTE 10—SIGNIFICANT CONCENTRATIONS OF REVENUE

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, 2022 was \$1,635,263, which is approximately 57% of total Governmental Activities and General Fund revenues.

NOTE 11—CONTINGENT LIABILITIES

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.

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 12—SUBSEQUENT EVENTS

Working capital loan advance

During October 2022, the School was advanced \$100,000 under the terms of its working capital loan agreement. The loan advance accrues interest at 1.00% and is payable in full by March 5, 2023. This loan was paid off in November 2022.

GATHERING WATERS CHARTERED PUBLIC SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Granting Agency/Recipient State Agency/Grant Program/ State Grant Number	Federal AL Number	Pass Through Identifying Number	Expenditures	Passed Through to Subrecipient
DEPARTMENT OF EDUCATION				
Passed Through the New Hampshire DOE				
NH DOE Expanding Opportunity Through Quality Charter Schools				
Program Grants to State Entities	84.282A	91-0204-0-1-501	\$ <u>718,345</u>	\$ <u>-</u>
Total Department of Education			<u>718,345</u>	<u>-</u>
Total Expenditures of Federal Awards			\$ <u><u>718,345</u></u>	\$ <u><u>-</u></u>

GATHERING WATERS CHARTERED PUBLIC SCHOOL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1--FINANCIAL REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Gathering Waters Chartered Public School. The Gathering Waters Chartered Public School's reporting entity is defined in Note 1 to the School's basic financial statements. Because the schedule presents only a selected portion of Gathering Waters Chartered Public School, it is not intended to and does not present the financial position and changes in net position of Gathering Waters Chartered Public School.

NOTE 2--BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the requirements of Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) using the accrual basis of accounting, which is described in Note 1 to the School's basic financial statements.

NOTE 3--RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The recognition of expenditures of federal awards has been reported in the School's basic financial statements as intergovernmental revenues.



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INDEPENDENT AUDITORS' 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.

To the Board of Trustees of
Gathering Waters Chartered Public School:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Gathering Waters Chartered Public School, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Gathering Waters Chartered Public School's basic financial statements, and have issued our report thereon dated April 6, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gathering Waters Chartered Public 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gathering Waters Chartered Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Gathering Waters Chartered Public 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs (#2022-01) that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gathering Waters Chartered Public 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 the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Oster & Wheeler, P.C.".

Keene, New Hampshire
April 6, 2023

GATHERING WATERS CHARTERED PUBLIC SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section I- Summary of Auditors' Results

A. Financial Statements

1. Type of auditor's report issued: Unmodified
2. Internal control over financial reporting:
 - i. No material weaknesses identified
 - ii. One significant deficiencies reported
3. No matters of noncompliance material to the financial statements were noted

B. Compliance and Other Matters

1. No instances of material noncompliance with federal awards were noted

GATHERING WATERS CHARTERED PUBLIC SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section II- Financial Statement Findings

The following Findings were determined to be significant deficiencies:

Ref. No.	Findings	Criteria	Cause	Effect	Recommendations	Management comments	Timeline
2020-01	The School does not have the resources to consistently identify and apply complex accounting standards that may be required to properly present their financial statements in accordance with accounting principles generally accepted in the United States (GAAP).	GAS, AICPA internal control guidelines and best practices.	Smaller organization setup and non-availability of the required skill sets in the allocated budget.	The School will not be able to evaluate the services provided to it. Further, the risk of misstatements in the financial statements will be high.	Management should continue to provide training opportunities to personnel on these topics. Further, outside help should be sought to fulfill the deficiency created by the lack of specific accounting skills.	This situation is common for smaller organizations and is mitigated through consultation with the Board of Trustees and outside professionals. The costs of hiring additional or higher skilled staff outweighs the benefits to the School.	N/A

GATHERING WATERS CHARTERED PUBLIC SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section III- Federal Award Findings and Questioned Costs

No Findings