

PACE CAREER ACADEMY
FINANCIAL REPORT
JUNE 30, 2016

PACE CAREER ACADEMY

TABLE OF CONTENTS

JUNE 30, 2016

	<u>PAGES</u>
<i>INDEPENDENT AUDITOR'S REPORT</i>	1
 <i>FINANCIAL STATEMENTS</i>	
Statements of financial position	2
Statements of activities	3
Statements of functional expenses	4 - 5
Statements of cash flows	6
Notes to financial statements	7 - 10



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
PACE Career Academy
Suncook, New Hampshire

We have audited the accompanying financial statements of PACE Career Academy (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PACE Career Academy as of June 30, 2016 and 2015, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Plodzik & Sanderson
Professional Association*

November 1, 2016

PLODZIK & SANDERSON
Professional Association / Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX-224-1380

PACE CAREER ACADEMY
STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

ASSETS		2016	2015
CURRENT ASSETS			
Cash and cash equivalents	\$	30,756	\$ 102,977
Student receivables		8,440	5,834
Grant funds receivable		22,446	25,227
Prepaid expenses and other assets		13,122	4,007
Total current assets	\$	<u>74,764</u>	<u>\$ 138,045</u>
PROPERTY AND EQUIPMENT			
Furniture	\$	18,388	\$ 18,388
Computer equipment		55,870	55,870
Equipment		5,235	5,235
Leasehold improvements		325	325
	\$	<u>79,818</u>	<u>\$ 79,818</u>
Less accumulated amortization and depreciation		71,738	59,581
Total property and equipment	\$	<u>8,080</u>	<u>\$ 20,236</u>
TOTAL ASSETS	\$	<u><u>82,844</u></u>	<u><u>\$ 158,282</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	2,340	\$ 2,031
Accrued expenses		21,659	29,624
Current portion of capital lease		4,009	3,953
Total current liabilities	\$	<u>28,008</u>	<u>\$ 35,608</u>
LONG TERM LIABILITIES			
Capital lease	\$	-	\$ 4,009
Total long term liabilities	\$	<u>-</u>	<u>\$ 4,009</u>
NET ASSETS			
Unrestricted:			
Undesignated	\$	54,836	\$ 118,665
Total net assets	\$	<u>54,836</u>	<u>\$ 118,665</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>82,844</u></u>	<u><u>\$ 158,282</u></u>

The notes to financial statements are an integral part of this statement.

*PACE CAREER ACADEMY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015*

	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS		
REVENUE		
Program service revenue	\$ 348,997	\$ 347,379
Grant revenue	5,400	15,335
Other income	2,724	3,614
Donations	<u>2,230</u>	<u>2,093</u>
TOTAL REVENUE	<u>\$ 359,351</u>	<u>\$ 368,422</u>
EXPENSES		
Program services:		
Instruction	\$ 254,901	\$ 280,963
Supporting services:		
Administration	<u>168,279</u>	<u>178,477</u>
TOTAL EXPENSES	<u>\$ 423,180</u>	<u>\$ 459,440</u>
INCREASE (DECREASE) IN NET ASSETS	\$ (63,829)	\$ (91,018)
NET ASSETS - BEGINNING	<u>118,665</u>	<u>209,683</u>
NET ASSETS - ENDING	<u><u>\$ 54,836</u></u>	<u><u>\$ 118,665</u></u>

The notes to financial statements are an integral part of this statement.

PACE CAREER ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services <u>Instruction</u>	Supporting Services <u>Administration</u>	Total for Year Ended <u>June 30, 2016</u>
Salaries and wages	\$ 163,205	\$ 95,211	\$ 258,416
Payroll taxes and benefits	30,540	32,325	62,865
Materials and supplies	4,492	3,007	7,499
Computer assisted instruction	6,393	-	6,393
Computers and networking	2,528	-	2,528
Depreciation	7,294	4,863	12,157
Legal and professional	12,923	10,732	23,655
Utilities	6,126	2,626	8,752
Advertising	-	8,423	8,423
Staff development	3,753	-	3,753
Function and meals	296	-	296
Field trips	2,240	-	2,240
Postage	-	4	4
Interest	-	656	656
Rent	12,642	5,418	18,060
Equipment	813	-	813
Repairs and maintenance	-	23	23
Insurance	-	4,678	4,678
Travel	358	40	398
Miscellaneous	1,298	273	1,571
Totals - Year Ended June 30, 2016	<u>\$ 254,901</u>	<u>\$ 168,279</u>	<u>\$ 423,180</u>

The notes to financial statements are an integral part of this statement.

PACE CAREER ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program Services <u>Instruction</u>	Supporting Services <u>Administration</u>	Total for Year Ended June 30, 2015
Salaries and wages	\$ 167,259	\$ 94,195	\$ 261,454
Payroll taxes and benefits	42,398	30,354	72,752
Materials and supplies	11,578	2,171	13,749
Computer assisted instruction	9,981	-	9,981
Computers and networking	18,328	-	18,328
Depreciation	11,084	7,389	18,473
Legal and professional	-	19,904	19,904
Utilities	4,602	3,068	7,670
Advertising	-	7,413	7,413
Staff development	3,820	-	3,820
Function and meals	98	-	98
Field trips	48	-	48
Postage	-	305	305
Interest	-	1,433	1,433
Rent	10,200	6,800	17,000
Equipment	-	1,221	1,221
Insurance	-	3,166	3,166
Travel	266	-	266
Miscellaneous	1,301	1,059	2,360
Totals - Year Ended June 30, 2015	<u>\$ 280,963</u>	<u>\$ 178,477</u>	<u>\$ 459,440</u>

The notes to financial statements are an integral part of this statement.

PACE CAREER ACADEMY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (63,829)	\$ (91,018)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,157	18,473
Changes in assets and liabilities:		
(Increase) Decrease in accounts receivable	175	27,218
(Increase) in prepaid expenses	(9,115)	7,621
Increase (decrease) in deferred revenue	-	(13,597)
Increase (decrease) in accounts payable and accrued expenses	(7,656)	15,905
Net cash provided by (used in) operating activities	<u>\$ (68,268)</u>	<u>\$ (35,398)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>\$ -</u>	<u>\$ (509)</u>
Net cash used in investing activities	<u>\$ -</u>	<u>\$ (509)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	<u>\$ (3,953)</u>	<u>\$ (3,176)</u>
Net cash used in financing activities	<u>\$ (3,953)</u>	<u>\$ (3,176)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (72,221)</u>	<u>\$ (39,082)</u>
Cash and cash equivalents:		
Beginning	<u>102,977</u>	<u>142,059</u>
Ending	<u><u>\$ 30,756</u></u>	<u><u>\$ 102,977</u></u>

*PACE CAREER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Purpose

The PACE Career Academy ("the School") is a district-sponsored chartered school authorized by the New Hampshire Board of Education, a not-for-profit corporation incorporated under the laws of the State of New Hampshire, and 501(c)(3) non-profit organized exclusively for charitable and educational purposes. The educational purpose of the School is to provide education to those students who have struggled in more traditional school structures by offering a highly personalized education focused on personal development, core academics, and career experience. Substantially, all revenue is derived from New Hampshire State public charter school funding, school district support, and school fundraising efforts.

Basis of Accounting

The School prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Net Asset Classes

The Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) topic 958, "Not-for-Profit Entities," requires the reporting of the organization's activities by net asset class (FASB ASC 958-225) as described below:

Unrestricted net assets result from contributions to the organization that have no donor-imposed restrictions, less expenses incurred in the operation of the organization.

Temporarily restricted net assets result from contributions to the organization whose use is limited by a donor-imposed restriction. Restrictions are typically satisfied either by the passage of time or by the actions of the organization.

Permanently restricted net assets result from contributions to the organization that must be maintained permanently. Typically, the future investment returns on such assets may be used in full or in part for the operations of the organization.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, the School considers all cash accounts and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Based upon a favorable history over a substantial period of time, the School considers all accounts receivable as of June 30, 2016 and 2015 to be fully collectible. Therefore, no allowance for doubtful accounts has been established.

*PACE CAREER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost when purchased and fair market value when donated. It is the School's policy to generally capitalize expenses for these items in excess of \$100. Lesser amounts are generally expensed. Depreciation is calculated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Building and improvements	10-40
Equipment	3-5

Revenue and Support

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Program Service Revenue

The School is primarily focused on educating students living within the towns of Pembroke, Allenstown, Chichester, Epsom, and Deerfield, which collectively comprise School Administrative Unit (SAU) #53 with Pembroke Academy as the primary public high school for that SAU. The School maintains tuition agreements with SAU#53 and under those agreements, in-district students are billed and revenue is recorded according to a percentage of tuition earned by Pembroke Academy per student. During the years ended June 30, 2016 and 2015, the amount receivable for in-district students was \$9,980 and \$9,980 per student, respectively. The respective districts are responsible for paying the difference between this rate and any amounts paid by the State of New Hampshire as per pupil aid. Out-of-district tuition agreements are structured in a similar manner.

The School receives per pupil aid for students inside and outside of the SAU #53 school districts from the State of New Hampshire, with the exception of students that would otherwise attend Pembroke Academy. The State mandates the rate per pupil and for the years ended June 30, 2016 and 2015, the per pupil rate was \$5,597 and \$5,498, respectively.

Advertising

The School expenses advertising as incurred. Advertising expense was \$8,423 and \$7,413 for the years ending June 30, 2016 and 2015, respectively.

Income Taxes

The School is a non-profit organization determined to be exempt from Federal income tax under the Internal Revenue Code, Section 501(c)(3), and not a private foundation within the meaning of Section 509(a).

Accounting for Income Taxes

The School considers the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 740-10 (*Accounting for Uncertainty in Income Taxes*). The purpose of this topic is to clarify

*PACE CAREER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

whether non-profit organizations may include tax benefits from uncertain tax positions in their financial statements. The School records a liability for uncertain tax positions when it is probable that a loss has been incurred and the amount can be reasonably estimated. The School recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The School is no longer subject to U.S. federal and state informational return examinations by tax authorities for years before June 30, 2013. The School has evaluated its tax positions and concludes that there are no tax positions it has taken which, if challenged, would result in a material effect on the financial statements.

NOTE 2 - CONCENTRATION OF CREDIT RISK

Operating cash for the years ending June 30, 2016 and 2015 are deposited in two bank accounts. The June 30, 2016 and 2015 balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2016 and 2015, the School's uninsured cash balances total \$-0- and \$-0-, respectively.

NOTE 3 - EMPLOYEE RETIREMENT

The School, at the direction of the Board of Directors, will make contributions to a tax deferred annuity plan for certain members of its faculty and staff. The amounts contributed during 2016 and 2015 were \$10,500 and \$13,000, respectively.

NOTE 4 - LEASE COMMITMENTS

The School leases premises in Suncook, New Hampshire, under a month-to-month lease. Monthly rent under the agreement amounts to \$1,500. Rent expense for the years ended 2016 and 2015 was \$18,060 and \$17,000, respectively.

The School leases office equipment under an operating lease for total annual lease payments of \$2,268. Lease expense for office equipment as of June 30, 2016 and 2015 was \$2,268 and \$2,268, respectively.

The minimum lease payments required under the above operating leases as of December 31, 2016 are as follows:

Year Ending June 30	Operating Lease
2017	\$ 2,268
2018	2,268
2019	2,268
2020	945
	<u>\$ 7,749</u>

The School leases computer equipment under a capital lease for a term of 36 months beginning May 2014. Monthly payments of \$384 are due under the lease. The effective interest rate amounts to approximately 11.25%. Interest expense to the statement of activities for the years ended 2016 and 2015 was \$656 and \$1,433, respectively.

The future minimum lease payments are as follows:

Year Ending June 30	Capital Lease
2017	<u>\$ 4,009</u>

*PACE CAREER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015*

NOTE 5 – ACCRUED EXPENSES

Accrued expenses are comprised as follows:

	2016	2015
Payroll liabilities	\$ 8,659	\$ 6,524
Annuities payable	13,000	8,000
Other Liabilities	-	15,100
	<u>\$ 21,659</u>	<u>\$ 29,624</u>

NOTE 6 – CHARTER SCHOOL GRANT

The School received a three-year grant through July 2014 from the State of New Hampshire under a pass-through federal charter school start-up grant. Under the grant, the School receives reimbursement funding for the costs associated with the planning and design of the educational program and initial implementation of the charter school up to a total of \$597,385. In accordance with OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, for costs to be allowable under the grant they must be reasonable, necessary, and allocable to meet the objectives of the grant. During the years ended June 30, 2016 and 2015, respectively the School recognized \$-0- and \$945 in revenues from reimbursement of allowable expenses under the grant. These revenues represent 0% and 0.01% of the total revenues for fiscal years 2016 and 2015, respectively.

NOTE 7 – RURAL EDUCATION ACHIEVEMENT PROGRAM GRANT

The School received a fifteen-month grant through September 30, 2016 from the U.S. Department of Education. Under the grant, the School receives reimbursement funding for costs associated with training and education programs for School employees of the charter school up to a total of \$19,603. In accordance with OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, for costs to be allowable under the grant they must be reasonable, necessary, and allocable to meet the objectives of the grant. During the years ended June 30, 2016 and 2015, respectively the School recognized \$8,500 and \$0 in revenues from reimbursement of allowable expenses under the grant. These revenues represent 0.02% and 0% of the total revenues for fiscal years 2016 and 2015, respectively.

NOTE 8 – SUBSEQUENT EVENTS

The School did not have any recognized or unrecognized subsequent events after June 30, 2016, the date of the statement of financial position. Subsequent events have been evaluated through November 1, 2016, the date the financial statements were available to be issued.