



**FREEDOM SCHOOL PARTNERS  
EMPLOYEE RETENTION TAX CREDIT FUNDS  
SPENDING PROPOSAL - CONFIDENTIAL  
October 8, 2022**

Freedom School Partners (FSP) retained all year-round employees during the pandemic. Therefore, FSP was eligible to apply for Employee Retention Tax Credit (ERTC) funds from the Federal Government, as outlined and designated in the Taxpayer Certainty and Disaster Tax Relief Act of 2020, which updated guidance originally included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act. FSP applied for and received the maximum available employee retention credit for 2020 and 2021, based on wages and Social Security taxes, according to the calculations and conditions specified in the legislation.

In total, FSP received an employee retention credit of \$352,044.18 for both tax years. Based on the documentation received with these credits and after consulting with our auditor, we have placed \$12,572.54 into a liability account, in anticipation of the fact that these funds may be considered interest income during our 2022 audit review. Therefore, this amount may have to be repaid to the Federal Government. This leaves \$339,471.64 of unplanned income in 2022.

This proposal outlines how these funds can be strategically spent or invested in 2022 to intentionally achieve two goals that align with FSP's newly adopted strategic plan:

- 1) Set money aside to support FSP's strategic growth in 2023 and 2024.
- 2) Strategically spend funds in a way that enables us to end 2022 with a strong financial position that does not showcase the perception of a surplus situation that may unintentionally lead to decreased contributions/investments from supporters.

Proposed allocation of funds:

**Personnel Investment: \$100,000**

These funds will be utilized to adjust both the annual salaries of year-round employees (excluding the CEO) and the summer stipend rates (or hourly rates, depending on specific position) of seasonal employees. This investment will enable FSP to retain and attract high performing team members and remain competitive in challenging employment market.

**FSP Capacity Investment: \$150,000**

FSP's new strategic plans ambitiously outlines plans for growth, in order to better serve children and families in Charlotte. To effectively manage this growth, FSP will need to bring on additional personnel (eventually) and ensure our office facilities meet the needs of the organization. The intent is for these funds to be used in 2023 and 2024 to support expenses associated with the execution of a new commercial office space lease agreement (TBD).

**FSP Unfunded 2023 Program Sites Investment: \$50,000**

Currently, FSP plans to support four unfunded Freedom School locations in 2023. These sites are generally supported by the efforts of our Development Team and a variety of income sources: corporate, foundation, individual. These funds will support this effort and be utilized only if needed in 2023.

**FSP Long-Term Sustainability Investment: \$39,500**

FSP seeded an endowment fund in 2020, to support the long-term sustainability of this organization and to ensure there was a funding source to support FSP's ability to serve scholars in unfunded or under-funded locations in future years. No funds have been deposited in our endowment fund since the initial investment and these funds would support our efforts to serve scholars in future years.

Proposed Distribution of Funds:

\$125,000 deposited into FSP's reserve account at the Self Help Credit Union.

\$214,500 deposited into the FSP Endowment Fund at Foundation For the Carolinas\*.

\*The intent will be to draw on the FSP Endowment Fund (a quasi-endowment fund) if/as needed in 2023 and 2024 to support expenses related to personnel, capacity and program investments.