

**SOUTHEAST ATLANTA CHARTER  
MIDDLE SCHOOL, INC.**

**FINANCIAL STATEMENTS  
AND  
PRO FORMA FINANCIAL INFORMATION**

**For the Period From July 1, 2010 to May 18, 2011**

**with  
Independent Auditors' Report**

**SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.**

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**May 18, 2011**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Southeast Atlanta Charter Middle School, Inc.

We have audited the accompanying statements of financial position of Southeast Atlanta Charter Middle School, Inc. (a Georgia not-for-profit organization) (the "School") as of May 18, 2011 and June 30, 2010, and the related statements of activities and cash flows for the period from July 1, 2010 to May 18, 2011 and for the year ended June 30, 2010. These financial statements are the responsibility of the School's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeast Atlanta Charter Middle School, Inc. as of May 18, 2011 and June 30, 2010, and the changes in its net assets and cash flows for the period from July 1, 2010 to May 18, 2011 and for the year ended June 30, 2010 in conformity with accounting principles generally accepted in the United States of America.



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September 28, 2011  
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# SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.

## STATEMENTS OF FINANCIAL POSITION

May 18, 2011 and June 30, 2010

<b>ASSETS</b>		
	<u>May 18, 2011</u>	<u>June 30, 2010</u>
<b>Current Assets</b>		
Cash	\$ 435,044	\$ 425,022
Receivable from Atlanta Public Schools	94,139	-
Other receivables	107	-
Total Current Assets	<u>529,290</u>	<u>425,022</u>
<b>Other Assets</b>		
Property and equipment, net (Notes C, D and G)	1,587,305	1,649,097
Restricted money market account (Note D)	89,677	88,894
Loan closing costs, net (Note E)	16,432	21,910
Total Other Assets	<u>1,693,414</u>	<u>1,759,901</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,222,704</u></u>	<u><u>\$ 2,184,923</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 19,271	\$ 28,339
Payable to Neighborhood Charter School	9,119	-
Accrued expenses	69,097	10,927
Current portion of capital lease obligations (Note G)	5,409	8,717
Current portion of note payable (Note D)	25,402	23,829
Total Current Liabilities	<u>128,298</u>	<u>71,812</u>
<b>Long Term Liabilities</b>		
Capital lease obligations, net of current portion (Note G)	4,582	2,590
Note payable, net of current portion (Note D)	1,217,665	1,239,308
Total Long Term Liabilities	<u>1,222,247</u>	<u>1,241,898</u>
Total Liabilities	1,350,545	1,313,710
<b>Commitments and Contingencies</b> (Notes F and G)		
<b>Net Assets – Unrestricted</b>	<u>872,159</u>	<u>871,213</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,222,704</u></u>	<u><u>\$ 2,184,923</u></u>

See accompanying notes.

# SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.

## STATEMENTS OF ACTIVITIES

For the Period from July 1, 2010 to May 18, 2011 and the Year Ended June 30, 2010

	July 1, 2010 to May 18, 2011	Year Ended June 30, 2010
<b>Public Support and Revenue</b>		
Atlanta Public School funding	\$ 1,803,729	\$ 1,791,401
Facilities grant	37,000	140,000
Title I funding	9,261	25,183
Contributions	23,721	36,175
Other grants	1,000	2,092
Student meal income	73,544	72,727
Other program income	30,474	49,807
Other income	7,368	10,098
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>1,986,097</b>	<b>2,127,483</b>
<b>Expenses</b>		
Program services		
Instructional expenses	1,506,337	1,496,490
Facilities expenses	142,582	151,957
Staff development expenses	32,613	31,833
Educational materials expenses	27,262	29,219
Other program expenses	116,605	106,995
Supporting expenses		
Fundraising expenses	6,356	7,045
General and administrative expenses	153,396	169,704
<b>TOTAL EXPENSES</b>	<b>1,985,151</b>	<b>1,993,243</b>
<b>CHANGE IN NET ASSETS</b>	<b>946</b>	<b>134,240</b>
<b>Net Assets at Beginning of Period</b>	<b>871,213</b>	<b>736,973</b>
<b>Net Assets at End of Period</b>	<b>\$ 872,159</b>	<b>\$ 871,213</b>

See accompanying notes.

# SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.

## STATEMENTS OF CASH FLOWS

**For the Period July 1, 2010 to May 18, 2011 and the Year Ended June 30, 2010**

	July 1, 2010 to May 18, 2011	Year Ended June 30, 2010
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 946	\$ 134,240
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	90,167	93,450
Increase in receivable from Atlanta Public Schools	(94,139)	-
Increase in other receivables	(107)	-
Increase (decrease) in accounts payable and accrued expenses	58,221	(11,209)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>55,088</b>	<b>216,481</b>
<b>Cash Flows from Investing Activities</b>		
Interest on restricted money market account	(783)	(1,021)
Purchase of property and equipment	(14,091)	(137,262)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(14,874)</b>	<b>(138,283)</b>
<b>Cash Flows from Financing Activities</b>		
Principal payments on capital lease obligations	(10,122)	(22,162)
Principal payments on note payable	(20,070)	(20,949)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(30,192)</b>	<b>(43,111)</b>
<b>NET INCREASE IN CASH</b>	<b>10,022</b>	<b>35,087</b>
<b>Cash at Beginning of Period</b>	<b>425,022</b>	<b>389,935</b>
<b>Cash at End of Period</b>	<b>\$ 435,044</b>	<b>\$ 425,022</b>
<b>Supplemental Disclosures</b>		
Interest paid during the period	\$ 77,240	\$ 87,266
Noncash investing and financing activities		
Purchase of computers through capital lease obligation	\$ 8,806	\$ -

*See accompanying notes.*

# **SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**May 18, 2011 and June 30, 2010**

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### **NOTE A—ORGANIZATION**

Southeast Atlanta Charter Middle School, Inc. (the “School”), a Georgia not-for-profit corporation, was formed on June 20, 2003 to operate a charter school in Ormewood Park to serve the Grant Park, Ormewood Park and other in-town areas of Atlanta, Georgia. The mission of the School is to provide a learning environment for all students that demands high educational standards and high levels of parent/guardian involvement and responsibility.

The School was granted a charter (the “Charter”) by the Board of Education of the City of Atlanta. The charter was renewed for the five year period ending June 30, 2015. The Charter permits the School to operate as a Charter School under the Atlanta Public School system, provided the School operates within the guidelines of the Charter and the applicable state and federal laws. Under the terms of the Charter, the School receives an allocation from the Atlanta Public Schools which is based on enrollment.

The School’s support comes primarily from the state of Georgia and the Atlanta Public Schools and from grants and contributions.

Neighborhood Charter School, Inc., and Southeast Atlanta Charter Middle School, Inc., jointly submitted a charter proposal to the Atlanta Public Schools System and to the Georgia Department of Education seeking a charter to combine their operations and to provide educational services to students from kindergarten through the eighth grade at two locations. The merger became effective May 19, 2011. Therefore, these financial statements are as of May 18, 2011 and June 30, 2010 and for the period from July 1, 2010 to May 18, 2011 and for the year ended June 30, 2010. The merger will be accounted for under the carryover method of accounting beginning May 19, 2011.

Enrollment for the period ended May 18, 2011 and the year ended June 30, 2010 was 196 and 158 students, respectively.

### **NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting: The School prepares its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ACS) 958-205, *Not-For-Profit Entities Presentation of Financial Statements*. Under ACS 958, the School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of May 18, 2011 and June 30, 2010, the School did not have any permanently or temporarily restricted net assets.

# SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENTS

May 18, 2011 and June 30, 2010

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### NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Contributions: Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. During the period ended May 18, 2011 and the year ended June 30, 2010 the School did not receive any permanently restricted contributions.

Contributed Services: Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed legal services during the period ended May 18, 2011 and the year ended June 30, 2010, totaled \$2,746 and \$0, respectively, for reviewing contracts and other documents.

In addition, many individuals volunteer their time and perform a variety of tasks that assist in the School's activities. The School receives numerous volunteer hours each year that are not valued in the financial statements.

Revenue Recognition: Revenue from Atlanta Public Schools and revenue from program fees are recognized in the period the service is delivered. Revenue from reimbursement basis grants is recognized as related expenditures are made.

Cash: For the purpose of reporting cash flows, the School considers all demand notes and short-term investments with maturities of 90 days or less to be cash equivalents. The School maintains balances with the bank in excess of federally insured limits. Management believes the exposure to loss from such balances to be minimal.

Property and Equipment: The School capitalizes all expenditures for property and equipment in excess of \$500. Property and equipment are recorded at cost or fair market value, if donated. Property and equipment are depreciated using straight line methods over their estimated useful lives as follows:

Building and building improvements	40 years
Computer equipment and software	5 years
Library books	7 years
Other equipment, furniture and fixtures	7 years



# SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENTS

May 18, 2011 and June 30, 2010

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### NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Loan Closing Costs: Loan closing costs are amortized on a straight line basis over the life of the loan.

Tax Status: Southeast Atlanta Charter Middle School is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is classified as an organization which is not a private foundation under Section 509(a) of the U.S. Internal Revenue Code. The School qualifies for the charitable contribution deduction.

The School could be subject to income tax examinations for its U.S. federal tax filings for the current tax year and previous filings for years 2010, 2009, and 2008 still open under the statute of limitations.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain indirect costs have been allocated among the programs and supporting services benefited.

Fair Values of Financial Instruments: Financial instruments, principally receivables and note and accounts payable, are reported at values which the School estimates are not significantly different from fair values due to their short term nature.

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

Events Occurring After Report Date: The School has evaluated events and transactions that occurred between May 18, 2011 and September 28, 2011, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements

# SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENTS

May 18, 2011 and June 30, 2010

### NOTE C—PROPERTY AND EQUIPMENT

Property and equipment as of May 18, 2011 and June 30, 2010 is composed of the following:

	<u>May 18, 2011</u>	<u>June 30, 2010</u>
Building and building improvements	\$ 1,612,910	\$ 1,611,554
Computer equipment and software	113,307	96,864
Library books	48,951	48,951
Equipment	67,663	67,663
Furniture and fixtures	<u>71,704</u>	<u>66,606</u>
	1,914,535	1,891,638
Less accumulated depreciation	<u>(327,230)</u>	<u>(242,541)</u>
Net property and equipment	<u>\$ 1,587,305</u>	<u>\$ 1,649,097</u>

Depreciation expense amounted to \$84,689 and \$87,972 for the period ended May 18, 2011 and the year ended June 30, 2010, respectively.

### NOTE D—NOTE PAYABLE AND LINE OF CREDIT

Note Payable: During the year ended June 30, 2008, the School purchased a building from the Atlanta Public Schools. The School financed the building purchase and cost of improvements with a \$1,300,000 loan. As of May 18, 2011 the outstanding loan balance was \$1,243,067. The note bears interest at a fixed rate of 6.41%. Monthly principal and interest installments of \$8,661 based on a 25 year amortization began January 2009. The loan matures in fiscal year 2015 at which time all unpaid interest and principal are due. The loan requires the School to maintain a debt service reserve account (restricted money market account) until the School achieves a 1.3 debt service coverage ratio for two consecutive years. The loan is secured by the building.

Future maturities are as follows:

Year ending June 30:	
2012	\$ 25,402
2013	27,709
2014	28,866
2015	<u>1,161,090</u>
	<u>\$ 1,243,067</u>

# SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENTS

May 18, 2011 and June 30, 2010

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### NOTE D—NOTE PAYABLE AND LINE OF CREDIT—Continued

Related interest expense for the period ended May 18, 2011 and the year ended June 30, 2010 amounted to approximately \$75,000 and \$83,000, respectively.

Line of Credit: As of May 18, 2011 the School had a \$50,000 unsecured bank line of credit that bears interest at prime plus 0.5%. The line expired in November 2010, and the line was extended to May 2012. There was no outstanding balance as of May 18, 2011 or June 30, 2010.

### NOTE E—LOAN CLOSING COSTS

Loan closing costs consist of the following as of May 18, 2011 and June 30, 2010:

	<u>May 18, 2011</u>	<u>June 30, 2010</u>
Gross Carrying Amount	\$ 36,289	\$ 36,289
Accumulated Amortization	<u>(19,857)</u>	<u>(14,379)</u>
	<u>\$ 16,432</u>	<u>\$ 21,910</u>

Amortization expense amounted to \$5,478 and \$5,478 for the period ended May 18, 2011 and the year ended June 30, 2010, respectively.

Estimated future amortization expense is as follows for the period ending May 18, 2011:

2012	\$ 5,478
2013	5,478
2014	<u>5,476</u>
	<u>\$ 16,432</u>

### NOTE F—RETIREMENT PLAN

The School participates in the Teachers Retirement System of Georgia. Participation is available to all full-time public school employees as defined by the Plan. Participant employees contributed 5.53% and 5.25% of their annual salary for the period ended May 18, 2011 and the year ended June 30, 2010, respectively. The School contributed 10.28% and 9.74% of each participant's annual salary for the period ended May 18, 2011 and the year ended June 30, 2010, respectively. Employer contributions totaled \$102,687 and \$100,857 for the period ended May 18, 2011 and the year ended June 30, 2010, respectively.

# SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENTS

May 18, 2011 and June 30, 2010

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### NOTE G—LEASE COMMITMENTS

Capital Lease: The School leases computer equipment under capital leases. The cost and accumulated amortization of equipment under capital lease are included in property and equipment in the accompanying financial statements and are as follows:

	<u>May 18, 2011</u>	<u>June 30, 2010</u>
Cost of equipment	\$ 79,291	\$ 70,485
Less accumulated amortization	<u>(61,303)</u>	<u>(44,669)</u>
Net equipment under capital lease	<u>\$ 17,988</u>	<u>\$ 25,816</u>

Future minimum lease payments as of May 18, 2011 are:

2012	\$ 6,050
2013	3,458
2014	<u>865</u>
	10,373
Less amounts representing interest	<u>(382)</u>
	9,991
Less current portion	<u>(5,409)</u>
Long term portion	<u>\$ 4,582</u>

Related interest expense totaled \$1,347 and \$4,298 for the period ended May 18, 2011 and the year ended June 30, 2010, respectively. Related amortization expense is included in depreciation expense on the accompanying statements of activities and cash flows.

Operating Lease: The School leases office equipment under non-cancelable operating leases. Rent expense related to this equipment for the period ended May 18, 2011 and the year ended June 30, 2010 amounted to \$10,825 and \$9,365, respectively. Future minimum lease payments for the equipment for the year ending June 30, 2012 amount to \$4,727.

**PRO FORMA FINANCIAL INFORMATION**

## INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors  
Southeast Atlanta Charter Middle School, Inc.

We have examined the pro forma adjustments reflecting the transaction described in Note A and the application of those adjustments to the historical amounts in the accompanying pro forma statement of financial position of Southeast Atlanta Charter Middle School, Inc. as of June 30, 2011 and the pro forma statement of activities for the year then ended and the accompanying pro forma fund level balance sheet as of June 30, 2011, pro forma fund level statement of activities and selected notes for the year then ended presented in accordance with Government Accounting Standards Board Ruling #34. These financial statements and selected notes are derived from the historical financial statements of Southeast Atlanta Charter Middle School, Inc., which were audited by us, appearing on pages 2 and 3. Such pro forma adjustments are based on management's assumptions described in Note A. Southeast Atlanta Charter Middle School, Inc.'s management is responsible for the pro forma financial information. Our responsibility is to express an opinion on the pro forma financial information based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The objective of this pro forma financial information is to show what the effect on the historical financial information would have been as of June 30, 2011 and the year then ended had the merger transaction with Neighborhood Charter School, Inc. taken place subsequent to June 30, 2011 rather than on May 19, 2011.

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In our opinion, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the above mentioned transaction described in Note A and the related pro forma adjustments give appropriate effect to the proper application of those adjustments on the historical financial statement amounts in the pro forma statement of financial position as of June 30, 2011 and the pro forma statement of activities for the year then ended and the accompanying pro forma fund level balance sheet as of June 30, 2011, and pro forma fund level statement of activities and selected notes for the year then ended.

This communication is intended solely for the information and use of the Board of Directors, Atlanta Public Schools, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



GIFFORD, HILLEGASS & INGWERSEN, LLP

September 28, 2011  
Atlanta, Georgia

# SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.

## PRO FORMA STATEMENT OF FINANCIAL POSITION

June 30, 2011

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<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	\$ 272,402
Accounts receivable – Title 1	21,858
Receivable from Neighborhood Charter School	15,000
Other receivables	418
Prepaid expenses	21,766
Total Current Assets	<u>331,444</u>
<b>Other Assets</b>	
Property and equipment, net	1,616,606
Restricted money market account	89,903
Loan closing costs, net	16,432
Total Other Assets	<u>1,722,941</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,054,385</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 3,960
Accrued expenses	80,455
Current portion of capital lease obligations	5,435
Current portion of note payable	25,402
Total Current Liabilities	<u>115,252</u>
<b>Long Term Liabilities</b>	
Capital lease obligations, net of current portion	4,023
Note payable, net of current portion	1,215,484
Total Long Term Liabilities	<u>1,219,507</u>
<b>TOTAL LIABILITIES</b>	1,334,759
<b>Net Assets – Unrestricted</b>	<u>719,626</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,054,385</u></u>

*See Independent Accountants' Report on Pro Forma Financial Information*



# SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.

## PRO FORMA STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

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<b>Public Support and Revenue</b>	
Atlanta Public School funding	\$ 1,846,675
Facilities grant	37,000
Title I funding	38,179
Contributions	39,052
Other grants	1,000
Student meal income	80,214
Other program income	33,628
Other income	7,859
	<hr/>
TOTAL PUBLIC SUPPORT AND REVENUE	2,083,607
<b>Expenses</b>	
Program services	
Instructional expenses	1,711,090
Facilities expenses	159,537
Staff development expenses	40,546
Educational materials expenses	33,317
Other program expenses	119,055
Supporting expenses	
Fundraising expenses	7,634
General and administrative expenses	164,015
	<hr/>
TOTAL EXPENSES	2,235,194
	<hr/>
CHANGE IN NET ASSETS	(151,587)
<b>Net Assets at Beginning of Year</b>	<hr/> 871,213
<b>Net Assets at End of Year</b>	<hr/> <hr/> \$ 719,626

*See Independent Accountants' Report on Pro Forma Financial Information*

# **SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.**

## **NOTE TO THE PRO FORMA FINANCIAL STATEMENTS**

**June 30, 2011**

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### **NOTE A—PRO FORMA ADJUSTMENTS**

Southeast Atlanta Charter Middle School, Inc. and Neighborhood Charter School, Inc. merged effective May 19, 2011, which is prior to their yearend dates of June 30, 2011. The Atlanta Public Schools requires the charter schools submit audited financial statements for the fiscal year ended June 30, 2011. The School's management has assumed for purposes of this pro forma presentation that the School's financial transactions from May 19, 2011 through June 30, 2011, which were segregated from Neighborhood Charter School, Inc., is reflective of the activity that would have taken place had the merger taken place subsequent to June 30, 2011. The pro forma statement of financial position as of June 30, 2011 and related pro forma statement of activities for the year then ended as well as the pro forma fund level statements and selected notes on pages 18 through 20 were derived from the audited financial statements presented in the preceding section adjusted for the financial activity during the period May 19, 2011 through June 30, 2011.

**SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.**

**PRO FORMA FUND LEVEL STATEMENT OF FINANCIAL POSITION**

**June 30, 2011**

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<b>ASSETS</b>	
Cash	\$ 272,402
<b>TOTAL ASSETS</b>	<b>\$ 272,402</b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable	\$ 3,960
Accrued expenses	80,455
<b>TOTAL LIABILITIES</b>	<b>84,415</b>
<b>Fund Balance</b>	
Unrestricted	187,987
<b>TOTAL FUND BALANCE</b>	<b>187,987</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 272,402</b>

*See Independent Accountants' Report on Pro Forma Financial Information*

# SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.

## PRO FORMA FUND LEVEL STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

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<b>Revenues</b>	
Federal Funding	
Title I Funding (CFDA 84.010)	\$ 16,321
State Funds	
Facilities Grant	37,000
Other Local Funding	
Contributions	24,052
Student Meal Income	80,214
Other Revenue	40,020
<b>TOTAL REVENUES</b>	<b>197,607</b>
<b>Expenditures</b>	
Instruction	1,675,212
General Administration	79,802
Staff Development Expenses	40,546
Maintenance and Operation of Plant Services	159,537
Other Expenses	119,055
Capital Outlays:	
Acquisition of Capital Assets	51,091
Debt Services:	
Interest Expense	83,902
Principal Payments	32,906
<b>TOTAL EXPENDITURES</b>	<b>2,242,051</b>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<b>(2,044,444)</b>
<b>Other Financing Sources</b>	
Transfers from APS District	1,846,675
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>1,846,675</b>
<b>Net Change in Fund Balance</b>	<b>(197,769)</b>
<b>Fund Balance at Beginning of Year</b>	<b>385,756</b>
<b>Fund Balance at End of Year</b>	<b>\$ 187,987</b>

*See Independent Accountants' Report on Pro Forma Financial Information*

**SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.**

**PRO FORMA SELECTED NOTES TO FUND LEVEL STATEMENTS**

**For the Year Ended June 30, 2011**

**NOTE A—CAPITAL ASSETS**

Each capital assets is as follows for the year ended June 30, 2011:

Computer equipment and software:	<u>Cost</u>	<u>Depreciation</u>
Beginning of year balance	\$ 96,864	\$ 66,064
Acquisitions	16,443	
Dispositions	-	-
Depreciation expense		21,344
End of year balance	<u>\$ 113,307</u>	<u>\$ 87,408</u>
Equipment:	<u>Cost</u>	<u>Depreciation</u>
Beginning of year balance	\$ 67,663	\$ 10,486
Acquisitions	-	
Dispositions	-	-
Depreciation expense		3,517
End of year balance	<u>\$ 67,663</u>	<u>\$ 14,003</u>
Furniture and fixtures:	<u>Cost</u>	<u>Depreciation</u>
Beginning of year balance	\$ 66,606	\$ 24,689
Acquisitions	5,098	
Dispositions	-	-
Depreciation expense		9,239
End of year balance	<u>\$ 71,704</u>	<u>\$ 33,928</u>
Library books:	<u>Cost</u>	<u>Depreciation</u>
Beginning of year balance	\$ 48,951	\$ 24,948
Acquisitions	-	
Dispositions	-	
Depreciation expense		6,994
End of year balance	<u>\$ 48,951</u>	<u>\$ 31,942</u>
Building and building improvements:	<u>Cost</u>	<u>Depreciation</u>
Beginning of year balance	\$ 1,611,554	\$ 116,354
Acquisitions	38,356	
Dispositions	-	-
Depreciation expense		51,294
End of year balance	<u>\$ 1,649,910</u>	<u>\$ 167,648</u>

**SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.**

**PRO FORMA SELECTED NOTES TO FUND LEVEL STATEMENTS—Continued**

**For the Year Ended June 30, 2011**

**NOTE B—LONG TERM LIABILITIES**

Long term liabilities are as follows for the year ended June 30, 2011:

Capital lease obligation

Beginning of year liability	\$ 11,307
Additions	8,806
Reductions	<u>(10,655)</u>
End of year balance	<u>\$ 9,458</u>
Balance due within one year	<u>\$ 5,435</u>

	Principal	Interest
Amounts due in future years		
Year ending June 30, 2012	\$ 6,050	\$ 615
Year ending June 30, 2013	3,458	300
Year ending June 30, 2014	<u>865</u>	<u>-</u>
	<u>\$ 10,373</u>	<u>\$ 915</u>

Note payable

Beginning of year liability	\$ 1,263,137
Additions	-
Reductions	<u>(22,251)</u>
End of year balance	<u>\$ 1,240,886</u>
Balance due within one year	<u>\$ 25,402</u>

Amounts due in future years

Year ending June 30, 2012	\$ 25,402
Year ending June 30, 2013	27,079
Year ending June 30, 2014	28,866
Year ending June 30, 2015	<u>1,159,539</u>
	<u>\$ 1,240,886</u>

**SOUTHEAST ATLANTA CHARTER MIDDLE SCHOOL, INC.**

**PRO FORMA SELECTED NOTES TO FUND LEVEL STATEMENTS—Continued**

**For the Year Ended June 30, 2011**

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**NOTE C—LOAN CLOSING COSTS**

Loan closing costs are as follows for the year ended June 30, 2011:

Beginning of year balance	\$	21,910
Additions		-
Amortization		(5,478)
End of year balance	\$	<u>16,432</u>

**NOTE D—RESTRICTED ACCOUNT FOR DEBT SERVICE**

Beginning of year balance	\$	88,894
Additions		1,009
Reductions		-
End of year balance	\$	<u>89,903</u>