

**NEIGHBORHOOD CHARTER  
SCHOOL, INC.**

**FINANCIAL STATEMENTS  
AND  
PRO FORMA FINANCIAL INFORMATION**

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

**with  
Independent Auditors' Report**

# NEIGHBORHOOD CHARTER SCHOOL, INC.

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May 18, 2011

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Neighborhood Charter School, Inc.

We have audited the accompanying statement of financial position of Neighborhood Charter School, Inc. (a Georgia not-for-profit organization) (the "School") as of May 18, 2011, and the related statements of activities and cash flows for the period from July 1, 2010 to May 18, 2011. 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 audit. The prior year summarized comparative information has been derived from the School's June 30, 2010 financial statements, and in our report dated September 27, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides 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 Neighborhood Charter School, Inc. as of May 18, 2011, and the changes in its net assets and cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

GIFFORD, HILLEGASS & INGWERSEN, LLP

September 28, 2011  
Atlanta, Georgia

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Atlanta, GA 30328-5351

# NEIGHBORHOOD CHARTER SCHOOL, INC.

## STATEMENTS OF FINANCIAL POSITION

May 18, 2011 and June 30, 2010

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	<b>ASSETS</b>	
	<u>May 18, 2011</u>	<u>June 30, 2010</u>
<b>Current Assets</b>		
Cash	\$ 945,058	\$ 722,450
Certificates of deposit	411,969	411,317
Receivable from Atlanta Public Schools	137,143	-
Receivable from Atlanta Charter Middle School	9,119	-
Prepaid expenses	13,840	34,594
Total Current Assets	1,517,129	1,168,361
<b>Property and Equipment, net</b> (Notes C and D)	479,935	526,530
<b>TOTAL ASSETS</b>	<u>\$ 1,997,064</u>	<u>\$ 1,694,891</u>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 174,265	\$ 106,119
Current portion of capital lease obligation (Note D)	50,684	36,070
Total Current Liabilities	224,949	142,189
<b>Capital Lease Obligation, net of current portion</b> (Note D)	11,161	44,379
<b>TOTAL LIABILITIES</b>	236,110	186,568
<b>Commitments</b> (Notes D and E)		
<b>Net Assets</b>		
Unrestricted	1,733,004	1,481,373
Temporarily restricted (Note F)	27,950	26,950
<b>TOTAL NET ASSETS</b>	1,760,954	1,508,323
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,997,064</u>	<u>\$ 1,694,891</u>

*See accompanying notes.*

# NEIGHBORHOOD CHARTER SCHOOL, INC.

## STATEMENT OF ACTIVITIES

**For the Period from July 1, 2010 to May 18, 2010**  
*(with comparative totals for Year Ended June 30, 2010)*

	July 1, 2010 to May 18, 2011			Year Ended June 30, 2010
	Unrestricted	Temporarily Restricted	Total	
<b>Public Support and Revenue</b>				
Atlanta Public School Funding	\$ 3,654,469	\$ -	\$ 3,654,469	\$ 3,951,674
Contributions	135,084	1,000	136,084	149,665
In kind contributions	2,746	-	2,746	4,193
State grants	62,000	-	62,000	80,000
After school program	157,938	-	157,938	132,281
Other program income	186,945	-	186,945	151,409
Other income	6,539	-	6,539	21,124
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>4,205,721</b>	<b>1,000</b>	<b>4,206,721</b>	<b>4,490,346</b>
<b>Expenses</b>				
Program services				
Instructional expenses	3,265,306	-	3,265,306	3,572,400
Facilities expenses	221,528	-	221,528	239,843
Staff development expenses	4,345	-	4,345	58,841
Educational materials expenses	74,080	-	74,080	81,163
After school program expenses	113,983	-	113,983	105,195
Other program expenses	116,135	-	116,135	121,934
Supporting expenses				
Fundraising expenses	36,745	-	36,745	29,659
General and administrative expenses	121,968	-	121,968	165,373
<b>TOTAL EXPENSES</b>	<b>3,954,090</b>	<b>-</b>	<b>3,954,090</b>	<b>4,374,408</b>
<b>CHANGE IN NET ASSETS</b>	<b>251,631</b>	<b>1,000</b>	<b>252,631</b>	<b>115,938</b>
<b>Net Assets at Beginning of Period</b>	<b>1,481,373</b>	<b>26,950</b>	<b>1,508,323</b>	<b>1,392,385</b>
<b>Net Assets at End of Period</b>	<b>\$ 1,733,004</b>	<b>\$ 27,950</b>	<b>\$ 1,760,954</b>	<b>\$ 1,508,323</b>

*See accompanying notes.*

# NEIGHBORHOOD CHARTER 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	\$ 252,631	\$ 115,938
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	110,886	116,370
Income reinvested in certificates of deposit	(652)	(9,945)
Decrease (increase) in prepaids	20,754	(34,594)
Decrease (increase) in receivables	(146,262)	1,117
Increase (decrease) in accounts payable and accrued expenses	68,146	(76,149)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>305,503</b>	<b>112,737</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(49,053)	(151,189)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(49,053)</b>	<b>(151,189)</b>
<b>Cash Flows from Financing Activities</b>		
Principal payments on capital lease obligation	(33,842)	(26,936)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(33,842)</b>	<b>(26,936)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>222,608</b>	<b>(65,388)</b>
<b>Cash at Beginning of Period</b>	<b>722,450</b>	<b>787,838</b>
<b>Cash at End of Period</b>	<b>\$ 945,058</b>	<b>\$ 722,450</b>
<b>Supplemental Disclosures</b>		
Interest paid during the period	\$ 12,256	\$ 18,552
Noncash investing and financing activities		
Purchase of computers through capital lease obligation	\$ 15,238	\$ 42,593

See accompanying notes.

# NEIGHBORHOOD CHARTER SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENTS

May 18, 2011 and June 30, 2010

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### NOTE A—ORGANIZATION

Neighborhood Charter School, Inc. (the “School”), a Georgia not-for-profit organization, was formed on November 20, 1998 to operate a charter school in Grant Park to serve the Grant Park, Ormewood Park and other intown 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 ten year period ending June 30, 2017. 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 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 for the period from July 1, 2010 to May 18, 2011. 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 368 and 348 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 for 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, Neighborhood Charter School, Inc. did not have any permanently restricted net assets.

# NEIGHBORHOOD CHARTER 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 \$4,193, respectively, for reviewing contracts and other documents.

Many individuals volunteer their time and perform a variety of tasks that assist in the School's activities. The School receives almost 10,000 volunteer hours each year that are not valued in the financial statements.

Revenue Recognition: Revenue from Atlanta Public Schools funding 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 value, if donated. Leasehold improvements are amortized over the life of the lease. Other property and equipment are depreciated using straight line methods over their estimated useful lives as follows:

Computer equipment and software	5 years
Library books	7 years
Other equipment, furniture and fixtures	7 years



# NEIGHBORHOOD CHARTER 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

Tax Status: Neighborhood Charter School, Inc. 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 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.

Comparative Data: The amounts shown for the year ended June 30, 2010 in the accompanying financial statements are included to provide a basis for comparison with 2011 and present summarized totals only. Accordingly, the 2010 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the School's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Events Occurring After Report Date: The School has evaluated events and transactions that occurred between May 19, 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.

# NEIGHBORHOOD CHARTER 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>
Leasehold improvements	\$ 549,794	\$ 505,045
Computer equipment and software	303,647	288,408
Library books	95,502	91,200
Other equipment	141,011	139,315
Furniture and fixtures	<u>117,734</u>	<u>119,429</u>
	1,207,688	1,143,397
Less accumulated depreciation	<u>(727,753)</u>	<u>(616,867)</u>
Net property and equipment	<u>\$ 479,935</u>	<u>\$ 526,530</u>

Depreciation expense amounted to \$110,886 and \$116,370 for the period ended May 18, 2011 and the year ended June 30, 2010, respectively.

### NOTE D—LEASE COMMITMENTS

Operating Lease – Facility: The School leases its building from the Atlanta Public Schools. The lease terms provide for an annual rental of \$24,000 beginning in June 2005 with a 5% annual escalation. The lease extends through August 31, 2016 unless the School loses its charter or Atlanta Public Schools needs the property in which case the lease requires sixty days notice to be given. Related rent expense amounted to \$27,500 and \$28,800 for the period ended May 18, 2011 and the year ended June 30, 2010, respectively.

Operating Leases – Equipment: The School leases office equipment and a modular building unit under non-cancelable operating leases. Rent expense for the period ended May 18, 2011 and the year ended June 30, 2010, amounted to approximately \$25,000 and \$31,000, respectively. Future minimum lease payments are as follows for the years ending June 30:

2012	\$	20,638
2013		16,236
2014		10,672

# NEIGHBORHOOD CHARTER SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENTS

May 18, 2011 and June 30, 2010

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### NOTE D—LEASE COMMITMENTS—Continued

Capital Lease: The School also leases computer equipment under a capital lease. 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	\$ 195,263	\$ 180,025
Less accumulated amortization	<u>(155,212)</u>	<u>(123,237)</u>
Net equipment under capital lease	<u>\$ 40,051</u>	<u>\$ 56,788</u>

Amortization expense is included in depreciation expense on the accompanying statements of activities and cash flows.

Future minimum lease payments under capital leases as of May 18, 2011:

Period ending June 30, 2011	\$ 4,170
Year ending June 30, 2012	50,036
Year ending June 30, 2013	<u>13,425</u>
	67,631
Less amount representing interest	<u>(5,786)</u>
	61,845
Less current portion	<u>(50,684)</u>
Long term portion	<u>\$ 11,161</u>

Related interest expense totaled \$12,256 and \$18,552 for the period ended May 18, 2011 and the year ended June 30, 2010, respectively.

# NEIGHBORHOOD CHARTER SCHOOL, INC.

## NOTES TO FINANCIAL STATEMENTS

May 18, 2011 and June 30, 2010

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### NOTE E—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 contribute 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 approximately \$224,000 and \$252,000 for the period ended May 18, 2011 and the year ended June 30, 2010, respectively.

### NOTE F—RESTRICTIONS ON NET ASSETS

Temporarily restricted assets at May 18, 2011 are available as follows:

Capital campaign	\$	20,000
Music program		1,000
Building improvements		<u>6,950</u>
	\$	<u>27,950</u>

Temporarily restricted assets at June 30, 2010 are available as follows:

Capital campaign	\$	20,000
Building improvements		<u>6,950</u>
	\$	<u>26,950</u>

### NOTE G—LINE OF CREDIT

The School had a prime plus 0.5% \$300,000 bank line of credit. The line was extended to May 2012. There was no outstanding balance as of May 18, 2011 or June 30, 2010.

## **PROFORMA FINANCIAL INFORMATION**



## INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors  
Neighborhood Charter School, Inc.

We have examined the pro forma adjustments reflecting the transaction described in Note A and the assembly of the accompanying pro forma statement of financial position of Neighborhood Charter 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 Neighborhood Charter 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. Neighborhood Charter 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 Atlanta Charter Middle 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

**NEIGHBORHOOD CHARTER SCHOOL, INC.**  
**PRO FORMA STATEMENT OF FINANCIAL POSITION**

**June 30, 2011**

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash	\$ 727,926
Certificates of deposit	413,585
Prepaid expenses	41,522
Total Current Assets	1,183,033
<b>Other Assets</b>	
Property and equipment, net	484,700
Web site	14,750
Total Other Assets	499,450
<b>TOTAL ASSETS</b>	<b>\$ 1,682,483</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current Liabilities</b>	
Accounts payable and accrued expenses	\$ 170,120
Payable to Atlanta Charter Middle School	15,000
Current portion of capital lease obligation	45,382
Total Current Liabilities	230,502
<b>Capital Lease Obligation, net of current portion</b>	<b>12,525</b>
<b>TOTAL LIABILITIES</b>	<b>243,027</b>
<b>Net Assets</b>	
Unrestricted	1,411,506
Temporarily restricted	27,950
<b>TOTAL NET ASSETS</b>	<b>1,439,456</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,682,483</b>

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



# NEIGHBORHOOD CHARTER SCHOOL, INC.

## PRO FORMA STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
<b>Public Support and Revenue</b>			
Atlanta Public School Funding	\$ 3,741,481	\$ -	\$ 3,741,481
Contributions	161,976	1,000	162,976
In kind contributions	2,746	-	2,746
State grant	62,000	-	62,000
After school program	176,355	-	176,355
Other program income	209,126	-	209,126
Other income	9,904	-	9,904
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>4,363,588</b>	<b>1,000</b>	<b>4,364,588</b>
<b>Expenses</b>			
Program services			
Instructional expenses	3,686,561	-	3,686,561
Facilities expenses	250,039	-	250,039
Staff development expenses	8,062	-	8,062
Educational materials expenses	82,903	-	82,903
After school program expenses	121,316	-	121,316
Other program expenses	120,264	-	120,264
Supporting expenses			
Fundraising expenses	37,199	-	37,199
General and administrative expenses	127,111	-	127,111
<b>TOTAL EXPENSES</b>	<b>4,433,455</b>	<b>-</b>	<b>4,433,455</b>
<b>CHANGE IN NET ASSETS</b>	<b>(69,867)</b>	<b>1,000</b>	<b>(68,867)</b>
<b>Net Assets at Beginning of Year</b>	<b>1,481,373</b>	<b>26,950</b>	<b>1,508,323</b>
<b>Net Assets at End of Year</b>	<b>\$ 1,411,506</b>	<b>\$ 27,950</b>	<b>\$ 1,439,456</b>

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

# **NEIGHBORHOOD CHARTER SCHOOL, INC.**

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

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

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### **NOTE A—PRO FORMA ADJUSTMENTS**

Neighborhood Charter School, Inc. and Atlanta Charter Middle 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 was segregated from Atlanta Charter Middle 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 16 through 19 were derived from the audited financial statements presented in the preceding section adjusted for the School's financial activity during the period May 19, 2011 through June 30, 2011.

**NEIGHBORHOOD CHARTER SCHOOL, INC.**

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

**June 30, 2011**

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<b>ASSETS</b>	
Cash	\$ 727,926
Certificates of deposit	413,585
<b>TOTAL ASSETS</b>	<b><u>\$ 1,141,511</u></b>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 170,120
Payable to Atlanta Charter Middle School	15,000
<b>TOTAL LIABILITIES</b>	<b>185,120</b>
<b>Fund Balance</b>	
Unrestricted	928,441
Restricted for capital projects	27,950
<b>TOTAL FUND BALANCE</b>	<b><u>956,391</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$ 1,141,511</u></b>

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

# NEIGHBORHOOD CHARTER SCHOOL, INC.

## PRO FORMA FUND LEVEL STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2011

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### Revenues

State Funds	
State Facilities Grant	\$ 62,000
Other Local Funding	
Contributions	162,976
After School Program	176,355
Student Activity Fees	101,613
Student Meal Income	107,513
Other Revenue	9,904
	<hr/>
TOTAL REVENUES	620,361

### Expenditures

Instruction	3,896,815
General Administration	149,308
Staff Development Expenses	8,062
Maintenance and Operation of Plant Services	250,039
Capital Outlays:	
Acquisition of Capital Assets	64,089
Website Development	14,750
Debt Service:	
Interest Expense	12,256
Principal Payments	37,780
	<hr/>
TOTAL EXPENDITURES	4,433,099
EXCESS OF EXPENDITURES OVER REVENUES	(3,812,738)

### Other Financing Sources

Transfers from APS District	3,741,481
	<hr/>
TOTAL OTHER FINANCING SOURCES	3,741,481
	<hr/>
Net Change in Fund Balance	(71,257)
Fund Balance at Beginning of Year	1,027,648
	<hr/>
Fund Balance at End of Year	\$ 956,391
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*See Independent Accountants' Report on Pro Forma Financial Information*

**NEIGHBORHOOD CHARTER SCHOOL, INC.**

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

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

**NOTE A—CAPITAL ASSETS**

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

Leasehold improvements	<u>Cost</u>	<u>Depreciation</u>
Beginning of year balance	\$ 505,045	\$ 190,933
Acquisitions	44,749	
Dispositions	-	-
Depreciation expense		48,604
End of year balance	<u>\$ 549,794</u>	<u>\$ 239,537</u>
Computer equipment and software	<u>Cost</u>	<u>Depreciation</u>
Beginning of year balance	\$ 288,408	\$ 217,355
Acquisitions	41,026	
Dispositions	-	-
Depreciation expense		39,006
End of year balance	<u>\$ 329,434</u>	<u>\$ 256,361</u>
Library books	<u>Cost</u>	<u>Depreciation</u>
Beginning of year balance	\$ 91,200	\$ 60,801
Acquisitions	4,303	
Dispositions	-	-
Depreciation expense		7,557
End of year balance	<u>\$ 95,503</u>	<u>\$ 68,358</u>
Other equipment	<u>Cost</u>	<u>Depreciation</u>
Beginning of year balance	\$ 139,315	\$ 56,707
Acquisitions	4,000	
Dispositions	-	-
Depreciation expense		14,561
End of year balance	<u>\$ 143,315</u>	<u>\$ 71,268</u>

**NEIGHBORHOOD CHARTER SCHOOL, INC.**

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

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

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**NOTE A—CAPITAL ASSETS—Continued**

Furniture and fixtures	<u>Cost</u>	<u>Depreciation</u>
Beginning of year balance	\$ 119,429	\$ 91,071
Acquisitions	-	
Dispositions	-	-
Depreciation expense		11,430
End of year balance	<u>\$ 119,429</u>	<u>\$ 102,501</u>

**NOTE B—OTHER ASSETS**

Other assets are as follows for the year ended June 30, 2011:

Website development costs:	<u>Cost</u>	<u>Amortization</u>
Beginning of year balance	\$ -	\$ -
Acquisitions	14,750	
Dispositions	-	-
Amortization expense		-
End of year balance	<u>\$ 14,750</u>	<u>\$ -</u>

**NOTE C—LONG TERM LIABILITIES**

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

Capital lease obligation	
Beginning of year liability	\$ 80,449
Additions	15,238
Reductions	<u>(37,780)</u>
End of year balance	<u>\$ 57,907</u>
Balance due within one year	<u>\$ 45,382</u>

**NEIGHBORHOOD CHARTER SCHOOL, INC.**

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

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

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**NOTE C—LONG TERM LIABILITIES—Continued**

	<u>Principal</u>	<u>Interest</u>
Amounts due in future years		
Year ending June 30, 2012	\$ 45,382	\$ 4,654
Year ending June 30, 2013	<u>12,525</u>	<u>900</u>
	<u>\$ 57,907</u>	<u>\$ 5,554</u>