

**ATLANTA NEIGHBORHOOD
CHARTER SCHOOL, INC.**

FINANCIAL REPORT

JUNE 30, 2018

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

**FINANCIAL REPORT
JUNE 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Atlanta Neighborhood Charter School, Inc.
Atlanta, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of **Atlanta Neighborhood Charter School, Inc.**, a Georgia not-for-profit organization, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with 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. 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 2018 financial statements referred to above present fairly, in all material respects, the financial position of Atlanta Neighborhood Charter School, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Atlanta Neighborhood Charter School, Inc. as of June 30, 2017, were audited by other auditors whose report dated October 25, 2017, expressed an unmodified opinion on those statements.

Report on Summarized Comparative Information

Atlanta Neighborhood Charter School, Inc.'s 2017 financial statements have been previously audited by other auditors who expressed an unmodified opinion on those audited financial statements in a report dated October 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 October 30, 2018, on our consideration of Atlanta Neighborhood Charter School, Inc.'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 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 internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Atlanta Neighborhood Charter School, Inc.'s internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 30, 2018

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017

<u>Assets</u>	<u>2018</u>	<u>2017</u>
Current assets		
Cash	\$ 1,565,034	\$ 1,663,437
Certificates of deposit	530,828	529,677
Grants receivable	133,560	96,815
Current portion of contributions receivable	50,000	140,000
Prepaid expenses	6,941	1,774
Total current assets	2,286,363	2,431,703
Other assets		
Reserve accounts	235,874	229,550
Contributions receivable, net of current portion	50,000	-
Property and equipment, net	2,714,605	2,654,217
Total other assets	3,000,479	2,883,767
Total assets	\$ 5,286,842	\$ 5,315,470
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 64,790	\$ -
Accrued payroll and benefits	983,413	919,501
Current portion of notes payable	42,605	40,507
Total current liabilities	1,090,808	960,008
Long-Term liabilities		
Notes payable, net of current portion and unamortized loan costs	970,674	1,012,011
Total liabilities	2,061,482	1,972,019
Net assets		
Unrestricted	3,067,847	3,066,986
Temporarily restricted	157,513	276,465
Total net assets	3,225,360	3,343,451
Total liabilities and net assets	\$ 5,286,842	\$ 5,315,470

See Notes to Financial Statements.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(with comparative totals for 2017)

	2018			2017 Total
	Unrestricted	Temporarily Restricted	Total	
Public support and revenue				
Atlanta Public School funding	\$ 8,771,446	\$ -	\$ 8,771,446	\$ 9,145,237
Contributions and grants	594,543	100,000	694,543	540,579
Title II funding	-	-	-	1,819
Federal grants	767,149	-	767,149	774,816
Other government grants	157,816	-	157,816	162,301
In kind contributions	1,500	-	1,500	3,255
After school program	-	-	-	277,626
Student meal income	234,542	-	234,542	231,442
Other program income	506,655	-	506,655	273,039
Other income	11,304	-	11,304	6,846
	<u>11,044,955</u>	<u>100,000</u>	<u>11,144,955</u>	<u>11,416,960</u>
Net assets released from restrictions				
Satisfaction of restrictions	218,952	(218,952)	-	-
	<u>11,263,907</u>	<u>(118,952)</u>	<u>11,144,955</u>	<u>11,416,960</u>
Total public support, revenue, and net assets released from restrictions				
	<u>11,263,907</u>	<u>(118,952)</u>	<u>11,144,955</u>	<u>11,416,960</u>
Expenses				
Program services				
Instructional expenses	6,331,845	-	6,331,845	6,534,329
Facilities expenses	584,722	-	584,722	476,198
Staff development expenses	2,615,802	-	2,615,802	1,435,333
Educational media services	-	-	-	304,480
After school program expenses	250,137	-	250,137	248,741
Student meal expenses	432,832	-	432,832	427,719
Other program expenses	23,942	-	23,942	43,875
Supporting expenses				
Fundraising expenses	58,599	-	58,599	61,484
General and administrative expenses	965,167	-	965,167	938,522
	<u>11,263,046</u>	<u>-</u>	<u>11,263,046</u>	<u>10,470,681</u>
Change in net assets	861	(118,952)	(118,091)	946,279
Net assets, beginning of year	3,066,986	276,465	3,343,451	2,397,172
Net assets, end of year	\$ 3,067,847	\$ 157,513	\$ 3,225,360	\$ 3,343,451

See Notes to Financial Statements.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (118,091)	\$ 946,279
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	211,962	230,837
Increase in prepaid expenses	(5,167)	(1,024)
Decrease in receivables	3,255	69,182
Increase (decrease) in accounts payable and accrued expenses	64,790	(19,940)
Increase in accrued payroll and benefits	63,912	20,139
Net cash provided by operating activities	220,661	1,245,473
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of (investment in) certificate of deposit	(1,151)	130,000
Purchase of property and equipment	(272,350)	(411,667)
Net cash used in investing activities	(273,501)	(281,667)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in reserve accounts	(6,324)	22,989
Principal payments on note payable	(39,239)	(39,050)
Net cash used in financing activities	(45,563)	(16,061)
Net (decrease) increase in cash	(98,403)	947,745
Cash at beginning of year	1,663,437	715,692
Cash at end of year	\$ 1,565,034	\$ 1,663,437
SUPPLEMENTAL DISCLOSURES		
Interest paid during the year	\$ 52,306	\$ 54,622

See Notes to Financial Statements.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

Neighborhood Charter School, Inc. (NCS), a Georgia not-for-profit organization, was formed on November 20, 1998 to operate a charter elementary school in Grant Park to serve Grant Park, Ormewood Park, and other in-town areas of Atlanta, Georgia. Southeast Atlanta Charter Middle School, Inc. (ACMS), a Georgia not-for-profit corporation, was formed on June 20, 2003 to operate a charter middle school in Ormewood Park to serve Grant Park, Ormewood Park, and other in-town areas of Atlanta, Georgia.

Effective May 19, 2011, the two schools merged and became Atlanta Neighborhood Charter School, Inc. (the "School"). The School was granted a charter by the Board of Education of the City of Atlanta for a five year term ending on June 30, 2016. The charter was renewed for an additional five-year term beginning on July 1, 2016 and expiring on June 30, 2021. 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 all applicable state and federal laws. Under the terms of the Charter, the School receives an allocation from the Atlanta Public Schools (APS) which is based on enrollment. The School's support comes primarily from state and local funding through the Atlanta Public Schools and from grants and contributions.

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.

Combined enrollment for the two campuses for the years ended June 30, 2018 and 2017 was 641 and 646 students, respectively.

NOTE 2. 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*. Under FASB 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 June 30, 2018 and 2017, the School did not have any permanently restricted net assets.

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 years ended June 30, 2018 and 2017, 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 years ended June 30, 2018 and 2017 totaled \$1,500 and \$3,255, respectively.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenue from Atlanta Public Schools funding and revenue from program fees are recognized in the period the service is delivered. Grants are recognized as revenue when the related required expenditures have been incurred.

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. At times, the School's cash balances exceed the federally insured limit.

Loan Closing Costs

Effective June 30, 2017, the School adopted FASB Accounting Standards Update (ASU) No. 2015-03, *Interest-Imputation Subtopic (835-30): Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the consolidated statement of financial position as a direct deduction from the carrying amount of that debt liability.

Loan closing costs are amortized to interest expense on a straight-line basis over the life of the loan which approximates the effective interest method.

Fair Values of Financial Instruments

At June 30, 2018 and 2017, the carrying value of financial instruments such as cash, receivables, accounts payable, and borrowings under notes payable approximated their fair values.

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:

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

Tax Status

The 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. Management does not believe there are any uncertain tax positions as defined by FASB ASC 740, *Income Taxes*.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2018 and 2017 is composed of the following:

	2018	2017
Buildings and building improvements	\$ 2,022,297	\$ 2,022,297
Leasehold improvements	1,555,741	1,424,705
Computer equipment and software	473,654	398,055
Library books	172,485	161,126
Other equipment	319,063	273,205
Furniture and fixtures	263,152	254,654
Less accumulated depreciation	(2,091,787)	(1,879,825)
Net property and equipment	\$ 2,714,605	\$ 2,654,217

Depreciation expense amounted to \$211,962 and \$288,710 for the years ended June 30, 2018 and 2017, respectively.

NOTE 4. NOTES PAYABLE

	2018	2017
Note payable	\$ 1,019,660	\$ 1,061,026
Less unamortized loan cost	(6,381)	(8,508)
Note payable, net of unamortized loan cost.	1,013,279	1,052,518
Less current portion	(42,605)	(40,507)
	\$ 970,674	\$ 1,012,011

In June 2014, the School refinanced existing debt with a \$1,165,000 loan bearing a 5.11% fixed interest rate. On the fifth anniversary of the closing date, the interest rate will be adjusted to the greater of 4.5% or the mid-market semi-annual swap rate for USD swap transactions with a 2 year maturity plus 3.35%. The note requires monthly principal and interest installments based on a 20 year amortization with a final payment of all unpaid principal and interest due on its July 2021 maturity date. The loan is subject to a prepayment premium. The outstanding balance at June 30, 2018 and 2017 was \$1,019,660 and \$1,061,026, respectively.

The loan requires that the School maintain a minimum balance of \$225,000 in a reserve account providing additional collateral for the loan. The balance in the reserve account was \$235,874 and \$229,550 at June 30, 2018 and 2017, respectively.

The loan is secured by the building and improvements and requires minimum liquidity and debt service coverage ratio as described in the loan documents. At June 30, 2018 and 2017, the School was in compliance with these covenants.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. NOTES PAYABLE (Continued)

Future maturities of the note payable are as follows:

Year ending June 30:		
2019	\$	42,605
2020		50,270
2021		53,096
2022		873,689
	\$	<u>1,019,660</u>

As described in Note 2, the School adopted FASB ASU No. 2015-03 which requires the debt issuance cost to be presented as a direct deduction against the related debt. The net unamortized amount of debt issuance cost as of June 30, 2018 and 2017 amounted to \$6,381 and \$8,508, respectively. The unamortized loan cost includes \$14,889 of loan costs at June 30, 2018 and 2017, and accumulated amortization of \$8,508 and \$6,381, respectively. Amortization expense amounted to \$2,127 for 2018 and 2017.

Total interest expense on all debt for the years ended June 30, 2018 and 2017 amounted to approximately \$52,000 and \$55,000, respectively.

NOTE 5. COMMITMENTS AND CONTINGENCIES

Operating Lease - Facility

The School (elementary campus) leases its building from the Atlanta Public Schools. The lease extends through August 31, 2021 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. The School is not responsible for payment of any rent; however, the School is responsible for maintaining and repairing the property.

Operating Lease - Other

The School leases a modular building unit and various office equipment under non-cancelable operating leases. Rent expense for the years ended June 30, 2018 and 2017 amounted to approximately \$55,000 and \$57,000, respectively. The leases require the following payments for the years ending June 30:

2019	\$	36,828
2020		20,532
2021		18,821
	\$	<u>76,181</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017 are available as follows and are included in contributions receivable and cash:

	<u>2018</u>	<u>2017</u>
CREATE Teacher Residency program	\$ 157,513	\$ 261,465
Capital improvements	-	15,000
	<u>\$ 157,513</u>	<u>\$ 276,465</u>

Of this amount, \$100,000 is also time restricted in line with the contributions receivable.

NOTE 7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2018 and 2017 by incurring expenses or acquiring capital assets satisfying the restricted purposes specified by donors as follows:

	<u>2018</u>	<u>2017</u>
CREATE Teacher Residency program	\$ 203,952	\$ 198,218
Capital improvements	15,000	20,000
	<u>\$ 218,952</u>	<u>\$ 218,218</u>

NOTE 8. RETIREMENT PLAN

The School participates in the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple employer defined benefit plan (the "Plan"), is administered by the TRS Board of Trustees. Participation is available to all full-time public school employees as defined by the Plan. Participant employees contributed 6% of their annual salary for the years ended June 30, 2018 and 2017. The School contributed 16.81% and 14.27% of each participant's annual salary for the years ended June 30, 2018 and 2017, respectively. School contributions totaled approximately \$966,000 and \$747,000 for the years ended June 30, 2018 and 2017, respectively.

NOTE 9. SUBSEQUENT EVENTS

The School has evaluated subsequent events, through October 30, 2018, the date the financial statements were available to be issued.

SINGLE AUDIT SECTION

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Pass-Through Grantor/Program Title</u>	<u>Date of Service</u>	<u>Grant Award #</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Expenditures</u>
U.S. Department of Education Collaboration and Reflection to Enhance Atlanta Teacher Effectiveness in Mathematics and Science	1/1/15-12/31/19	U411C140133	84.411C	\$ 2,999,203	\$ 767,149
Total 84.411C					<u>767,149</u>
TOTAL FEDERAL AWARDS					<u>\$ 767,149</u>

See Accompanying Notes.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1. BASIS OF PRESENTATION

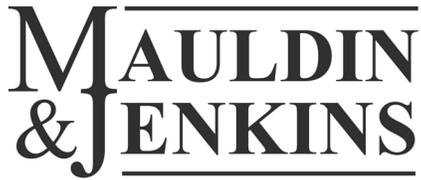
The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Atlanta Neighborhood Charter School, Inc. under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Atlanta Neighborhood Charter School, Inc., it is not intended and does not represent the financial position, changes in net assets, or cash flows of Atlanta Neighborhood Charter School, Inc.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

Atlanta Neighborhood Charter School, Inc. has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



**INDEPENDENT AUDITOR'S 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 Directors
Atlanta Neighborhood Charter School, Inc.
Atlanta, Georgia**

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 Atlanta Neighborhood Charter School, Inc. (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Organization's financial statements, and have issued our report thereon dated October 30, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Atlanta Neighborhood Charter School, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 determination of financial statement amounts. 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 this 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 30, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

**To the Board of Directors
Atlanta Neighborhood Charter School, Inc.
Atlanta, Georgia**

Report on Compliance for Each Major Federal Program

We have audited Atlanta Neighborhood Charter School, Inc.'s (a not-for-profit organization) compliance with the types of compliance requirements described in *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2018. Atlanta Neighborhood Charter School, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Atlanta Neighborhood Charter School, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the uniform guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Atlanta Neighborhood Charter School, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Atlanta Neighborhood Charter School, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Atlanta Neighborhood Charter School, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Atlanta Neighborhood Charter School, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Atlanta Neighborhood Charter School, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Atlanta Neighborhood Charter School, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Atlanta, Georgia
October 30, 2018

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

Consolidated financial statements:

Type of auditors' report issued	<u>Unmodified</u>	
	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
Material weaknesses identified?	_____	<u>X</u>
Significant deficiencies identified not considered to be material weaknesses?	_____	<u>None reported</u>
Noncompliance material to the financial statements noted?	_____	<u>X</u>

Federal Awards:

Internal controls over major programs:		
Material weaknesses identified?	_____	<u>X</u>
Significant deficiencies identified not considered to be material weaknesses?	_____	<u>None reported</u>
Type of auditors' report issued on compliance for major programs	<u>Unmodified</u>	
Audit findings required to be reported in accordance with the Uniform Guidance	<u>None</u>	

Identification of major programs:

Collaboration and Reflection to Enhance Atlanta Teacher Effectiveness in Mathematics and Science	84.411C	
Dollar threshold used to distinguish between type A and type B programs	\$ 750,000	
	<u>Yes</u>	<u>No</u>
Auditee qualified as low-risk auditee?	<u>X</u>	_____
Financial statement findings?	_____	<u>X</u>
Findings and questioned costs for Federal awards?	_____	<u>X</u>

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None