

**ATLANTA NEIGHBORHOOD
CHARTER SCHOOL, INC.**

FINANCIAL REPORT

JUNE 30, 2020

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

**FINANCIAL REPORT
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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 statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 financial statements referred to above present fairly, in all material respects, the financial position of Atlanta Neighborhood Charter School, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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, 2020, 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 solely 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, 2020

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2020 AND 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets		
Cash	\$ 4,289,062	\$ 1,648,004
Certificates of deposit	565,043	548,990
Grants receivable	-	87,996
Current portion of contributions receivable	-	50,000
Prepaid expenses	<u>15,513</u>	<u>-</u>
Total current assets	<u>4,869,618</u>	<u>2,334,990</u>
Other assets		
Reserve accounts	244,457	238,634
Contributions receivable, net of current portion	-	100,000
Property and equipment, net	<u>2,778,024</u>	<u>2,829,266</u>
Total other assets	<u>3,022,481</u>	<u>3,167,900</u>
Total assets	<u>\$ 7,892,099</u>	<u>\$ 5,502,890</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 43,574	\$ 55,445
Accrued payroll and benefits	1,203,369	1,112,918
Current portion of notes payable	<u>866,721</u>	<u>50,270</u>
Total current liabilities	<u>2,113,664</u>	<u>1,218,633</u>
Long-term liabilities		
Notes payable, net of current portion and unamortized loan costs	<u>1,906,981</u>	<u>923,543</u>
Total liabilities	<u>4,020,645</u>	<u>2,142,176</u>
Net assets		
Without donor restrictions	3,700,680	3,163,277
With donor restrictions	<u>170,774</u>	<u>197,437</u>
Total net assets	<u>3,871,454</u>	<u>3,360,714</u>
Total liabilities and net assets	<u>\$ 7,892,099</u>	<u>\$ 5,502,890</u>

See Notes to Financial Statements.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Atlanta Public School funding	\$ 10,626,414	\$ -	\$ 10,626,414
Contributions and grants	325,320	13,800	339,120
Federal grants	1,108,012	-	1,108,012
Other government grants	163,555	-	163,555
Student meal income	254,886	-	254,886
Other program income	453,496	-	453,496
Other income	38,426	-	38,426
	<hr/>	<hr/>	<hr/>
Total public support and revenue	12,970,109	13,800	12,983,909
Net assets released from restrictions			
Satisfaction of restrictions	40,463	(40,463)	-
	<hr/>	<hr/>	<hr/>
Total public support, revenue, and net assets released from restrictions	<hr/> 13,010,572	<hr/> (26,663)	<hr/> 12,983,909
Expenses			
Program services			
Instructional expenses	6,472,325	-	6,472,325
Facilities expenses	715,275	-	715,275
Staff development expenses	1,537,435	-	1,537,435
After school program expenses	317,513	-	317,513
Student meal expenses	546,135	-	546,135
Other program expenses	24,783	-	24,783
Total program services	<hr/> 9,613,466	<hr/> -	<hr/> 9,613,466
Supporting expenses			
Fundraising expenses	138,785	-	138,785
Management and general	2,720,918	-	2,720,918
	<hr/>	<hr/>	<hr/>
Total expenses	<hr/> 12,473,169	<hr/> -	<hr/> 12,473,169
Change in net assets	537,403	(26,663)	510,740
Net assets, beginning of year	<hr/> 3,163,277	<hr/> 197,437	<hr/> 3,360,714
Net assets, end of year	<hr/> \$ 3,700,680	<hr/> \$ 170,774	<hr/> \$ 3,871,454

See Notes to Financial Statements.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Atlanta Public School funding	\$ 9,837,645	\$ -	\$ 9,837,645
Contributions and grants	514,672	125,210	639,882
Federal grants	1,153,128	-	1,153,128
Other government grants	1,425	-	1,425
Student meal income	312,925	-	312,925
Other program income	537,344	-	537,344
Other income	33,713	-	33,713
	<hr/>	<hr/>	<hr/>
Total public support and revenue	12,390,852	125,210	12,516,062
Net assets released from restrictions			
Satisfaction of restrictions	85,286	(85,286)	-
	<hr/>	<hr/>	<hr/>
Total public support, revenue, and net assets released from restrictions	<hr/>	<hr/>	<hr/>
	12,476,138	39,924	12,516,062
Expenses			
Program services			
Instructional expenses	5,589,756	-	5,589,756
Facilities expenses	637,200	-	637,200
Staff development expenses	2,579,871	-	2,579,871
After school program expenses	365,273	-	365,273
Student meal expenses	495,312	-	495,312
Other program expenses	17,000	-	17,000
Total program services	<hr/>	<hr/>	<hr/>
	9,684,412	-	9,684,412
Supporting expenses			
Fundraising expenses	139,520	-	139,520
Management and general	2,556,776	-	2,556,776
	<hr/>	<hr/>	<hr/>
Total expenses	<hr/>	<hr/>	<hr/>
	12,380,708	-	12,380,708
Change in net assets	95,430	39,924	135,354
Net assets, beginning of year	<hr/>	<hr/>	<hr/>
	3,067,847	157,513	3,225,360
Net assets, end of year	<hr/>	<hr/>	<hr/>
	\$ 3,163,277	\$ 197,437	\$ 3,360,714

See Notes to Financial Statements.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 510,740	\$ 135,354
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	251,590	227,907
Amortization	2,127	2,127
(Increase) decrease in prepaid expenses	(15,513)	6,941
Decrease (increase) in grants and contributions receivable	237,996	(4,436)
(Decrease) in accounts payable and accrued expenses	(11,871)	(9,345)
Increase in accrued payroll and benefits	90,451	129,505
Net cash provided by operating activities	1,065,520	488,053
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in certificates of deposit	(16,053)	(18,162)
Purchase of property and equipment	(200,348)	(342,568)
Net cash used in investing activities	(216,401)	(360,730)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(52,238)	(41,593)
Proceeds from note payable	1,850,000	-
Net cash provided by (used in) financing activities	1,797,762	(41,593)
Net increase in cash and cash equivalents	2,646,881	85,730
Cash and cash equivalents at beginning of year	1,886,638	1,800,908
Cash and cash equivalents at end of year	\$ 4,533,519	\$ 1,886,638
Operating	\$ 4,289,062	\$ 1,648,004
Reserve accounts	244,457	238,634
Cash and cash equivalents at end of year	\$ 4,533,519	\$ 1,886,638
SUPPLEMENTAL DISCLOSURES		
Interest paid during the year	\$ 41,434	\$ 52,079

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, 2020 and 2019 was 627 and 614 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 two classes of net assets: with donor restrictions and without donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions which are used to account for resources available to carry out the purposes of the School in accordance with the limitations of its bylaws. Board designated net assets are without donor restrictions but are designated by the Board to be spent for specific purposes. At both June 30, 2020 and 2019, the Organization had no board designated net assets.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Restricted funds received and spent in the same fiscal year with no remaining restricted balance are classified as without donor restriction on the statement of activities.

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 net assets with donor restriction depending on the nature of the restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services

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 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

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, 2020 and 2019, 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 \$5,000. 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 statements of activities. Accordingly, certain indirect costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and benefits which are allocated on the basis of estimates of time and effort.

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.

Recent Accounting Pronouncement

In June 2018, FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which clarifies and establishes standards for characterizing contributions (nonreciprocal) subject to ASC Topic 958 or as exchange transactions (reciprocal) subject to ASC Topic 606. For the year ending June 30, 2020, the School adopted ASU 2018-08 and has adjusted the presentation in these financial statements accordingly. The adoption of ASU 2018-08 did not have an effect on the timing of revenue recognition of contributions.

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The School adopted the provisions of this new standard during the year ended June 30, 2020. The update requires that the statement of cash flows explains the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents have been included with cash and cash equivalents when reconciling the beginning of year and end of year cash total amounts shown on the accompanying statements of cash flows. The accompanying information from the 2019 financial statements has been adjusted to conform to the 2020 presentation and disclosure requirements of ASU 2016-18. This adjustment did not have an effect on total net assets or the change in net assets for 2019.

NOTE 3. LIQUIDITY AND AVAILABILITY

The School manages its liquidity by developing annual budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the School are expected to be met on a monthly basis from contributions received without donor restriction, Atlanta Public School Funding, grant revenue, and other sources for general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position as of June 30, 2020 and 2019, comprise of the following:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and certificates of deposits	\$ 4,683,331	\$ 2,149,557
Grants receivable	-	87,996
Total financial assets without donor or other restrictions	<u>\$ 4,683,331</u>	<u>\$ 2,237,553</u>
available for general use within one year		

NOTES TO FINANCIAL STATEMENTS

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2020 and 2019 is composed of the following:

	<u>2020</u>	<u>2019</u>
Buildings and building improvements	\$ 2,022,297	\$ 2,022,297
Leasehold improvements	1,704,822	1,651,783
Computer equipment and software	628,810	538,029
Library books	198,613	185,448
Other equipment	497,371	454,007
Furniture and fixtures	297,396	297,396
Less accumulated depreciation	(2,571,285)	(2,319,694)
Net property and equipment	<u>\$ 2,778,024</u>	<u>\$ 2,829,266</u>

Depreciation expense amounted to \$251,590 and \$227,907 for the years ended June 30, 2020 and 2019, respectively.

NOTE 5. NOTES PAYABLE

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, 2020 and 2019 was \$925,829 and \$978,067, 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 \$244,457 and \$238,634 at June 30, 2020 and 2019, 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, 2020 and 2019, the School was in compliance with these covenants.

Future maturities of the note payable are as follows:

Year ending June 30:	
2021	\$ 53,096
2022	872,733
	<u>\$ 925,829</u>

The net unamortized amount of debt issuance cost as of June 30, 2020 and 2019 amounted to \$2,127 and \$4,254, respectively. The unamortized loan cost includes \$14,889 of loan costs at June 30, 2020 and 2019, and accumulated amortization of \$12,762 and \$10,635, respectively. Amortization expense amounted to \$2,127 for both the years ending June 30, 2020 and 2019.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. NOTES PAYABLE (Continued)

On April 14, 2020, the School qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender for an aggregate principal amount of \$1,850,000 (the “PPP Loan”). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first ten months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the School’s request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the School. The School intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the School will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in October 2021 principal and interest payments will be required through the maturity date in April 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

Future maturities of the note payable are as follows:

Year ending June 30:		
2021	\$	813,625
2022		<u>1,036,375</u>
	\$	<u>1,850,000</u>

Notes payable as of June 30, 2020 and 2019 is composed of the following:

	2020	2019
Note payable	\$ 925,829	\$ 978,067
PPP Loan Payable	1,850,000	-
Less unamortized loan cost	<u>(2,127)</u>	<u>(4,254)</u>
Note payable, net of unamortized loan cost	2,773,702	973,813
Less current portion	<u>(866,721)</u>	<u>(50,270)</u>
	<u>\$ 1,906,981</u>	<u>\$ 923,543</u>

Total interest expense on all debt for the years ended June 30, 2020 and 2019 amounted to \$41,434 and \$52,079, respectively.

NOTE 6. 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, 2020 and 2019 amounted to \$36,828 and \$36,828, respectively. The leases require payments for the year ending June 30, 2021 of \$34,661.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. RESTRICTIONS ON NET ASSETS

Net assets with donor restriction at June 30, 2020 and 2019 are available as follows and are included in contributions receivable and cash:

	2020	2019
CREATE Teacher Residency program	\$ 170,774	\$ 197,437
	\$ 170,774	\$ 197,437

Of this amount, \$- and \$150,000 is also time restricted in line with the contributions receivable, for the years ended June 30, 2020 and 2019, respectively.

NOTE 8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2020 and 2019 by incurring expenses or acquiring capital assets satisfying the restricted purposes specified by donors as follows:

	2020	2019
CREATE Teacher Residency program	\$ 40,463	\$ 85,286
	\$ 40,463	\$ 85,286

NOTE 9. 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, 2020 and 2019. The School contributed 21.14% and 20.90% of each participant's annual salary for the years ended June 30, 2020 and 2019, respectively. School contributions totaled \$1,347,158 and \$1,284,817 for the years ended June 30, 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. FUNCTIONAL EXPENSES

Expenses for the year ended June 30, 2020 were as follows:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salary and benefits	\$ 6,328,046	\$ 2,131,015	\$ 65,000	\$ 8,524,061
Pension	1,347,158	-	-	1,347,158
Payroll taxes	543,432	-	-	543,432
Professional fees	139,153	74,108	-	213,261
Advertising	-	-	15,141	15,141
Office	108,275	39,466	-	147,741
Technology	48,228	18,634	-	66,862
Occupancy	481,651	45,553	-	527,204
Travel	92,522	-	-	92,522
Conferences, conventions, and meetings	35,206	-	-	35,206
Insurance	-	58,473	-	58,473
Professional development	32,078	-	-	32,078
Classroom expenses	163,182	-	-	163,182
Nutrition program expenses	175,653	-	-	175,653
Other	118,882	102,079	58,644	279,605
Depreciation	-	251,590	-	251,590
	<u>\$ 9,613,466</u>	<u>\$ 2,720,918</u>	<u>\$ 138,785</u>	<u>\$ 12,473,169</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 10. FUNCTIONAL EXPENSES (Continued)

Expenses for the year ended June 30, 2019 were as follows:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salary and benefits	\$ 5,990,645	\$ 2,018,548	\$ 65,000	\$ 8,074,193
Pension	1,284,817	-	-	1,284,817
Payroll taxes	511,520	-	-	511,520
Professional fees	244,178	65,351	-	309,529
Advertising	-	-	9,948	9,948
Office	163,137	41,007	-	204,144
Technology	18,729	9,417	-	28,146
Occupancy	445,187	53,173	-	498,360
Travel	86,034	20,607	-	106,641
Conferences, conventions, and meetings	19,581	-	-	19,581
Insurance	-	45,971	-	45,971
Professional development	318,475	-	-	318,475
Classroom expenses	189,524	-	-	189,524
Nutrition program expenses	194,075	-	-	194,075
Other	218,510	72,668	64,572	355,750
Depreciation	-	230,034	-	230,034
	<u>\$ 9,684,412</u>	<u>\$ 2,556,776</u>	<u>\$ 139,520</u>	<u>\$ 12,380,708</u>

NOTE 11. EFFECTS OF COVID-19 CORONAVIRUS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the change in net assets. Other financial impacts could occur through the extent of potential impact is unknown at this time.

For the education sector, many school districts have significantly changed instruction delivery to online. Within Atlanta Public Schools, it was determined that the school district will remain with online instruction until further notice or guidance is provided from local, state, and federal agencies, such as the Georgia Department of Education (GaDOE), the Georgia Department of Public Health (DPH), the Fulton County Board of Health (BOH), the DeKalb County Board of Health, and the Centers for Disease Control (CDC) for the latest information on this disease.

NOTE 12. SUBSEQUENT EVENTS

The School has evaluated subsequent events, through October 30, 2020, 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, 2020

<u>Pass-Through Grantor/Program Title</u>	<u>Date of Service</u>	<u>Grant Award #</u>	<u>Federal CFDA Number</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	\$ 161,953
Passed Through Georgia State University:				
Collaboration and Reflection to Enhance Atlanta Teacher Effectiveness in Mathematics and Science	9/1/17-8/31/22	SP00013145-01	84.411C	<u>\$ 769,579</u>
Total 84.411C				<u>931,532</u>
TOTAL FEDERAL AWARDS				<u><u>\$ 931,532</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* 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, 2020, 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, 2020.

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, 2020

**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, 2020. 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, 2020.

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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 30, 2020

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

Financial statements:

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

Federal Awards:

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

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	
	Yes	No
Auditee qualified as low-risk auditee?	X	
Financial statement findings?		X
Findings and questioned costs for Federal awards?		X

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

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, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

SUPPLEMENTAL INFORMATION



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

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

We have audited the financial statements of Atlanta Neighborhood Charter School, Inc. as of and for the year ended June 30, 2020, and have issued our report thereon dated October 30, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The supplemental statement of net position, statement of activities, balance sheet - governmental fund, statement of revenues, expenditures, and changes in fund balances - governmental fund and related reconciliations and selected notes are presented in accordance with Government Accounting Standards Board pronouncements as required by Atlanta Public Schools and the Georgia Department of Education and are 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 30, 2020

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

STATEMENT OF NET POSITION JUNE 30, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Assets:	
Cash	\$ 4,289,062
Certificates of deposit	565,043
Prepaid expenses	15,513
Long term assets	
Debt service reserve accounts	244,457
Capital assets (net of accumulated depreciation)	<u>2,778,024</u>
Total assets	<u>7,892,099</u>
Deferred outflows of resources:	
Related to defined benefit pension plan	<u>3,245,314</u>
Total deferred outflows of resources	<u>3,245,314</u>
Total assets and deferred outflows of resources	<u>\$ 11,137,413</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Liabilities:	
Accounts payable	\$ 43,574
Accrued payroll and benefits	1,203,369
Long term liabilities	
Note payable due within one year	866,721
Note payable due in more than one year	1,909,108
Proportionate share of collective net pension liability	<u>10,281,303</u>
Total liabilities	<u>14,304,075</u>
Deferred inflows of resources:	
Related to defined benefit pension plan	<u>318,280</u>
Total deferred inflows of resources	<u>318,280</u>
Net Position:	
Net investment in capital assets	2,778,024
Restricted for:	
Restricted for use in future years	170,774
Nonspendable	244,457
Unrestricted	<u>(6,678,197)</u>
Total net position	<u>(3,484,942)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 11,137,413</u>

See Independent Auditor's Report on Supplemental Information.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

		PROGRAM REVENUES			
	Expenses	Charges for Services	Operating Grants and Contributions		Net Revenues (Expenses) and Changes in Net Positions
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 6,796,287	\$ 453,496	\$ -		\$ (6,342,791)
Support services					
Pupil services	22,225	-	-		(22,225)
Improvement of instructional services	1,782,041	-	1,581,428		(200,613)
Federal grant administration	881,624	-	-		(881,624)
General administration	46,935	-	-		(46,935)
School administration	1,275,848	-	-		(1,275,848)
Business administration	233,337	-	-		(233,337)
Maintenance and operation of plant services	1,030,831	-	-		(1,030,831)
Other support services	82,512	-	-		(82,512)
Operations of non-instructional services					
Debt service	41,434	-	-		(41,434)
After school services	317,513	-	-		(317,513)
Food services	636,142	254,886	38,187		(343,069)
	<u>\$ 13,146,729</u>	<u>\$ 708,382</u>	<u>\$ 1,619,615</u>		<u>\$ (10,818,732)</u>
GENERAL REVENUES					
Atlanta Public Schools Board of Education					\$ 10,626,414
Investment earnings					29,498
					<u>10,655,912</u>
CHANGE IN NET POSITION					(162,820)
NET POSITION - BEGINNING OF YEAR					<u>(3,322,122)</u>
NET POSITION - END OF YEAR					<u>\$ (3,484,942)</u>

See Independent Auditor's Report on Supplemental Information.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2020

ASSETS

Cash	\$	4,289,062
Certificates of deposit		565,043
Reserve accounts		244,457
Other assets		<u>15,513</u>
Total assets	\$	<u><u>5,114,075</u></u>

LIABILITIES AND FUND BALANCES

Liabilities		
Accounts payable	\$	43,574
Accrued payroll and benefits		<u>1,203,369</u>
Total liabilities		<u>1,246,943</u>
Fund balances		
Nonspendable		244,457
Restricted		170,774
Unassigned		<u>3,451,901</u>
Total fund balances		<u>3,867,132</u>
Total liabilities and fund balances	\$	<u><u>5,114,075</u></u>

See Independent Auditor's Report on Supplemental Information.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUND	\$	3,867,132
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported as assets in governmental funds		
These assets consist of:		
Buildings and building improvements	\$	2,022,297
Leasehold improvements		1,704,822
Computer equipment and software		628,809
Library books		198,578
Other equipment		497,407
Furniture and fixtures		297,396
Accumulated depreciation		<u>(2,571,285)</u>
		2,778,024
Deferred outflows and inflows of resources related to the School's pension plans are applicable to future periods and, therefore, are not reported in the funds		
		3,245,314
The School's net pension liability is not due and payable to the current period and, therefore, is not reporting in the funds		
		(10,281,303)
Deferred inflows of resources related to the School's pension plans are applicable to future periods and, therefore, are not reported in the funds		
		(318,280)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds		
		<u>(2,775,829)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>(3,484,942)</u></u>

See Independent Auditor's Report on Supplemental Information.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

REVENUES

Federal funding	\$	1,108,012
State funding		163,555
Contributions		339,120
Student activity fees		453,496
Student meal income		254,886
Other revenue		38,426
		2,357,495
Total revenues		2,357,495

EXPENDITURES

Instruction		6,796,287
Pupil services		22,225
School administration		1,068,412
Business administration		233,337
General administration		46,935
Federal grant administration		756,689
Improvement of instructional services		1,529,200
Maintenance of operation of plant services		758,835
School nutrition program		566,073
After school program		317,513
Other support services		82,512
Capital outlays:		
Acquisition of capital assets		200,348
Debt service:		
Interest expense		41,434
Principal payments		52,238
		12,472,038
Total expenditures		12,472,038

EXCESS OF EXPENDITURES OVER REVENUES (10,114,543)

OTHER FINANCING SOURCES

Transfers from Atlanta Public Schools		10,626,414
Issuance of note payable		1,850,000
		12,476,414
Total other financing sources		12,476,414

NET CHANGE IN FUND BALANCE 2,361,871

FUND BALANCE AT BEGINNING OF YEAR 1,505,261

FUND BALANCE AT END OF YEAR \$ 3,867,132

See Independent Auditor's Report on Supplemental Information.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUND	\$	2,361,871
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.		
In the current period, these amounts are:		
Capital outlay	\$ 200,348	
Depreciation expense	<u>(251,590)</u>	
Excess of depreciation expense over capital outlay		(51,242)
Principal debt payments are reported as expenditures in governmental funds		
Principal payments on notes payable		52,238
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds		
Pension expense		(675,687)
Notes payable are reported as financing sources in governmental funds and thus contribute to changes in fund balance. In the government-wide statements, however, entering into note payable arrangements increase long-term liabilities in the statement of net assets and does not effect the statement of activities		
		<u>(1,850,000)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(162,820)</u>

See Independent Auditor's Report on Supplemental Information.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. CAPITAL ASSETS

Each class of capital assets is as follows as of and for the year ended June 30, 2020:

	<u>Cost</u>	<u>Depreciation</u>
BUILDINGS AND BUILDING IMPROVEMENTS		
Beginning of year balance	\$ 2,022,297	\$ 329,239
Acquisitions	-	-
Dispositions	-	-
Depreciation expense	-	28,424
	<u> </u>	<u> </u>
End of year balance	<u>\$ 2,022,297</u>	<u>\$ 357,663</u>
LEASEHOLD IMPROVEMENTS		
Beginning of year balance	\$ 1,651,783	\$ 1,011,578
Acquisitions	53,039	-
Dispositions	-	-
Depreciation expense	-	107,398
	<u> </u>	<u> </u>
End of year balance	<u>\$ 1,704,822</u>	<u>\$ 1,118,976</u>
COMPUTER EQUIPMENT AND SOFTWARE		
Beginning of year balance	\$ 538,029	\$ 383,280
Acquisitions	90,780	-
Dispositions	-	-
Depreciation expense	-	22,451
	<u> </u>	<u> </u>
End of year balance	<u>\$ 628,809</u>	<u>\$ 405,731</u>
LIBRARY BOOKS		
Beginning of year balance	\$ 185,448	\$ 142,661
Acquisitions	13,130	-
Dispositions	-	-
Depreciation expense	-	13,923
	<u> </u>	<u> </u>
End of year balance	<u>\$ 198,578</u>	<u>\$ 156,584</u>

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

1. CAPITAL ASSETS (Continued)

Each class of capital assets is as follows as of and for the year ended June 30, 2020:

	Cost	Depreciation
OTHER EQUIPMENT		
Beginning of year balance	\$ 454,007	\$ 192,716
Acquisitions	43,400	-
Dispositions	-	-
Depreciation expense	-	59,484
	<u>\$ 497,407</u>	<u>\$ 252,200</u>
End of year balance	<u>\$ 497,407</u>	<u>\$ 252,200</u>
FURNITURE AND FIXTURES		
Beginning of year balance	\$ 297,396	\$ 260,220
Acquisitions	-	-
Dispositions	-	-
Depreciation expense	-	19,911
	<u>\$ 297,396</u>	<u>\$ 280,131</u>
End of year balance	<u>\$ 297,396</u>	<u>\$ 280,131</u>

2. LONG TERM LIABILITIES

Long term liabilities are as follows as of and for the year ended June 30, 2020:

Notes payable	
Beginning of year liability	\$ 978,067
Additions	1,850,000
Reductions	52,238
	<u>\$ 2,775,829</u>
End of year balance	<u>\$ 2,775,829</u>
Balance due within one year	<u>\$ 866,721</u>
Amounts due in future years	
Year ending June 30, 2021	866,721
Year ending June 30, 2022	1,909,108
	<u>\$ 2,775,829</u>
	<u>\$ 2,775,829</u>

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

3. RESERVE ACCOUNTS

Beginning of year balance	\$ 238,634
Additions	5,823
Reductions	-
End of year balance	\$ 244,457

4. NET POSITION AND FUND BALANCE ACCOUNTS

Nonspendable funds:	
Reserve accounts	\$ 244,457
	\$ 244,457
Restricted net assets at June 30, 2020 are available as follows:	
CREATE Teacher Residency program	\$ 170,774
	\$ 170,774

5. RETIREMENT PLAN

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description

All teachers of the Atlanta Public School District (the "District"), as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) and certain other support personnel as defined by §47-3-63, are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple employer defined benefit pension plan, is administered by the TRS Board of Trustees ("TRS Board"). Title 47 of the O.C.G.A assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at www.trsga.com/publications.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5. RETIREMENT PLAN (Continued)

Benefits Provided

TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2020. The School's contractually required contribution rate for the year ended June 30, 2020 was 21.14% of annual School payroll. The School's contributions to TRS were \$1,347,158 for the year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the School reported a liability for its proportionate share of the net pension liability that reflected a reduction for support provided to the School by the State of Georgia for certain public school support personnel. The amount recognized by the School as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the School were as follows:

School's proportionate share of the net pension liability	\$ 10,281,303
State of Georgia's proportionate share of the net pension liability associated with the School	-
	-
Total	\$ 10,281,303

The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The School's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2019. At June 30, 2019, the School's proportion was 0.047814% which was an increase of 0.001665% from its proportion measured as of June 30, 2018.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5. RETIREMENT PLAN (Continued)

For the year ended June 30, 2020, the School recognized pension expense of \$675,687 and revenue of \$- for support provided by the State of Georgia for certain support personnel. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 579,507	\$ 3,048
Changes of assumptions	986,625	-
Net difference between projected and actual earnings on plan investments	-	244,829
Changes in proportion and differences between School contributions and proportionate share of contributions	332,024	70,403
School contributions subsequent to the measurement date	1,347,158	-
Total	\$ 3,245,314	\$ 318,280

School contributions subsequent to the measurement date of \$1,347,158 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2021	\$ 679,072
2022	142,106
2023	364,079
2024	394,619
2025	-
Thereafter	-
	\$ 1,579,876

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement

Inflation	2.50%	
Salary increases	3.00% to 8.75%	
Investment rate of return	7.25%, net of pension plan investment expense, including inflation	
Postretirement benefit increases	1.50% semi-annually	

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females set back two years for males and set back four years for females.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5. RETIREMENT PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Fixed income	30.00 %	(0.10)%
US Large stocks	51.00 %	8.90 %
US Small stocks	1.50 %	13.20 %
International developed market equities	12.40 %	8.90 %
International emerging market equities	5.10 %	10.90 %
Total	<u>100.00 %</u>	

**Rates shown are net of inflation*

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
School's proportionate share of the net pension liability	\$ 16,689,564	\$ 10,281,303	\$ 5,011,436

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
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FOR THE YEAR ENDED JUNE 30, 2020

5. RETIREMENT PLAN (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publically available at www.trsga.com/publications.

Schedule of Proportionate Share of Net Pension Liability

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School's proportion of the net pension liability	0.047814%	0.0046149%	0.046722%	0.046846%	0.044621%	0.042766%
School's proportionate share of the net pension liability	\$10,281,303	\$8,566,243	\$8,683,428	\$9,664,852	\$6,793,104	\$5,402,920
State of Georgia's proportionate share of the net pension liability associated with the school	-	-	-	-	-	-
Total	\$10,281,303	\$8,566,243	\$8,683,428	\$9,664,852	\$6,793,104	\$5,402,920
School's covered employee payroll						
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	166%	147%	158%	180%	145%	124%
Plan fiduciary net position as a percentage of the total pension liability	78.56%	80.27%	79.33%	76.06%	81.44%	84.03%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

Changes of Assumptions

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, withdrawal and salary increases.

Effective with the June 30, 2018 valuation, the long-term assumed rate of return on assets (discount rate) was changed from 7.50% to 7.25%, and the assumed annual rate of inflation was changed from 2.75% to 2.50%.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

5. RETIREMENT PLAN (Continued)

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended June 30, 2020 reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation method	Five-year smoothed market
Inflation rate	2.75%
Salary increases	3.25% to 9.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Postretirement benefit increases	1.50% semi-annually