

**ATLANTA NEIGHBORHOOD
CHARTER SCHOOL, INC.**

FINANCIAL REPORT

JUNE 30, 2022

DRAFT



PRELIMINARY DRAFT REPORT

This is a preliminary draft of the financial statements for the year ended June 30, 2022. We do not express an opinion at this time on the statements mentioned above because they are preliminary drafts and we have not as yet completed all of the auditing procedures which we consider necessary. These preliminary drafts are for review and discussion purposes only and are, therefore, subject to change. We ask that you delete all electronic records and destroy any printed copies when you have finished with them.

Mauldin & Jenkins, LLC

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

FINANCIAL REPORT
JUNE 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Atlanta Neighborhood Charter School, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Atlanta Neighborhood Charter School, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Atlanta Neighborhood Charter School, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

-
- Obtain an understanding of internal control relevant to the audit 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 Atlanta Neighborhood Charter School, Inc.'s internal control. Accordingly, no such opinion is expressed.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
 - Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Atlanta Neighborhood Charter School, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 schedule of expenditures of federal awards 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 DATE, 2022, 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 effectiveness of Atlanta Neighborhood Charter School, Inc.'s internal control over financial reporting or on compliance. That 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.

Atlanta, Georgia
DATE, 2022

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets		
Cash	\$ 2,123,798	\$ 3,631,017
Certificates of deposit	313,639	566,680
Grants receivable	2,156,763	1,556,286
Prepaid expenses	15,763	15,763
Total current assets	4,609,963	5,769,746
Other assets		
Reserve accounts	-	245,816
Investments	499,873	-
Property and equipment, net	3,595,267	2,662,172
Total other assets	4,095,140	2,907,988
Total assets	\$ 8,705,103	\$ 8,677,734
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 68,555	\$ 43,301
Accrued payroll and benefits	1,474,581	1,340,551
Current portion of notes payable	60,731	894,887
Total current liabilities	1,603,867	2,278,739
Long-term liabilities		
Notes payable, net of current portion and unamortized loan costs	778,994	-
Total liabilities	2,382,861	2,278,739
Net assets		
Without donor restrictions	6,133,458	6,231,584
With donor restrictions	188,784	167,411
Total net assets	6,322,242	6,398,995
Total liabilities and net assets	\$ 8,705,103	\$ 8,677,734

See Notes to Financial Statements.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Atlanta Public School funding	\$ 11,633,488	\$ -	\$ 11,633,488
Contributions and grants	229,898	421,940	651,838
Federal grants	2,923,594	-	2,923,594
Other government grants	385,816	-	385,816
Student meal income	25,549	-	25,549
Other program income	51,114	-	51,114
Other income	291,135	-	291,135
	<hr/>		
Total public support and revenue	15,540,594	421,940	15,962,534
Net assets released from restrictions			
Satisfaction of restrictions	400,567	(400,567)	-
	<hr/>		
Total public support, revenue, and net assets released from restrictions	15,941,161	21,373	15,962,534
<hr/>			
Expenses			
Program services			
Instructional expenses	9,179,009	-	9,179,009
Facilities expenses	1,087,384	-	1,087,384
Staff development expenses	1,579,101	-	1,579,101
After school program expenses	18,580	-	18,580
Student meal expenses	258,403	-	258,403
Other program expenses	14,021	-	14,021
Total program services	12,136,498	-	12,136,498
Supporting expenses			
Management and general	3,754,737	-	3,754,737
Fundraising expenses	148,052	-	148,052
	<hr/>		
Total expenses	16,039,287	-	16,039,287
	<hr/>		
Change in net assets	(98,126)	21,373	(76,753)
	<hr/>		
Net assets, beginning of year	6,231,584	167,411	6,398,995
	<hr/>		
Net assets, end of year	\$ 6,133,458	\$ 188,784	\$ 6,322,242
	<hr/> <hr/>		

See Notes to Financial Statements.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Public support and revenue			
Atlanta Public School funding	\$ 11,263,133	\$ -	\$ 11,263,133
Contributions and grants	111,113	539,571	650,684
Federal grants	2,062,595	-	2,062,595
Other government grants	127,635	-	127,635
Student meal income	25,304	-	25,304
Other program income	54,541	-	54,541
Other income	2,017,150	-	2,017,150
	<hr/>	<hr/>	<hr/>
Total public support and revenue	15,661,471	539,571	16,201,042
Net assets released from restrictions			
Satisfaction of restrictions	542,934	(542,934)	-
	<hr/>	<hr/>	<hr/>
Total public support, revenue, and net assets released from restrictions	16,204,405	(3,363)	16,201,042
Expenses			
Program services			
Instructional expenses	6,013,418	-	6,013,418
Facilities expenses	718,296	-	718,296
Staff development expenses	2,742,081	-	2,742,081
After school program expenses	28,276	-	28,276
Student meal expenses	896,334	-	896,334
Other program expenses	892	-	892
Total program services	10,399,297	-	10,399,297
Supporting expenses			
Management and general	3,179,927	-	3,179,927
Fundraising expenses	94,277	-	94,277
	<hr/>	<hr/>	<hr/>
Total expenses	13,673,501	-	13,673,501
	<hr/>	<hr/>	<hr/>
Change in net assets	2,530,904	(3,363)	2,527,541
	<hr/>	<hr/>	<hr/>
Net assets, beginning of year	3,700,680	170,774	3,871,454
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 6,231,584	\$ 167,411	\$ 6,398,995
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See Notes to Financial Statements.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (76,753)	\$ 2,527,541
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	261,726	259,288
Amortization	1,052	2,127
Forgiveness of PPP note payable	-	(1,850,000)
Unrealized and realized losses on investments, net	127	-
Loss on sale of property and equipment	38,807	-
(Increase) in prepaid expenses	-	(250)
(Increase) in grants and contributions receivable	(600,477)	(1,556,286)
Increase (decrease) in accounts payable and accrued expenses	25,254	(273)
Increase in accrued payroll and benefits	134,030	137,182
Net cash (used in) operating activities	(216,234)	(480,671)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of certificates of deposits	253,041	-
Purchase of investments	(500,000)	(1,637)
Purchase of property and equipment	(1,233,628)	(143,436)
Net cash used in investing activities	(1,480,587)	(145,073)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(57,714)	(30,942)
Proceeds from note payable	885,760	-
Retirement of debt	(871,633)	-
Net cash (used in) provided by financing activities	(43,587)	(30,942)
Net (decrease) increase in cash and cash equivalents	(1,740,408)	(656,686)
Cash and cash equivalents at beginning of year	3,876,833	4,533,519
Cash and cash equivalents at end of year	\$ 2,136,425	\$ 3,876,833
Operating	\$ 2,123,798	\$ 3,631,017
Reserve accounts	0	245,816
Cash and cash equivalents at end of year	\$ 2,123,798	\$ 3,876,833
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid during the year	\$ 60,486	\$ 62,730
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES		
Forgiveness of PPP note payable	\$ -	\$ 1,850,000

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 two additional five-year term beginning on July 1, 2016 and expiring on June 30, 2026. 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, 2022 and 2021 was 632 students.

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, 2022 and 2021, 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.

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, 2022 and 2021, 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.

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, 2022 and 2021, comprise of the following:

	2022	2021
Financial assets at year-end:		
Cash and certificates of deposits	\$ 2,248,653	\$ 4,030,286
Grants receivable	2,156,763	1,556,286
Total financial assets without donor or other restrictions available for general use within one year	\$ 4,405,416	\$ 5,586,572

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2022 and 2021 is composed of the following:

	2022	2021
Buildings and building improvements	\$ 2,022,297	\$ 2,022,297
Leasehold improvements	2,713,342	1,704,822
Computer equipment and software	699,830	669,766
Library books	-	206,288
Other equipment	787,219	592,176
Furniture and fixtures	297,396	297,396
Less accumulated depreciation	(2,923,517)	(2,830,573)
Net property and equipment	\$ 3,596,567	\$ 2,662,172

Depreciation expense amounted to \$261,726 and \$259,288 for the years ended June 30, 2022 and 2021, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 5. NOTES PAYABLE

In June 2014, the School refinanced the existing debt with an \$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. Effective July 1, 2021, the school extended the maturity date to December 31, 2021.

In November 2021, the School refinanced the existing debt with an \$855,760 loan bearing a 3.75% fixed interest rate. The note requires monthly principal and interest installments based on a 7 year amortization with a final balloon payment of all unpaid principal and interest due on its November 2028 maturity date. The outstanding balance at June 30, 2022 and 2021 was \$851,300 and \$894,887, respectively.

The loan is secured by the building and improvements and requires minimum fixed charge coverage ratio as described in the loan documents. At June 30, 2022 and 2021, the School was in compliance with these covenants.

Future maturities of the note payable are as follows:

Year ending June 30:		
2023	\$	60,731
2024		63,002
2025		65,518
2026		68,053
2027		70,868
Thereafter		523,310
	<u>\$</u>	<u>851,300</u>

The net unamortized amount of debt issuance cost as of June 30, 2022 and 2021 amounted to \$11,575 and \$-, respectively. The unamortized loan costs as of June 30, 2022 and 2021 includes \$12,627 and \$14,889, respectively and accumulated amortization as of June 30, 2022 and 2021 \$1,052 and \$14,889, respectively. Amortization expense amounted to \$1,052 and \$2,127 the years ending June 30, 2022 and 2021, respectively.

Notes payable as of June 30, 2022 and 2021 is composed of the following:

	2022	2021
Note payable	\$ 851,300	\$ 894,887
Less unamortized loan cost	<u>(11,575)</u>	-
Note payable, net of unamortized loan cost	839,725	894,887
Less current portion	<u>(60,731)</u>	(894,887)
	<u>\$ 788,994</u>	<u>\$ -</u>

Total interest expense on all debt for the years ended June 30, 2022 and 2021 amounted to \$60,486 and \$76,642, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 6. COMMITMENTS AND CONTINGENCIES

Operating Lease - Facility

The School (elementary campus) leases its building from the Atlanta Public Schools. The lease extends through June 30, 2026 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, 2022 and 2021 amounted to \$37,174 and \$34,661, respectively.

NOTE 7. RESTRICTIONS ON NET ASSETS

Net assets with donor restriction at June 30, 2022 and 2021 are available as follows and are included in contributions receivable and cash:

	<u>2022</u>	<u>2021</u>
CREATE Teacher Residency program	<u>\$ 188,784</u>	<u>\$ 167,411</u>
	<u>\$ 188,784</u>	<u>\$ 167,411</u>

NOTE 8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2022 and 2021 by incurring expenses or acquiring capital assets satisfying the restricted purposes specified by donors as follows:

	<u>2022</u>	<u>2021</u>
CREATE Teacher Residency program	<u>\$ 400,567</u>	<u>\$ 542,934</u>
	<u>\$ 400,567</u>	<u>\$ 542,934</u>

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, 2022 and 2021. The School contributed 19.81% and 19.06% of each participant's annual salary for the years ended June 30, 2022 and 2021, respectively. School contributions totaled \$1,323,825 and \$1,197,503 for the years ended June 30, 2022 and 2021, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. FUNCTIONAL EXPENSES

Expenses for the year ended June 30, 2022 were as follows:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salary and benefits	\$ 8,055,330	\$ 2,706,777	\$ 65,000	\$ 10,827,107
Pension	1,323,825	-	-	1,323,825
Payroll taxes	637,374	-	-	637,374
Professional fees	4,864	100,339	-	105,203
Advertising	-	-	7,058	7,058
Office	143,525	66,018	-	209,543
Technology	23,731	257,188	-	280,919
Occupancy	955,814	85,855	-	1,041,669
Travel	36,898	1,438	-	38,336
Conferences, conventions, meetings	4,227	-	-	4,227
Insurance	-	86,660	-	86,660
Professional development	74,424	-	-	74,424
Classroom expenses	287,334	-	-	287,334
Nutrition program expenses	311,386	-	-	311,386
Other	277,766	188,736	75,994	542,496
Depreciation	-	261,726	-	261,726
	<u>\$ 12,136,498</u>	<u>\$ 3,754,737</u>	<u>\$ 148,052</u>	<u>\$ 16,039,287</u>

Expenses for the year ended June 30, 2021 were as follows:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salary and benefits	\$ 7,466,982	\$ 2,510,661	\$ 65,000	\$ 10,042,643
Pension	1,197,503	-	-	1,197,503
Payroll taxes	489,975	-	-	489,975
Professional fees	585	127,314	-	127,899
Advertising	-	-	180	180
Office	151,407	23,196	-	174,603
Technology	64,813	5,512	-	70,325
Occupancy	544,860	64,780	-	609,640
Travel	9,356	7,587	-	16,943
Insurance	-	71,701	-	71,701
Professional development	36,132	-	-	36,132
Classroom expenses	306,979	-	-	306,979
Nutrition program expenses	114,090	-	-	114,090
Other	16,615	109,888	29,097	155,600
Depreciation	-	259,288	-	259,288
	<u>\$ 10,399,297</u>	<u>\$ 3,179,927</u>	<u>\$ 94,277</u>	<u>\$ 13,673,501</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 11. SUBSEQUENT EVENTS

The School has evaluated all other subsequent events, through **DATE**, 2022, the date the financial statements were available to be issued.

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SINGLE AUDIT SECTION

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ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

<u>Pass-Through Grantor/Program Title</u>	<u>Grant Award #</u>	<u>Assistance Listing Number</u>	<u>Expenditures</u>
U.S. Department of Education			
COVID-19: Education Stabilization Fund - Elementary and Secondary School Emergency Relief	ESSER II (CRRSA)	84.425D	\$ 243,310
COVID-19: Education Stabilization Fund - Elementary and Secondary School Emergency Relief	ESSER III (ARP)	84.425D	<u>780,473</u>
Total 84.425D			\$ 1,023,783
Passed Through Georgia State University:			
Collaboration and Reflection to Enhance Atlanta Teacher Effectiveness in Mathematics and Science	SP00013145-01	84.411C	<u>1,310,514</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 2,334,297</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, 2022

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, 2022. 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.

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**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 nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 **DATE**, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Atlanta Neighborhood Charter School, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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. 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

Atlanta, Georgia
DATE, 2022

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**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

Opinion on Each Major Federal Program

We have audited Atlanta Neighborhood Charter School, Inc.’s compliance with the types of compliance requirements identified as subject to audit in the 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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 Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Atlanta Neighborhood Charter School, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
DATE, 2022

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

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	
COVID-19: Education Stabilization Fund - Elementary and Secondary School Emergency Relief	84.425D	
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, 2022**

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

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**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

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