

**ATLANTA NEIGHBORHOOD
CHARTER SCHOOL, INC.**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED JUNE 30, 2017

DRAFT

**ATLANTA NEIGHBORHOOD
CHARTER SCHOOL, INC.**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Atlanta Neighborhood Charter School, Inc. (a Georgia not-for-profit organization) which comprise the statement of financial position as of June 30, 2017 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Atlanta Neighborhood Charter School, Inc.'s 2016 financial statements, and our report dated September 15, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Atlanta, Georgia

DATE

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Atlanta Neighborhood Charter School, Inc. (a Georgia not-for-profit organization) which comprise the statement of financial position as of June 30, 2017 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Atlanta Neighborhood Charter School, Inc. as of June 30, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Atlanta Neighborhood Charter School, Inc.'s 2016 financial statements, and our report dated September 15, 2016 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated **DATE**, 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 those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of the 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

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS		
	2017	2016
CURRENT ASSETS		
Cash	\$ 1,663,437	\$ 715,692
Certificates of deposit	529,677	659,677
Grants receivable	96,815	130,997
Current portion of contributions receivable	140,000	125,000
Prepaid expenses	1,774	750
Total current assets	2,431,703	1,632,116
OTHER ASSETS		
Reserve accounts	229,550	252,539
Contributions receivable, net of current portion	-	50,000
Property and equipment, net	2,654,217	2,471,260
Total other assets	2,883,767	2,773,799
TOTAL ASSETS	\$ 5,315,470	\$ 4,405,915
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 19,940
Accrued payroll and benefits	919,501	899,362
Current portion of notes payable	40,507	38,493
Total current liabilities	960,008	957,795
LONG TERM LIABILITIES		
Notes payable, net of current portion and unamortized loan costs	1,012,011	1,050,948
TOTAL LIABILITIES	1,972,019	2,008,743
NET ASSETS		
Unrestricted	3,066,986	2,071,489
Temporarily restricted	276,465	325,683
Total net assets	3,343,451	2,397,172
TOTAL LIABILITIES AND NET ASSETS	\$ 5,315,470	\$ 4,405,915

See notes to financial statements.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(with comparative totals for 2016)

	2017			2016 Total
	Unrestricted	Temporarily Restricted	Total	
PUBLIC SUPPORT AND REVENUE				
Atlanta Public School Funding	\$ 9,145,237	\$ -	\$ 9,145,237	\$ 8,496,748
Contributions and grants	371,579	169,000	540,579	364,000
Title I funding	-	-	-	12,622
Title II funding	1,819	-	1,819	36,601
Federal grants	830,792	-	830,792	517,742
Other government grants	106,325	-	106,325	275,462
In kind contributions	3,255	-	3,255	3,600
After school program	277,626	-	277,626	266,152
Student meal income	231,442	-	231,442	203,389
Other program income	273,039	-	273,039	282,848
Other income	6,846	-	6,846	8,896
TOTAL PUBLIC SUPPORT AND REVENUE	11,247,960	169,000	11,416,960	10,468,060
NET ASSETS RELEASED				
FROM RESTRICTIONS				
Satisfaction of Restrictions	218,218	(218,218)	-	-
TOTAL PUBLIC SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	11,466,178	(49,218)	11,416,960	10,468,060
EXPENSES				
Program services				
Instructional expenses	6,534,329	-	6,534,329	6,254,366
Facilities expenses	476,198	-	476,198	584,743
Staff development expenses	1,435,333	-	1,435,333	1,200,251
Educational media services	304,480	-	304,480	295,230
After school program expenses	248,741	-	248,741	257,443
Student meal expenses	427,719	-	427,719	374,454
Other program expenses	43,875	-	43,875	43,481
Supporting expenses				
Fundraising expenses	61,484	-	61,484	56,832
General and administrative expenses	938,522	-	938,522	871,071
TOTAL EXPENSES	10,470,681	-	10,470,681	9,937,871
CHANGES IN NET ASSETS	995,497	(49,218)	946,279	530,189
NET ASSETS AT BEGINNING OF YEAR	2,071,489	325,683	2,397,172	1,866,983
NET ASSETS AT END OF YEAR	\$ 3,066,986	\$ 276,465	\$ 3,343,451	\$ 2,397,172

See notes to financial statements.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017
(with comparative totals for 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 946,279	\$ 530,189
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	230,837	221,866
Income reinvested in certificates of deposit	-	(22,581)
(Increase) decrease in prepaid expenses	(1,024)	6,474
Decrease in receivables	69,182	112,858
Decrease in accounts payable and accrued expenses	(19,940)	(83,234)
Increase in accrued payroll and benefits	20,139	86,764
Net cash provided by operating activities	1,245,473	852,336
CASH FLOWS FROM INVESTING ACTIVITIES		
Redemption of (investment in) certificate of deposit	130,000	(200,000)
Purchase of property and equipment	(411,667)	(272,306)
Net cash used in investing activities	(281,667)	(472,306)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in reserve accounts	22,989	(13,130)
Principal payments on note payable	(39,050)	(35,349)
Net cash used in financing activities	(16,061)	(48,479)
NET INCREASE IN CASH	947,745	331,551
CASH AT BEGINNING OF YEAR	715,692	384,141
CASH AT END OF YEAR	\$ 1,663,437	\$ 715,692
SUPPLEMENTAL DISCLOSURES		
Interest paid during the year	\$ 54,622	\$ 58,324

See notes to financial statements.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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 the 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 the 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, 2017 and 2016 was 646 and 655 students, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The School prepares its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ACS) 958-205, *Not-For-Profit Entities*. Under FASB ACS 958, the School reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2017 and 2016, the School did not have any permanently restricted net assets.

Contributions

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. During the years ended June 30, 2017 and 2016, the School did not receive any permanently restricted contributions.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributed Services

Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed legal services during the years ended June 30, 2017 and 2016, totaled \$3,255 and \$3,600, respectively.

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

Revenue Recognition

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

Cash

For the purpose of reporting cash flows, the School considers all demand notes and short-term investments with maturities of 90 days or less to be cash equivalents. At times the School's cash balances exceed the federally insured limit.

Loan Closing Costs

Effective June 30, 2017, the Company adopted FASB Accounting Standards Update (ASU) No. 2015-03, *Interest-Imputation Subtopic (835-30): Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs related to a recognized debt liability be presented in the consolidated statement of financial position as a direct deduction from the carrying amount of that debt liability. This update was applied retrospectively to the 2016 consolidated statement of financial position presentation.

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, 2017 and 2016, the carrying value of financial instruments such as cash, receivables, accounts payable and borrowings under notes payable approximated their fair values.

Property and Equipment

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

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

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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*. The School could be subject to income tax examinations for its U.S. federal tax filings for the current tax year and previous filings for years 2016, 2015, and 2014 still open under the statute of limitations.

Functional Allocation of Expenses

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

Reclassifications

Certain 2016 amounts have been reclassified to conform to the 2017 presentation. The reclassifications do not effect net assets or changes in net assets.

Use of Estimates

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

Events Occurring After Report Date

The School has evaluated events and transactions that occurred between June 30, 2017 and **DATE**, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

3. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2017 and 2016, is composed of the following:

	<u>2017</u>	<u>2016</u>
Buildings and building improvements	\$ 2,022,297	\$ 1,952,014
Leasehold improvements	1,424,705	1,208,725
Computer equipment and software	398,055	311,618
Library books	161,126	145,054
Other equipment	273,205	257,924
Furniture and fixtures	254,654	247,040
Less accumulated depreciation	<u>(1,879,825)</u>	<u>(1,651,115)</u>
Net property and equipment	<u>\$ 2,654,217</u>	<u>\$ 2,471,260</u>

Depreciation expense amounted to \$228,710 and \$219,739 for the years ended June 30, 2017 and 2016, respectively.

4. NOTES PAYABLE

	<u>2017</u>	<u>2016</u>
Note payable	\$ 1,061,026	\$ 1,100,076
Less unamortized loan cost	<u>(8,508)</u>	<u>(10,635)</u>
Note payable net of unamortized loan cost	<u>\$ 1,052,518</u>	<u>\$ 1,089,441</u>
Less current portion	<u>(40,507)</u>	<u>(38,493)</u>
	<u>\$ 1,012,011</u>	<u>\$ 1,050,948</u>

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, 2017 and 2016 was \$1,061,026 and \$1,100,076, 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 \$229,550 and \$228,940 at June 30, 2017 and 2016, 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, 2017 and 2016 the School was in compliance with these covenants.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

4. NOTES PAYABLE – CONTINUED

Future maturities of the note payable are as follows:

Year ending June 30:	
2018	\$ 40,507
2019	42,626
2020	44,856
2021	<u>933,037</u>
	<u>\$ 1,061,026</u>

As described in Note 2, the Company adopted FASB ASU No. 2015-03 which requires the debt issuance cost to be presented as a direct deduction against the related debt. The net unamortized amount of debt issuance cost as of June 30, 2017 and 2016 amounted to \$8,508 and \$10,635, respectively. The unamortized loan cost includes \$14,889 of loan costs at June 30, 2017 and 2016 and accumulated amortization of \$6,381 and \$4,254, respectively. Amortization expense amounted to \$2,127 for 2017 and 2016.

Total interest expense on all debt for the years ended June 30, 2017 and 2016 amounted to approximately \$55,000 and \$58,000, respectively.

5. COMMITMENTS AND CONTINGENCIES

Operating Lease – Facility

The School (elementary campus) leases its building from the Atlanta Public Schools. The lease extends through August 31, 2021 unless the School loses its charter or Atlanta Public Schools needs the property in which case the lease requires sixty days' notice to be given. The School is not responsible for payment of any rent. However, the School is responsible for maintaining and repairing the property.

Operating Leases – 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, 2017 and 2016 amounted to approximately \$57,000 and \$8,000. The leases require the following payments for the years ending June 30:

2018	\$ 55,242
2019	36,828
2020	20,532
2021	20,532
	15,399

**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

6. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 2017 and 2016 are available as follows:

	2017	2016
CREATE Teacher Residency program	\$ 261,465	\$ 325,683
Capital Improvements	15,000	-
	\$ 276,465	\$ 325,683

Of this amount \$140,000 is also time restricted in line with the contributions receivable.

7. 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, 2017 and 2016. The School contributed 14.27% of each participant's annual salary for the years ended June 30, 2017 and 2016, respectively. School contributions totaled approximately \$747,000 and \$737,000 for the years ended June 30, 2017 and 2016, respectively.

SINGLE AUDIT SECTION

**INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

We have audited the financial statements of Atlanta Neighborhood Charter School, Inc. (a Georgia not-for-profit organization) as of and for the year ended June 30, 2017, and have issued our report thereon dated **DATE**, which contained an unmodified opinion on those financial statements and appears on pages 1 and 2. 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* (CFR) 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 basic 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.

Atlanta, Georgia
Date

**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

<u>PASS-THROUGH GRANTOR/PROGRAM TITLE</u>	<u>Date of Service</u>	<u>Grant Award #</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Expenditures</u>
MAJOR PROGRAM					
US Department of Education passed through:					
State of Georgia Governor's Office					
of Student Achievement:					
Collaboration and Reflection to Enhance Atlanta					
Teacher Effectiveness in Mathematics and Science					
	1/1/15-12/31/19	U411C140133	84.411C	\$ 2,999,203	\$ 774,816
Total 84.411C					<u>774,816</u>
NON-MAJOR PROGRAM					
US Department of Agriculture passed through:					
Food and Nutrition Service:					
School Breakfast Program					
			10.553		<u>55,976</u>
Total 10.553					<u>55,976</u>
TOTAL FEDERAL AWARDS					<u><u>\$ 830,792</u></u>

See accompanying note.

**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Atlanta Neighborhood Charter School, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Atlanta Neighborhood Charter School, Inc.

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**INDEPENDENT AUDITORS' 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.

We have audited, 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, 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, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated **DATE**.

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) 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 we consider to be material weaknesses.

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 is 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

**INDEPENDENT AUDITORS' 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.

Report on Compliance for Each Major Federal Program

We have audited Atlanta Neighborhood Charter School, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Atlanta Neighborhood Charter School, Inc.'s major federal program 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 Administrative 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 its 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 program for the year ended June 30, 2017.

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, 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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Atlanta, Georgia

DATE

**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017**

Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on the financial statements of Atlanta Neighborhood Charter School, Inc.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of Atlanta Neighborhood Charter School, Inc. which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs are reported.
5. The auditors' report on compliance for the major federal awards programs for Atlanta Neighborhood Charter School, Inc. expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516a are reported in this Schedule.
7. The program tested as a major program was:
84.411C Collaboration and Reflection to Enhance Atlanta Teacher Effectiveness in Mathematics and Science
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Atlanta Neighborhood Charter School, Inc. is not eligible to be considered a low risk auditee since the School has not had two years of audits under Uniform Guidance.

Findings – Financial Statements Audit

None

Finding and Questioned Costs – Major Federal Award Programs Audit

None

SUPPLEMENTARY INFORMATION

DRAFT

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

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

We have audited the financial statements of Atlanta Neighborhood Charter School, Inc. as of and for the year ended June 30, 2017 and our report thereon dated **DATE**, which expressed an unmodified opinion on those financial statements appears on pages 1-2. 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 funds, statement of revenues, expenditures and changes in fund balances – governmental funds and related reconciliations and selected notes are presented in accordance with Government Accounting Standards Board pronouncements as required by The 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.

Atlanta, Georgia
DATE

See Independent Auditors' Report on Supplemental Information

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
STATEMENT OF NET POSITION
JUNE 30, 2017

ASSETS		
Cash		\$ 1,663,437
Certificates of deposit		529,677
Grants receivable		96,815
Contributions receivable		140,000
Prepaid expenses		1,774
Long term assets		
Debt service reserve accounts		229,550
Capital assets (net of accumulated depreciation)		<u>2,654,217</u>
TOTAL ASSETS		<u><u>5,315,470</u></u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to defined benefit pension plan		<u>2,987,282</u>
LIABILITIES		
Accrued payroll and benefits		919,501
Long term liabilities		
Note payable due within one year		40,507
Note payable due in more than one year		1,020,519
Net pension liability (see Note 5)		<u>9,664,852</u>
TOTAL LIABILITIES		<u><u>11,645,379</u></u>
DEFERRED INFLOWS OF RESOURCES		
Related to defined benefit pension plan		<u>47,793</u>
NET POSITION		
Net investment in capital assets		2,654,217
Restricted		
Restricted for use in future years		276,465
Nonspendable		1,774
Unrestricted		<u>(6,322,876)</u>
TOTAL NET POSITION		<u><u>\$ (3,390,420)</u></u>

See Independent Auditors' Report on Supplemental Information

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		<u>Net Revenues (Expenses) and Changes in Net Positions</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 4,923,151	\$ 273,039	\$ 232,827	\$ (4,417,285)
Support services				
Pupil services	1,308,585	-	-	(1,308,585)
Improvement of instructional services	1,409,259	-	1,017,210	(392,049)
Educational media services	323,995	-	-	(323,995)
Federal grant administration	220,662	-	-	(220,662)
General administration	45,878	-	-	(45,878)
School administration	765,824	-	-	(765,824)
Business administration	370,025	-	-	(370,025)
Maintenance and operation of plant services	735,813	-	177,198	(558,615)
Other support services	70,499	-	-	(70,499)
Operations of non-instructional services				
Debt service	54,622	-	-	(54,622)
After school services	248,741	277,626	-	28,885
Food services	464,028	231,442	55,976	(176,610)
Total governmental activities	<u>\$ 10,941,082</u>	<u>\$ 782,107</u>	<u>\$ 1,483,211</u>	<u>\$ (8,675,764)</u>
GENERAL REVENUES				
Atlanta Public Schools Board of Education				\$ 9,145,237
Investment earnings				<u>3,150</u>
Total general revenues				<u>9,148,387</u>
CHANGE IN NET POSITION				472,623
NET POSITION – BEGINNING OF YEAR				<u>(3,863,043)</u>
NET POSITION – END OF YEAR				<u>\$ (3,390,420)</u>

See Independent Auditors' Report on Supplemental Information

**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017**

ASSETS		
Cash		\$ 1,663,437
Certificates of deposit		529,677
Reserve accounts		229,550
Grants receivable		96,815
Contributions receivable		140,000
Other assets		<u>1,774</u>
TOTAL ASSETS		<u><u>\$ 2,661,253</u></u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accrued payroll and benefits		<u>\$ 919,501</u>
		<u>919,501</u>
 FUND BALANCE		
Nonspendable		1,774
Restricted		276,465
Unassigned		<u>1,463,513</u>
TOTAL FUND BALANCES		<u>1,741,752</u>
TOTAL LIABILITIES AND FUND BALANCE		<u><u>\$ 2,661,253</u></u>

See Independent Auditors' Report on Supplemental Information

**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2017**

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	\$ 1,741,752
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	1,424,705
Computer equipment and software	398,055
Library books	161,126
Other equipment	273,205
Furniture and fixtures	254,654
Accumulated depreciation	<u>(1,879,825)</u>
	2,654,217
Some liabilities, including pension obligations, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Net pension liability	(9,664,852)
Notes payable	(1,061,026)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	
These consist of:	
Deferred outflows of resources – pension plan	2,987,282
Deferred inflows of resources – pension plan	<u>(47,793)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (3,390,420)</u></u>

See Independent Auditors' Report on Supplemental Information

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

REVENUES	
Federal funding	\$ 830,792
State funding	108,144
Contributions	540,579
After school program	277,626
Student activity fees	273,039
Student meal income	231,442
Other revenue	6,846
	<u>2,268,468</u>
Total revenues	
EXPENDITURES	
Instruction	4,652,736
Pupil services	1,235,269
Educational media services	304,480
School administration	719,696
Business administration	355,413
General administration	45,878
Federal grant administration	207,371
Improvement of instructional services	1,392,825
Maintenance and operation of plant services	503,555
School nutrition program	446,988
After school program	248,741
Other support services	70,499
Capital outlays:	
Acquisition of capital assets	411,667
Debt service:	
Interest expense	54,622
Principal payments	37,566
	<u>10,687,306</u>
Total expenditures	
EXCESS OF EXPENDITURES OVER REVENUES	(8,418,838)
OTHER FINANCING SOURCES	
Transfers from Atlanta Public Schools	9,145,237
	<u>9,145,237</u>
Total other financing sources	
NET CHANGE IN FUND BALANCE	726,399
FUND BALANCE AT BEGINNING OF YEAR	1,015,353
	<u>1,015,353</u>
FUND BALANCE AT END OF YEAR	\$ 1,741,752
	<u><u>\$ 1,741,752</u></u>

See Independent Auditors' Report on Supplemental Information

**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

TOTAL NET CHANGES IN FUND	
BALANCES – GOVERNMENTAL FUNDS	\$ 726,399
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, there amounts are:	
Capital outlay	\$ 411,667
Depreciation expense	<u>(228,710)</u>
Excess of capital outlay over depreciation expense	182,957
Principal debt payments are reported as expenditures in governmental funds.	
Principal payments on notes payable	39,050
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	<u>(475,783)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 472,623</u></u>

See Independent Auditors' Report on Supplemental Information

**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. CAPITAL ASSETS

Each class of capital assets is as follows as of and for the year ended June 30, 2017

	<u>Cost</u>	<u>Depreciation</u>
BUILDINGS AND BUILDING IMPROVEMENTS		
Beginning of year balance	\$ 1,952,014	\$ 243,968
Acquisitions	70,283	-
Dispositions	-	-
Depreciation expense	-	28,423
End of year balance	<u>\$ 2,022,297</u>	<u>\$ 272,391</u>
LEASEHOLD IMPROVEMENTS		
Beginning of year balance	\$ 1,208,725	\$ 704,232
Acquisitions	215,980	-
Dispositions	-	-
Depreciation expense	-	101,420
End of year balance	<u>\$ 1,424,705</u>	<u>\$ 805,652</u>
COMPUTER EQUIPMENT AND SOFTWARE		
Beginning of year balance	\$ 311,618	\$ 218,106
Acquisitions	86,437	-
Dispositions	-	-
Depreciation expense	-	63,017
End of year balance	<u>\$ 398,055</u>	<u>\$ 281,123</u>
LIBRARY BOOKS		
Beginning of year balance	\$ 145,054	\$ 115,101
Acquisitions	16,072	-
Dispositions	-	-
Depreciation expense	-	7,465
End of year balance	<u>\$ 161,126</u>	<u>\$ 122,566</u>

**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

1. CAPITAL ASSETS – CONTINUED

	<u>Cost</u>	<u>Depreciation</u>
OTHER EQUIPMENT		
Beginning of year balance	\$ 257,924	\$ 161,637
Acquisitions	15,281	-
Dispositions	-	-
Depreciation expense	-	10,838
End of year balance	<u>\$ 273,205</u>	<u>\$ 172,475</u>
FURNITURE AND FIXTURES		
Beginning of year balance	\$ 247,040	\$ 208,071
Acquisitions	7,614	-
Dispositions	-	-
Depreciation expense	-	17,547
End of year balance	<u>\$ 254,654</u>	<u>\$ 225,618</u>

2. LONG TERM LIABILITIES

Long term liabilities are as follows as of and for the year ended June 30, 2017:

Notes payable	
Beginning of year liability	\$ 1,100,076
Additions	-
Reductions	<u>(39,050)</u>
End of year balance	<u>\$ 1,061,026</u>
Balance due within one year	<u>\$ 40,507</u>
Amounts due in future years	
Year ending June 30, 2018	\$ 40,507
Year ending June 20, 2019	42,626
Year ending June 20, 2020	44,856
Year ending June 20, 2021	<u>933,037</u>
	<u>\$ 1,061,026</u>

**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

3. RESERVE ACCOUNTS

NOTE 3 – RESERVE ACCOUNTS

Beginning of year balance	\$ 252,539
Additions	-
Reductions	(22,989)
	(22,989)
End of year balance	\$ 229,550

4. NET POSITION AND FUND BALANCE ACCOUNTS

Nonspendable funds:	
Other assets	\$ 1,774
Reserve accounts	229,550
	\$ 231,324

Restricted net assets of \$276,465 at June 30, 2017 are available as follows:

CREATE Teacher Residency program	\$ 261,465
Capital Improvements	15,000
	\$ 276,465

Of this amount \$140,000 is also time restricted in line with the contributions receivable.

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, 2017**

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 2016. The School’s contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual School payroll. The School’s contributions to TRS were \$737,186 for the year ended June 30, 2017.

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

At June 30, 2017, 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	\$ 9,664,852
State of Georgia’s proportionate share of the net pension liability associated with the School	_____ -
Total	<u>\$ 9,664,852</u>

The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 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, 2016. At June 30 2016, the School’s proportion was 0.046846% which was an increase (decrease) of 0.002225% from its proportion measured as of June 30, 2015.

**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

5. RETIREMENT PLAN – CONTINUED

For the year ended June 30, 2017, the School recognized pension expense of \$475,783 and revenue of \$0 for support provided by the State of Georgia for certain support personnel. At June 30, 2017, 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	\$ 143,980	\$ 47,793
Changes of assumptions	250,500	-
Net difference between projected and actual earnings on pension plan investments	1,222,644	-
Changes in proportion and differences between School contributions and proportionate share of contributions	632,972	-
School contributions subsequent to the measurement date	737,186	-
Total	\$ 2,987,282	\$ 47,793

School contributions subsequent to the measurement date of \$737,186 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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 ended June 30:	
2018	\$ 1,113,116
2019	375,929
2020	856,897
2021	560,521
2022	33,026

Actuarial Assumptions

The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.75 – 7.00%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Post-Retirement Benefit increases	1.5% semi-annually

**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

5. RETIREMENT PLAN – CONTINUED

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00 %	0.05
Domestic large equities	39.80	9.00
Domestic mid equities	3.70	12.00
Domestic small equities	1.50	13.50
International developed market equities	19.40	8.00
International emerging market equities	5.60	12.00
Total	100.00 %	

**Rates shown are net of inflation*

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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.

**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
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5. RETIREMENT PLAN – CONTINUED

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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
School's proportionate share of the net pension liability	\$ 15,043,462	\$ 9,664,852	\$ 5,236,454

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

	2017	2016	2015
School’s proportion of the net pension liability	0.046846%	0.044621%	0.042766%
School’s proportionate share of the net pension liability	\$ 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	\$ 9,664,852	\$ 6,793,104	\$ 5,402,920
School’s covered-employee payroll		\$ 4,685,550	\$ 4,374,563
School’s proportionate share of the net pension liability as a percentage of its covered-employee payroll		145%	124%
Plan fiduciary net position as a percentage of the total pension liability	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.

**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SELECTED NOTES TO FINANCIAL STATEMENTS
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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 year ended June 30, 2017 reported in that schedule:

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	3.75 – 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Post-Retirement benefit increases	1.5% semi-annually