

**THE KINDEZI SCHOOLS, INC.**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2024**



**MAULDIN & JENKINS**

**CPAs & ADVISORS**

**THE KINDEZI SCHOOLS, INC.**  
**ANNUAL FINANCIAL REPORT**  
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## INDEPENDENT AUDITOR'S REPORT

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**To the Members of the Board  
of The Kindezi Schools, Inc.  
Atlanta, Georgia**

### *Opinions*

We have audited the accompanying financial statements of the governmental activities and the major fund of **The Kindezi Schools, Inc.** (the "Schools"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of The Kindezi Schools, Inc. as of June 30, 2024, and the respective changes in financial position the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinions*

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. 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 The Kindezi Schools, Inc. and to meet our other ethical responsibilities, in accordance with the 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 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 The Kindezi Schools, Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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### ***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 opinions. 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 The Kindezi Schools, 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 The Kindezi Schools, 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.

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### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 – 11, General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual on page 31, and Schedule of Proportionate Share of the Net Pension Liability Teachers Retirement System of Georgia and Schedule of Contributions to Teachers Retirement System of Georgia on pages 32 and 33 be presented to supplement the basic financial statements. Such information is the responsibility of management, and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Kindezi Schools, Inc.'s basic financial statements. 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 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2024, on our consideration of The Kindezi Schools, 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 The Kindezi Schools, 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 The Kindezi Schools, Inc.'s internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
November 18, 2024

**THE KINDEZI SCHOOLS, INC.**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

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The discussion and analysis of The Kindezi Schools, Inc.’s (the “Schools”) financial performance provides an overall review of the Schools’ financial activities for the fiscal year ended June 30, 2024. The intent of this discussion and analysis is to look at the Schools’ financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the Schools’ financial performance. The reader should note that this fiscal year is the Schools’ thirteenth year of operation.

**Financial Highlights**

Key financial highlights for fiscal year 2024, the fourteenth year of full operation, are as follows:

- ✓ Total net position increased \$625,088 from fiscal year 2023. This total increase was due to governmental activities since the Schools have no business-type activities.
- ✓ Program specific revenues in the form of grants and contributions accounted for \$29,560,015 or 98.56% of total revenues.
- ✓ The Schools had \$29,366,946 in expenses related to governmental activities; 100% of these expenses were offset by operating grants and contributions.
- ✓ The General Fund had \$29,992,034 in revenues and \$27,547,873 in expenditures. The General Fund’s fund balance increased from \$10,927,635 to \$13,371,796.

**Using the Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand The Kindezi Schools, Inc. as a financial whole, or as an entire operating entity.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School, present both an aggregate view of the Schools’ finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The Kindezi Schools, Inc. only operates a single fund, the General Fund.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### Reporting the Schools as a Whole

#### *Statement of Net Position and Statement of Activities*

The view of the Schools as a whole looks at all financial transactions and asks the question, “How did we do financially during fiscal year 2024?” The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the Schools’ *net position* and changes in net position. This change in net position is important because it tells the reader whether, for the Schools as a whole, the *financial position* of the Schools has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the Schools’ Full Time Equivalent (FTE) for students, facility conditions, required educational program and other factors.

In the Statement of Net Position and the Statement of Activities, the School has one distinct type of activity:

Governmental Activities - All the Schools’ programs and services are reported here including instruction, support services, and food services.

### Reporting the Schools’ General Fund

#### *Fund Financial Statements*

Fund financial reports provide detailed information about the Schools’ major fund. The Schools use one governmental fund, the General Fund, to account for a multitude of financial transactions.

**Governmental Funds:** All the Schools’ activities are reported in governmental funds, which focus on how money flows into and out of the General Fund and the balances left at year-end available for spending in future periods. The General Fund is reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Schools’ general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**The Schools as a Whole**

The perspective of the Statement of Net Position is of the Schools as a whole. Table 1 provides a summary of the Schools’ net position for fiscal year 2024 and 2023.

**Table 1  
Net Position**

	<b>Governmental Activities</b>	
	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
Current and other assets	\$ 14,109,412	\$ 11,401,186
Capital assets	1,131,682	792,946
<b>Total assets</b>	<b>15,241,094</b>	<b>12,194,132</b>
Deferred outflows of resources	8,263,754	14,436,157
<b>Liabilities</b>		
Accounts payable	287,829	199,127
Other liabilities	449,787	274,424
Net pension liability	26,198,088	29,532,249
<b>Total liabilities</b>	<b>26,935,704</b>	<b>30,005,800</b>
Deferred inflows of resources	2,274,721	2,955,154
<b>Net position (deficit)</b>		
Unrestricted	(7,320,591)	(8,073,611)
Restricted for:		
Capital projects	1,131,682	792,946
STEM programs	197,294	250,000
Teacher residency programs	286,038	700,000
<b>Total net position (deficit)</b>	<b>(5,705,577)</b>	<b>(6,330,665)</b>
<b>Total net position, deferred inflows of resources and liabilities</b>	<b>\$ 23,504,848</b>	<b>\$ 26,630,289</b>

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

Table 2 shows the change in net position for fiscal year 2024 and 2023.

**Table 2  
Change in Net Position**

	<b>Governmental Activities</b>	
	<b>2024</b>	<b>2023</b>
<b>Revenues</b>		
Program revenues:		
Operating grants and contributions	\$ 29,560,015	\$ 27,332,760
General revenues:		
Other income	213,318	625,918
Interest income (expense)	218,701	97,825
Total revenues	<u>29,992,034</u>	<u>28,056,503</u>
<b>Expenses</b>		
Instruction	18,758,328	17,815,762
Support services:		
Pupil services	1,769,705	2,652,572
Education media services	-	526,616
School administration	4,962,136	3,385,016
Business administration	291,317	705,131
Maintenance and operation of plant	3,007,541	2,241,674
Transportation	62,696	-
Improvement of instructional services	515,223	-
Total expenses	<u>29,366,946</u>	<u>27,326,771</u>
Change in net position	625,088	729,732
Net deficit, beginning of year	<u>(6,330,665)</u>	<u>(7,060,397)</u>
Net deficit, end of year	<u>\$ (5,705,577)</u>	<u>\$ (6,330,665)</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Governmental Activities

Instruction comprises 64% of governmental program expenses. The increase in instructional costs is attributable to significant increase in TRS liabilities at each school during fiscal year 2024.

The Statement of Activities shows the cost of program services and the grants offsetting those services. Table 3 shows, for governmental activities, the net cost of services.

**Table 3**  
**Governmental Activities**

	Net Cost of Services	
	Fiscal Year 2024	Fiscal Year 2023
Instruction	\$ 123,323	\$ 3,904
Support services:		
Pupil services	11,636	582
Education media services	-	115
School administration	32,623	742
Business administration	1,915	155
Maintenance and operation of plant	19,773	491
Transportation	412	-
Improvement of instructional services	3,387	-
Total expenses	<u>\$ 193,069</u>	<u>\$ 5,989</u>

### The Schools' Funds

The Schools' governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$29,992,034 and expenditures of 27,547,873. The General Fund's fund balance increased by \$2,444,161.

### General Fund Budgeting Highlights

The Schools' budget is for the General Fund. During the course of the fiscal year 2024, the Schools did not have amendments to its General Fund budget. The budgeting systems are designed to tightly control cost yet provide flexibility.

Actual revenues of \$29,992,034 came in more than the budgeted amount by \$3,424,408. The actual expenditures of \$27,547,873 were more than the budgeted amount by \$980,247. Actual change in fund balance was more than budgeted change in fund balance by \$2,444,161.

## MANAGEMENT'S DISCUSSION AND ANALYS

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### Capital Assets

At the end of fiscal year 2024 and 2023, the Schools had invested in capital assets, all in governmental activities. Table 4 shows fiscal year 2024 and 2023.

**Table 4**  
**Capital Assets**  
**(Net of Depreciation)**

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	Governmental Activities	
	2024	2023
Various Equipment	\$ 2,145,543	\$ 1,528,055
Building Improvements	579,876	579,876
Vehicles	19,000	19,000
	<hr/> 2,744,419	<hr/> 2,126,931
Accumulated Depreciation	(1,612,737)	(1,333,985)
	<hr/>	<hr/>
Net Capital Assets	\$ 1,131,682	\$ 792,946

Additional information on the Schools' capital assets can be found in Note 6 of the footnotes to the financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### **Current Issues**

The Kindezi Schools, Inc. manages The Kindezi School West (grades K-8), The Kindezi School Old Fourth Ward (grades K-8), and The Gideons School (K-5).

The Schools' current operating Full Time Equivalent (FTE) is based on approximately 1,037 students: 383 at West School, 369 at Old Fourth Ward and 285 at Gideons. Despite continued challenges of being a new charter school, the Schools' management and Board are committed to continue to effectively and prudently manage the available resources to provide quality educational opportunities for all the Schools' students.

### **Contacting the Schools' Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Schools' finances and to show the Schools' accountability for the money it receives. If you have questions about this report or need additional information, contact the Treasurer at The Kindezi Schools, Inc., 386 Pine Street, NE, Atlanta, GA 30308.

**THE KINDEZI SCHOOLS, INC.**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2024**

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
Cash	\$ 8,754,587
Prepaid expenses	93,330
Investments	565,559
Receivables:	
Intergovernmental:	
Federal	4,526,206
Right-of-use asset	169,730
Capital assets (depreciable, net of accumulated depreciation)	<u>1,131,682</u>
Total assets	<u>15,241,094</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension related items	8,263,754
<u>LIABILITIES</u>	
Accounts payable	287,829
Other liabilities	280,057
Long-term liabilities:	
Lease liability, due in one year	59,012
Lease liability, due in more than one year	110,718
Net pension liability	<u>26,198,088</u>
Total liabilities	<u>26,935,704</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension related items	2,274,721
<u>NET POSITION (DEFICIT)</u>	
Restricted for:	
Capital projects	1,131,682
STEM programs	197,294
Teacher residency programs	286,038
Unrestricted	<u>(7,320,591)</u>
Total net (deficit)	<u>(5,705,577)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 23,504,848</u></u>

**The accompanying notes are an integral part of these financial statements.**

**THE KINDEZI SCHOOLS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u> <u>OPERATING</u> <u>GRANTS AND</u> <u>CONTRIBUTIONS</u>	<u>NET (EXPENSES)</u> <u>AND CHANGES IN</u> <u>NET POSITION</u>
<u>GOVERNMENTAL ACTIVITIES</u>			
Instruction	\$ 18,758,328	\$ 18,881,651	\$ 123,323
Support services			
Pupil services	1,769,705	1,781,341	11,636
School administration	4,962,136	4,994,759	32,623
Business administration	291,317	293,232	1,915
Maintenance and operation of plant	3,007,541	3,027,314	19,773
Transportation	62,696	63,108	412
Improvement of instructional services	515,223	518,610	3,387
Total governmental activities	<u>\$ 29,366,946</u>	<u>\$ 29,560,015</u>	<u>193,069</u>
General revenues			
Other income			213,318
Investment income			218,701
Total general revenues			<u>432,019</u>
Change in net position			625,088
Net deficit - beginning of year			<u>(6,330,665)</u>
Net deficit - end of year			<u>\$ (5,705,577)</u>

**The accompanying notes are an integral part of these financial statements.**

**THE KINDEZI SCHOOLS, INC.  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2024**

	<b>GENERAL FUND</b>
<u>ASSETS</u>	
Cash	\$ 8,754,587
Prepaid expenses	93,330
Investments	565,559
Receivables:	
Intergovernmental:	
Title 1	1,535,528
CARES III	2,945,326
Other	45,352
	13,939,682
Total assets	\$ 13,939,682
<u>LIABILITIES AND FUND BALANCES</u>	
<u>LIABILITIES</u>	
Accounts payable	\$ 287,829
Other liabilities	280,057
	567,886
Total liabilities	567,886
<u>FUND BALANCES</u>	
Restricted for:	
Capital projects	1,131,682
STEM program	197,294
Teacher residency program	286,038
Unassigned	11,756,782
	13,371,796
Total fund balances	13,371,796
Total liabilities and fund balances	\$ 13,939,682

**The accompanying notes are an integral part of these financial statements.**

**THE KINDEZI SCHOOLS, INC.**  
**RECONCILIATION OF THE GOVERNMENTAL FUND**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2024**

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Total fund balances - governmental funds (Exhibit "C") \$ 13,371,796

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 in the funds. These assets consist of:

Furniture and equipment	\$	747,607	
Computer equipment		1,330,847	
Building improvements		579,876	
Buildings - Operating		67,089	
Vehicles		19,000	
Accumulated depreciation		<u>(1,612,737)</u>	
			1,131,682

Deferred outflows of resources related to the Schools' pension plans are  
applicable to future periods, and therefore, are not reported in the funds 8,263,754

The Schools' net pension liability is not due and payable to the current  
period, and therefore, is not reported in the fund (26,198,088)

Deferred inflows of resources related to the Schools' pension plans are  
applicable to future periods, and therefore, are not reported in the funds (2,274,721)

Net deficit of governmental activities (Exhibit "A") \$ (5,705,577)

**The accompanying notes are an integral part of these financial statements.**

**THE KINDEZI SCHOOLS, INC.  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	<b>GENERAL FUND</b>
<b><u>REVENUES</u></b>	
State funding	\$ 23,561,447
Federal funding	5,875,155
Contributions	123,413
Investment gain, net	218,701
Miscellaneous	213,318
Total revenues	29,992,034
<b><u>EXPENDITURES</u></b>	
Current	
Instruction	16,321,767
Support services:	
Pupil services	1,769,705
School administration	4,962,136
Business administration	291,317
Maintenance and operation of plant	3,007,541
Transportation	62,696
Improvement of instructional services	515,223
Capital outlay	617,488
Total expenditures	27,547,873
Net change in fund balances	2,444,161
Fund balances - beginning of year	10,927,635
Fund balances - end of year	\$ 13,371,796

**The accompanying notes are an integral part of these financial statements.**

**THE KINDEZI SCHOOLS, INC.**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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Total net change in fund balances - governmental funds (Exhibit "E") \$ 2,444,161

Amounts reported for governmental activities in the statement of activities  
are different because:

Capital outlays are reported as expenditures in governmental funds. However,  
in the statement of activities, the cost of capital assets is allocated over  
their estimated useful lives as depreciation expense. In the current period,  
these amounts are:

Capital outlay	\$ 617,488	
Depreciation expense	<u>(278,752)</u>	
		<u>338,736</u>

In the governmental funds, current year expenditures related to pensions are  
comprised solely of amounts contributed to the plan for the current year.  
However, in the statement of activities, expenses related to pensions include  
amounts that do not require the use of current financial resources. This  
amount represents the difference in the required accounting treatment of  
pensions and related items.

(2,157,809)

Change in net position of governmental activities (Exhibit "B") \$ 625,088

**The accompanying notes are an integral part of these financial statements.**

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### **NOTE 1: DESCRIPTION OF SCHOOLS AND REPORTING ENTITY**

#### **REPORTING ENTITY**

The Kindezi Schools, Inc. (the "Schools") are responsible for the public education of all students attending its school. The Schools were created through a contract between Atlanta Public Schools and the Schools whereby all state funding associated with the students attending the Schools and certain specified local funds are turned over to the Schools to cover the cost of its operations.

Kindezi operates three schools: The Kindezi School West Lake, The Kindezi School Old Fourth Ward and The Gideons School. All three schools are located in Atlanta, Georgia, providing education for approximately 1,037 students in grades kindergarten through 8th grade.

The financial reports are made up of The Kindezi School and The Gideons School.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **BASIS OF PRESENTATION**

The Schools' basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements and notes to the basic financial statements.

#### ***Government-Wide Statements:***

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall Schools. Governmental activities generally are financed through intergovernmental revenue, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Schools' governmental activities:

- Direct expenses are those that are specifically associated with a program or function, and therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the Schools related to the administration and support of the Schools' programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

In the Statement of Net Position, equity is reported as net position and consists of amounts invested in capital assets, amounts restricted by outside parties for specific purposes and unrestricted amounts.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **BASIS OF PRESENTATION (Continued)**

##### ***Fund Financial Statements:***

The fund financial statements provide information about the Schools' funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Schools report only one major governmental fund:

- General Fund is the Schools' primary operating fund. It accounts for all financial resources of the Schools.

#### **BASIS OF ACCOUNTING/MEASUREMENT FOCUS**

The basis of accounting determines when transactions are reported on the financial statements. The Government-wide governmental activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenues are recognized in the fiscal year in which they are earned. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Schools use funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Schools consider all revenues reported in the governmental funds to be available if they are collected within thirty days after year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The Schools fund certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the Schools' policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **CASH: COMPOSITION OF DEPOSITS**

Cash consists of cash on hand and demand deposits.

#### **RECEIVABLES**

Receivables consist of amounts due from the various entities disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

The State of Georgia reimburses the Schools for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia's share in this cost. Generally, teachers are contracted for the school year (August 1 – May 31) and paid over a twelve-month period; for the Schools, this period is August 1 through July 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the Schools over the same twelve-month period in which teachers are paid, funding the academic school year expenditures. On June 30, the amount of teachers' salaries incurred but not paid until July of the subsequent year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia's intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the Schools recognize the same QBE as a receivable and revenue, consistent with symmetrical recognition.

#### **CAPITAL ASSETS**

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the School-wide financial statements, all purchased capital assets are valued at cost. Donated capital assets are recorded at estimated acquisition cost on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The Schools do not capitalize book collections or works of art. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **CAPITAL ASSETS (Continued)**

Capitalization thresholds and estimated useful lives of capital assets reported in the School-wide statements are as follows:

	<b>Capitalization Policy</b>	<b>Estimated Useful Life</b>
Furniture and equipment	\$ 500	5-10 Years
Computer equipment	\$ 500	5 Years
Vehicles	\$ 500	5 Years
Building improvements	\$ 500	10–20 Years
Buildings - operating	\$ 500	10 Years

#### **DEFERRED INFLOWS OF RESOURCES**

The Schools also have deferred inflows and outflows related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the Schools' actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of plan members. Changes in the Schools' proportionate share of the net pension liability and the difference between the Schools' actual contributions towards the pension plan and the Schools' proportionate share of contributions are also reported as deferred outflows of resources or deferred inflows of resources and are amortized over the expected remaining service lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five-year period. Additionally, any contributions made by the Schools to the pension plan before year end but subsequent to the measurement date of the Schools' net pension liability are reported as deferred outflows of resources. These contributions will be recognized as a reduction of the net pension liability in the next fiscal year.

#### **FUND EQUITY**

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

**Fund Balance** - The Schools recognize that the maintenance of a fund balance is essential to the preservation of the financial integrity of the Schools and is fiscally advantageous for both the Schools and the taxpayer. The policy adopted establishes guidance concerning the desired level of year end fund balance to be maintained by the Schools and the management of fund balance levels and is applicable only to the General Fund of the Schools.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **FUND EQUITY (Continued)**

Fund balance is a measurement of available financial resources defined as the difference between total assets and total liabilities in each fund.

The Governmental Accounting Standards Board (GASB) Statement No. 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

***Nonspendable*** – Fund balance reported as “nonspendable” represents fund balance associated with inventory, prepaid items, long-term amounts of loans and notes receivable, property held for resale (however, if the use of the proceeds from the collection of receivables or sale of the property is restricted, committed, or assigned, then the receivables or property should be reported in those categories), and corpus of a permanent fund (legally/contractually required to be maintained).

***Restricted*** – Fund balance reported as “restricted” represents amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources (such as bond resolutions and covenants and grant agreements).

***Committed*** – Fund balance reported as “committed” includes amounts that can be used only for the specific purposes determined by a formal action of the Board. The Board as the highest level of decision-making authority will have the sole authority to commit fund balance. Constraints can be removed or changed only by the Board. Actions to constrain resources should occur prior to the end of the Schools’ fiscal year, though the exact amount may be determined subsequently.

***Assigned*** – Fund balance reported as “assigned” represents amounts intended to be used for specific purposes, but not meeting the criteria to be reported as committed or restricted fund balance. The intent is expressed either by the Board or a high-level body (budget or finance committee) or individual authorized by the Board. If these funds should have a deficit fund balance, those deficits are required to be reported as unassigned fund balance. The Board will have the authority under this policy to assign funds for a particular purpose.

***Unassigned*** – Fund balance reported as “unassigned” represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications. The Board will strive to maintain an unassigned fund balance in the General Fund of between 5% - 15% based upon annual budgeted expenditures. The balance may be drawn down in the event of an unexpected decrease in state funding.

If expenditures incurred exceed the amounts that have been restricted, committed, and assigned to a specific purpose and results in a negative residual amount for that specific purpose, amounts assigned to other purposes in that governmental fund are reduced to eliminate the deficit.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **FUND EQUITY (Continued)**

The Schools apply restricted resources first when an expenditure/expense is incurred for purposes for which both restricted and unrestricted equity is available.

#### **LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

#### **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 the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **INCOME TAXES**

On January 18, 2006, the Schools received notification of its exempt status under Internal Revenue Code Section 501(c) (3). Accordingly, no provision or benefit for federal and state income taxes has been recorded in the accompanying financial statements. The School believes that it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the financial statements.

#### **INVESTMENTS**

Investments of all funds are carried at fair value, as determined by quoted market prices. Interest income on investments is accrued as earned. At June 30, 2024, the Schools' investments were in publically traded mutual funds.

#### **ECONOMIC DEPENDENCY**

The Schools receive a substantial portion of its operating revenue from Atlanta Public Schools in the form of QBE revenues. The Schools' total support and revenue from QBE revenues amounted to 72% of the Schools' total revenue for the year ended June 30, 2024.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **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.

### **NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The Schools adopt an annual budget for its General Fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167 and in accordance with U.S. generally accepted accounting principles. After the Schools have tentatively adopted the budget, amendments or revisions are presented to the Board as needed. Although the tentatively adopted budget is not advertised in a newspaper, it is publicly available.

For the fiscal year ended June 30, 2024, expenditures exceeded appropriations for the following General Fund functions:

Instruction	\$	1,895,872
Maintenance and operation of plant		9,397
Transportation		62,696
Improvement of instructional services		405,723
Capital outlay		570,988

### **NOTE 4: DEPOSITS**

**Custodial credit risk** - Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Schools will not be able to recover deposits that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities.

The Schools maintain several bank accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances were in excess of the FDIC insured level by \$8,256,708 as of June 30, 2024. A policy of depositing all such funds in banks of significant financial strength is maintained. The Schools have not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### **NOTE 5: RISK MANAGEMENT**

The Schools are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; and acts of God.

The Schools have obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions, job related illness or injuries to employees and acts of God. The Schools have neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the Schools' insurance coverage in any of the past three years.

### **NOTE 6: CAPITAL ASSETS**

The following is a summary of changes in the capital assets during the fiscal year:

	<b>Balances</b>		<b>Balances</b>	
	<b>June 30, 2023</b>	<b>Increases</b>	<b>Decreases</b>	<b>June 30, 2024</b>
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Furniture and equipment	\$ 389,214	\$ 358,393	\$ -	\$ 747,607
Computer equipment	1,071,752	259,095	-	1,330,847
Building improvements	579,876	-	-	579,876
Buildings - operating	67,089	-	-	67,089
Vehicles	19,000	-	-	19,000
Total capital assets, being depreciated	2,126,931	617,488	-	2,744,419
Less accumulated depreciation for:				
Furniture and equipment	291,736	59,224	-	350,960
Computer equipment	719,911	157,656	-	877,567
Building improvements	247,480	55,163	-	302,643
Buildings - operating	55,858	6,709	-	62,567
Vehicles	19,000	-	-	19,000
Total accumulated depreciation	1,333,985	278,752	-	1,612,737
Governmental activities capital assets, net	\$ 792,946	\$ 338,736	\$ -	\$ 1,131,682

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### **NOTE 7: SIGNIFICANT CONTINGENT LIABILITIES**

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The Schools believe that such disallowances, if any, will be immaterial to its overall financial position.

### **NOTE 8: RETIREMENT PLANS**

#### **GENERAL INFORMATION ABOUT THE TEACHERS RETIREMENT SYSTEM**

**Plan description** - All teachers of the Schools as defined in §47-3-60 of the Official Code of Georgia Annotated (O.C.G.A.) 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](http://www.trsga.com/publications).

**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. 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 2024. The Schools' contractually required contribution rate for the year ended June 30, 2024, was 19.98% of annual school payroll. Schools contributions to TRS were \$2,395,647 for the year ended June 30, 2024.

#### **PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS**

At June 30, 2024, the Schools reported a liability of \$26,198,088 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2022. An expected total pension liability as of June 30, 2022, was determined using standard rollforward techniques. The Schools' proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2023. At June 30, 2023, the Schools' proportion was 0.0887%, which was an decrease of 0.0022% from its proportion measured as of June 30, 2022.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### **NOTE 8: RETIREMENT PLANS (Continued)**

#### **PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)**

For the year ended June 30, 2024, the Schools recognized pension expense of \$4,963,838. At June 30, 2024, the Schools reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,330,304	\$ 108,320
Changes of assumptions	2,695,221	-
Net difference between projected and actual earnings on pension plan investments	1,842,582	-
Changes in proportion and differences between School contributions and proportionate share of contributions	-	2,166,401
Schools contributions subsequent to the measurement date	2,395,647	-
<b>Total</b>	<b>\$ 8,263,754</b>	<b>\$ 2,274,721</b>

Schools contributions subsequent to the measurement date of \$2,395,647 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ending June 30:</b>	
2025	\$ (715,002)
2026	(370,014)
2027	(3,202,042)
2028	693,672
<b>Total</b>	<b>\$ (3,593,386)</b>

## NOTES TO THE BASIC FINANCIAL STATEMENTS

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### **NOTE 8: RETIREMENT PLANS (Continued)**

#### **ACTUARIAL ASSUMPTIONS**

The total pension liability as of June 30, 2023, was determined by an actuarial valuation as of June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00 – 8.75%, average, including inflation
Investment rate of return	6.90%, net of pension plan investment expense, including inflation
Postretirement benefit increases	1.50%, semi-annually

Postretirement mortality rates were based on the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. Postretirement mortality rates for disability retirements were based on the Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Headcount Weighted Below Median Employee mortality table with ages set forward one year and adjusted 106% was used for death prior to retirement. Future improvement in mortality rates was assumed using the MP-2019 projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018, with the exception of the long-term assumed rate of return on assets (discount rate) which was changed from 7.50% to 7.25% effective with the June 30, 2018 valuation, and then from 7.25% to 6.90% effective with the June 30, 2021 valuation. In addition, the assumed annual rate of inflation was changed from 2.75% to 2.50% effective with the June 30, 2018 valuation, and the payroll growth assumption was changed from 3.00% to 2.50% effective with the June 30, 2021 valuation.

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.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### **NOTE 8: RETIREMENT PLANS (Continued)**

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	30.0%	0.9%
U.S. large stocks	46.3%	9.4%
U.S. small stocks	1.2%	13.4%
International developed market stocks	12.3%	9.4%
International emerging market stocks	5.2%	11.4%
Alternatives	5.0%	10.5%
Total	100.0%	

\* Rates shown are net of inflation

### **DISCOUNT RATE**

The discount rate used to measure the total TRS pension liability was 6.90%. 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 nonemployer contributions will be made at the actuarially determined employer contribution rate. Based on those assumptions, the TRS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### **Sensitivity of the Schools' proportionate share of the net pension liability to changes in the discount rate:**

The following presents the Schools' proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as what the Schools' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.90%) or 1-percentage-point higher (7.90%) than the current rate:

	(5.90%)	(6.90%)	(7.90%)
Schools' proportionate share of the net pension liability	\$ 41,422,225	\$ 26,198,088	\$ 13,765,531

### **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 publicly available at [www.trsga.com/publications](http://www.trsga.com/publications).

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### **NOTE 8: RETIREMENT PLANS (Continued)**

#### **PAYABLES TO THE PENSION PLAN**

As of June 30, 2024, the Schools are reporting accrued expenditures of \$280,057, which are owed to the Plan.

### **NOTE 9: LEASE OBLIGATION**

During the fiscal year 2024, the School entered into various operating lease agreements for office equipments expiring at various dates through July 2027.

The School's have elected to use a risk-free rate as the discount rate for all leases. The discount rate related to the Schools' lease liability as of June 30, 2024 was 4.56%.

The following is a schedule by years of minimum future rentals on the operating leases and the amortization of the net present value (NPV) of the lease liability as of June 30, 2024:

	<b>Minimum annual lease payments</b>	<b>Amortization of NPV of liabilities</b>
2025	\$ 65,280	\$ 59,012
2026	65,280	61,760
	49,780	48,958
	\$ 180,340	\$ 169,730

### **NOTE 10: INVESTMENTS**

The following table sets forth by level, within the fair value hierarchy, the Schools' investments at fair value as of June 30, 2024:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Mutual funds			
Blend	\$ 532,664	\$ -	\$ -
Total mutual funds	532,664	-	-
Money market	32,895	-	-
Total investments at fair value	\$ 565,559	\$ -	\$ -

### **NOTE 11: SUBSEQUENT EVENTS**

The Schools have evaluated subsequent events through November 18, 2024, the date the financial statements were available to be issued.

**THE KINDEZI SCHOOLS, INC.**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE FROM FINAL BUDGET</u>
<b><u>REVENUES</u></b>				
State, local and federal funds	\$ 25,410,268	\$ 25,410,268	\$ 29,436,602	\$ 4,026,334
Contributions	928,333	928,333	123,413	(804,920)
Investment loss, net	46,097	46,097	218,701	172,604
Miscellaneous	182,928	182,928	213,318	30,390
Total revenues	<u>26,567,626</u>	<u>26,567,626</u>	<u>29,992,034</u>	<u>3,424,408</u>
<b><u>EXPENDITURES</u></b>				
Current				
Instruction	14,425,895	14,425,895	16,321,767	(1,895,872)
Support services:				
Pupil services	2,509,204	2,509,204	1,769,705	739,499
School administration	6,128,339	6,128,339	4,962,136	1,166,203
Business administration	350,044	350,044	291,317	58,727
Maintenance and operation of plant	2,998,144	2,998,144	3,007,541	(9,397)
Transportation	-	-	62,696	(62,696)
Improvement of instructional services	109,500	109,500	515,223	(405,723)
Capital outlay	46,500	46,500	617,488	(570,988)
Total expenditures	<u>26,567,626</u>	<u>26,567,626</u>	<u>27,547,873</u>	<u>(980,247)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,444,161</u>	<u>\$ 2,444,161</u>

Notes to the schedule of revenues, expenditures and changes in fund balances budget and actual

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

**The accompanying notes are an integral part of these financial statements.**

**THE KINDEZI SCHOOLS, INC.**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**TEACHERS RETIREMENT SYSTEM OF GEORGIA**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015 - 2024**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
School's proportion of the net pension liability	0.0887%	0.0910%	0.1026%	0.1090%	0.1153%	0.1090%	0.1153%	0.0496%	0.0168%	0.0127%
School's proportionate share of the net pension liability	\$ 26,198,088	\$ 29,532,249	\$ 9,072,163	\$ 26,396,799	\$ 24,792,188	\$ 20,228,094	\$ 12,257,745	\$ 10,229,527	\$ 2,561,591	\$ 1,598,666
School's covered-employee payroll	\$ 11,990,223	\$ 12,966,821	\$ 12,357,279	\$ 13,342,898	\$ 14,049,265	\$ 14,071,096	\$ 12,983,285	\$ 7,570,707	\$ 4,974,560	\$ 1,776,061
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	218.50%	227.75%	73.42%	197.83%	176.47%	143.76%	94.41%	135.12%	51.49%	90.01%
Plan fiduciary net position as a percentage of the total pension liability	76.29%	72.85%	92.03%	77.01%	78.56%	80.27%	79.33%	76.06%	81.44%	84.03%

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

**THE KINDEZI SCHOOLS, INC.**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS TO**  
**TEACHERS RETIREMENT SYSTEM OF GEORGIA**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015 - 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,395,647	\$ 2,590,771	\$ 2,447,977	\$ 2,543,156	\$ 2,970,015	\$ 2,940,859	\$ 2,182,490	\$ 1,080,340	\$ 709,870	\$ 233,552
Contributions in relation to the contractually required contribution	<u>2,395,647</u>	<u>2,590,771</u>	<u>2,447,977</u>	<u>2,543,156</u>	<u>2,970,015</u>	<u>2,940,859</u>	<u>2,182,490</u>	<u>1,080,340</u>	<u>709,870</u>	<u>233,552</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
Schools' covered-employee payroll	\$ 11,990,223	\$ 12,966,821	\$ 12,357,279	\$ 13,342,898	\$ 14,049,265	\$ 14,071,096	\$ 12,983,285	\$ 7,570,707	\$ 4,974,560	\$ 1,776,061
Contributions as a percentage of covered-employee payroll	19.98%	19.98%	19.81%	19.06%	21.14%	20.90%	16.81%	14.27%	14.27%	13.15%

**Note : Schedule is intended to show information for the last 10 fiscal years.**

**THE KINDEZI SCHOOLS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2024**

<u>CFDA Number</u>	<u>Program Name</u>	<u>Pass-Through Entity ID Number</u>	<u>Total Expenditures</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed through the Georgia Department of Education</i>			
<i>Passed through Atlanta Public Schools</i>			
84.010	Title I Grants to Local Educational Agencies (LEAs)	S010A150010	\$ 760,356
84.010	Title I Grants to Local Educational Agencies (LEAs) - Family Engagement	SO10A230010	27,060
84.010	Title I, Part A - School Improvement	SO10A230010	495,343
84.010A	Success Grant II	S010A230010	341,120
84.424A	Title IV - Student Support and Academic Enrichment	S424A230011	25,350
84.367A	Title IIA - Supporting Effective Instruction State Grants	S367A230001	68,450
84.425U	Elementary and Secondary School Emergency Relief Fund (ESSER III) - American Rescue Plan (ARP)	S425U210012	3,981,630
84.425U	Facility Grant	S425U210012	163,909
84.425U	Opportunity Grant	S425U210012	11,937
<b>TOTAL - U.S. DEPARTMENT OF EDUCATION</b>			<b>\$ 5,875,155</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 5,875,155</b>

SEE NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**THE KINDEZI SCHOOLS, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**A. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes all federal grant activity of The Kindezi Schools, Inc. (the “Schools”) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Cost Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Schools, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Schools.

**B. INDIRECT COST RATE**

The Schools elected not to use the option of the 10% de minimis indirect cost rate.

**C. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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



**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***

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**To the Members of the Board  
of The Kindezi Schools, 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 the governmental activities and the major fund of The Kindezi Schools, Inc. (the "Schools"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, and have issued our report thereon November 18, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Schools' 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Schools' 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 weakness or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
November 18, 2024



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

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**To the Members of the Board  
of The Kindezi Schools, Inc.  
Atlanta, Georgia**

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited The Kindezi Schools, Inc.'s (the "Schools") 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 Schools' major federal programs for the year ended June 30, 2024. The Schools' 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, the Schools 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, 2024.

***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 the Schools 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 Schools' 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 Schools' federal programs.

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### *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 Schools' 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 Schools' 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 Schools' 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 Schools' 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 Schools' 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.

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## 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.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
November 18, 2024

THE KINDEZI SCHOOLS, INC.

SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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Section I – Summary of Auditor’s Results

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_yes  X no

Significant deficiencies identified, not considered to be material weaknesses?

\_\_\_yes  X none reported

Noncompliance material to financial statements noted?

\_\_\_yes  X no

**Federal Awards:**

Internal controls over major programs:

Material weaknesses identified?

\_\_\_yes  X no

Significant deficiencies identified, not considered to be material weaknesses?

\_\_\_yes  X no

Type of auditor’s report issued on compliance for major programs

Unmodified

Audit findings required to be reported in accordance With 2 CFR Section 200.516(a)?

\_\_\_yes  X no

**Identification of major programs:**

84.425U – Elementary and Secondary School Emergency Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_yes  X no

Financial Statement Findings?

\_\_\_yes  X no

Federal Award Findings and Questioned Costs?

\_\_\_yes  X no

**THE KINDEZI SCHOOLS, INC.**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

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**Section II –Financial Statement Findings**

None reported.

**Section III – Federal Award Findings and Questioned Costs**

None reported.

THE KINDEZI SCHOOLS, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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Section II –Financial Statement Findings

2023-001

*Criteria:*

The Schools are required to review the accuracy of outstanding transactions on bank reconciliation.

*Condition:*

During our review of bank reconciliations and accounts payable aging, we noted the Schools had a significant amount of transactions that were included in the bank reconciliation and accounts payable aging inaccurately as outstanding transactions or outstanding bills.

*Cause:*

The Schools management did not consistently follow the procedures for recording deposits and invoices in the accounting system resulting in a number of duplicate transactions over time. This caused items in the bank reconciliation and accounts payable aging to not clear out.

*Effect:*

Management reviewed the listing of outstanding items on bank reconciliations and accounts payable. However, due to a change in personnel in the accounting department, and not knowing the full history of the transactions, management did make an adjustment to correct the balance. This caused an overstatement of expenses in the amount of \$263,565.

*Recommendations:*

We recommend the Schools implement internal control procedures to review bank reconciliations, outstanding items noted on the reconciliation, and accounts payable aging for accuracy on a monthly basis by someone other than the person preparing the reconciliations.

*Views of Responsible Officials:*

Management agrees with the recommendations and will implement a procedure going forward.

*Status:*

Resolved.

**THE KINDEZI SCHOOLS, INC.**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND RESPONSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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**Section II –Financial Statement Findings (Continued)**

**2023-002**

*Criteria:*

The Schools are required to review grant terms and record the funds to align with the terms noted on the grant agreement.

*Condition:*

During our review of the grant agreement, we noted the Schools received two donor-restricted grants totaling in the amount of \$950,000 to be spent in subsequent years (FY 2024-2026). The Schools recorded the funds as direct entry to net assets rather than current-year revenue.

*Cause:*

The Schools did not properly record the revenue in accordance with revenue recognition standards.

*Effect:*

As an effect, net income was understated in the amount of \$950,000.

*Recommendations:*

We recommend the Schools recognize grant revenue in accordance with GAAP's revenue recognition standards.

*Views of Responsible Officials:*

Management agrees with the recommendations and will implement a procedure going forward.

*Status:*

Resolved.

**Section III – Federal Award Findings and Questioned Costs**

None reported.