

PURPOSE BUILT SCHOOLS ATLANTA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023



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The report accompanying this deliverable was issued by Warren Averett, LLC.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
TABLE OF CONTENTS
JUNE 30, 2024 AND 2023

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities – 2024	4
Statement of Activities – 2023	5
Statement of Functional Expenses – 2024	6
Statement of Functional Expenses – 2023	7
Statements of Cash Flows	8
Notes to the Financial Statements	9

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Purpose Built Schools Atlanta, Inc.
Atlanta, Georgia

Qualified Opinion

We have audited the accompanying financial statements of Purpose Built Schools Atlanta, Inc. (a Georgia not-for-profit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, except for the effects of not consolidating the activity of Purpose Built Schools Atlanta, Inc. (PBSA) and PBSA Community Engagement, Inc. (CEI), as discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of PBSA as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As discussed in Note 1 to the financial statements, CEI has not been consolidated in the accompanying June 30, 2024 and 2023 financial statements. In our opinion, accounting principles generally accepted in the United States of America require that PBSA consolidate CEI's activities because PBSA has a controlling financial interest in CEI. If the financial statements of CEI had been consolidated, total assets would be increased by \$8,595,869, and total liabilities would be increased by \$2,075,263 as of June 30, 2024, and changes in net assets would be decreased by \$2,267,428 for the year then ended. Total assets would be increased by \$10,846,257, and total liabilities would be increased by \$2,058,223 as of June 30, 2023, and changes in net assets would be decreased by \$26,253 for the year then ended.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PBSA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Responsibilities of Management 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.

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 PBSA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance; and therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Governmental 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 *Governmental 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 PBSA'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 PBSA's ability to continue as a going concern for a reasonable period of time.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2024, on our consideration of PBSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 PBSA's internal control over financial reporting and compliance.

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 audits.

Warren Averett, LLC

Atlanta, Georgia
October 29, 2024

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,578,119	\$ 9,619,489
Accounts receivable – Title I funding	1,010,368	372,219
Current portion of contributions receivable	873,333	100,000
Grant receivable	977,479	2,646,841
Due from CEI	3,971,800	1,620,772
Other receivables	19,156	-
Prepaid items	148,964	77,712
Total current assets	17,579,219	14,437,033
OTHER ASSETS		
Contributions receivable, net of current portion	-	1,706,666
Property and equipment, net	1,548,351	1,614,950
Total other assets	1,548,351	3,321,616
TOTAL ASSETS	\$ 19,127,570	\$ 17,758,649
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,994,379	\$ 1,705,316
Accrued payroll liabilities	966,369	412,637
Current portion of notes payable	4,777,036	-
Other accrued liabilities	226,441	136,889
Total current liabilities	7,964,225	2,254,842
LONG-TERM LIABILITIES		
Notes payable, net of current portion and unamortized loan costs	8,027,878	12,779,372
Total long-term liabilities	8,027,878	12,779,372
TOTAL LIABILITIES	15,992,103	15,034,214
NET ASSETS		
Without donor restrictions	2,237,134	902,769
With donor restrictions	898,333	1,821,666
TOTAL NET ASSETS	3,135,467	2,724,435
TOTAL LIABILITIES AND NET ASSETS	\$ 19,127,570	\$ 17,758,649

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2024
(with comparative totals for 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Atlanta Public School funding	\$ 28,527,310	\$ -	\$ 28,527,310	\$ 25,505,975
Federal ESSER funding	1,880,034	-	1,880,034	2,646,841
Grants and contributions	542,500	388,650	931,150	3,524,475
Title 1 funding	1,613,525	-	1,613,525	1,154,581
Contributions – nonfinancial assets	-	-	-	95,625
Other income	797,128	-	797,128	737,006
Total support and revenue	33,360,497	388,650	33,749,147	33,664,503
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of restrictions	1,311,983	(1,311,983)	-	-
TOTAL SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
	34,672,480	(923,333)	33,749,147	33,664,503
EXPENSES				
Program expenses				
Instructional expenses	25,994,402	-	25,994,402	22,842,879
Facilities expenses	2,647,714	-	2,647,714	2,305,490
Technology expenses	698,822	-	698,822	636,476
Community support and engagement	2,352,923	-	2,352,923	4,605,648
Support expenses				
Management and general	1,644,254	-	1,644,254	1,221,340
TOTAL EXPENSES	33,338,115	-	33,338,115	31,611,833
CHANGES IN NET ASSETS	1,334,365	(923,333)	411,032	2,052,670
NET ASSETS AT:				
BEGINNING OF YEAR	902,769	1,821,666	2,724,435	671,765
END OF YEAR	\$ 2,237,134	\$ 898,333	\$ 3,135,467	\$ 2,724,435

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Atlanta Public School funding	\$ 25,505,975	\$ -	\$ 25,505,975
Federal ESSER funding	2,646,841	-	2,646,841
Grants and contributions	377,475	3,147,000	3,524,475
Title 1 funding	1,154,581	-	1,154,581
Contributions – nonfinancial assets	95,625	-	95,625
Other income	737,006	-	737,006
Total support and revenue	<u>30,517,503</u>	<u>3,147,000</u>	<u>33,664,503</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of restrictions	<u>2,450,334</u>	<u>(2,450,334)</u>	<u>-</u>
TOTAL SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS			
	<u>32,967,837</u>	<u>696,666</u>	<u>33,664,503</u>
EXPENSES			
Program expenses			
Instructional expenses	22,842,879	-	22,842,879
Facilities expenses	2,305,490	-	2,305,490
Technology expenses	636,476	-	636,476
Community support and engagement	4,605,648	-	4,605,648
Support expenses			
Management and general	<u>1,221,340</u>	<u>-</u>	<u>1,221,340</u>
TOTAL EXPENSES	<u>31,611,833</u>	<u>-</u>	<u>31,611,833</u>
CHANGES IN NET ASSETS	1,356,004	696,666	2,052,670
NET ASSETS AT:			
BEGINNING OF YEAR	<u>(453,235)</u>	<u>1,125,000</u>	<u>671,765</u>
END OF YEAR	<u>\$ 902,769</u>	<u>\$ 1,821,666</u>	<u>\$ 2,724,435</u>

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024
(with comparative totals for 2023)

	2024							2023 Total
	Program				Total Program	Management and General	Total	
	Instruction	Facilities	Technology	Community Support and Engagement				
Salaries and wages	\$ 17,985,089	\$ 106,414	\$ -	\$ -	\$ 18,091,503	\$ 352,131	\$ 18,443,634	\$ 15,828,530
Pension	3,224,261	-	-	-	3,224,261	-	3,224,261	2,992,556
Other employee benefits	2,446,834	-	-	-	2,446,834	-	2,446,834	2,151,299
Charitable contributions	-	-	-	2,305,750	2,305,750	-	2,305,750	4,576,525
Transportation	1,359,226	-	-	-	1,359,226	-	1,359,226	1,261,287
APS buy back services	-	853,802	26,888	-	880,690	-	880,690	736,519
Contract services	-	-	-	-	-	827,951	827,951	436,366
Supplies	546,769	-	60,932	-	607,701	-	607,701	760,689
Depreciation expense	-	-	509,179	-	509,179	-	509,179	470,946
Utilities	-	484,550	-	-	484,550	-	484,550	425,193
Security	-	442,168	-	-	442,168	-	442,168	275,126
Custodial services	-	325,108	-	-	325,108	-	325,108	341,462
Insurance	-	269,548	-	-	269,548	-	269,548	293,724
Training and staff development	206,295	-	-	-	206,295	-	206,295	147,088
Legal and professional fees	-	-	-	-	-	167,938	167,938	138,322
Repairs and maintenance	-	166,124	-	-	166,124	-	166,124	140,487
Student incentives	146,380	-	-	-	146,380	-	146,380	159,306
Office expenses	-	-	-	-	-	131,254	131,254	127,482
Interest expense	-	-	-	-	-	84,367	84,367	106,331
Advertising	-	-	-	-	-	33,521	33,521	24,000
Other	79,548	-	101,823	47,173	228,544	47,092	275,636	218,595
	<u>\$ 25,994,402</u>	<u>\$ 2,647,714</u>	<u>\$ 698,822</u>	<u>\$ 2,352,923</u>	<u>\$ 31,693,861</u>	<u>\$ 1,644,254</u>	<u>\$ 33,338,115</u>	<u>\$ 31,611,833</u>

See notes to the financial statements.

**PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Instruction</u>	<u>Facilities</u>	<u>Technology</u>	<u>Community Support and Engagement</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 15,363,297	\$ 119,867	\$ 3,582	\$ -	\$15,486,746	\$ 341,784	\$ 15,828,530
Pension	2,992,556	-	-	-	2,992,556	-	2,992,556
Other employee benefits	2,151,299	-	-	-	2,151,299	-	2,151,299
Charitable contributions	-	-	-	4,576,525	4,576,525	-	4,576,525
Transportation	1,261,287	-	-	-	1,261,287	-	1,261,287
Supplies	716,252	-	44,437	-	760,689	-	760,689
APS buy back services	-	709,631	26,888	-	736,519	-	736,519
Depreciation expense	-	-	470,946	-	470,946	-	470,946
Contract services	-	-	-	-	-	436,366	436,366
Utilities	-	425,193	-	-	425,193	-	425,193
Custodial services	-	341,462	-	-	341,462	-	341,462
Insurance	-	293,724	-	-	293,724	-	293,724
Security	-	275,126	-	-	275,126	-	275,126
Interest expense	-	-	-	-	-	106,331	106,331
Student incentives	159,306	-	-	-	159,306	-	159,306
Training and staff development	147,088	-	-	-	147,088	-	147,088
Repairs and maintenance	-	140,487	-	-	140,487	-	140,487
Legal and professional fees	-	-	-	-	-	138,322	138,322
Office expenses	-	-	-	-	-	127,482	127,482
Advertising	-	-	-	-	-	24,000	24,000
Other	51,794	-	90,623	29,123	171,540	47,055	218,595
	<u>\$ 22,842,879</u>	<u>\$ 2,305,490</u>	<u>\$ 636,476</u>	<u>\$ 4,605,648</u>	<u>\$ 30,390,493</u>	<u>\$ 1,221,340</u>	<u>\$ 31,611,833</u>

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 411,032	\$ 2,052,670
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	509,179	470,946
Loan cost amortization	25,542	25,542
Decrease (increase) in:		
Accounts receivable – Title 1 funding	(638,149)	767,801
Contributions receivable	933,333	(676,770)
Grant receivable	1,669,362	(388,328)
Other receivables	(19,156)	124,178
Prepaid expenses	(71,252)	(34,292)
Due to/from CEI	(2,351,028)	(1,100,194)
Increase (decrease) in accounts payable and accrued liabilities	<u>932,347</u>	<u>(309,660)</u>
Net cash provided by operating activities	<u>1,401,210</u>	<u>931,893</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment purchases	<u>(442,580)</u>	<u>(256,384)</u>
Net cash used in investing activities	<u>(442,580)</u>	<u>(256,384)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	958,630	675,509
CASH AND CASH EQUIVALENTS AT:		
BEGINNING OF YEAR	<u>9,619,489</u>	<u>8,943,980</u>
END OF YEAR	<u>\$ 10,578,119</u>	<u>\$ 9,619,489</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid during the year	<u>\$ 78,289</u>	<u>\$ 78,289</u>

See notes to financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

1. ORGANIZATION AND BUSINESS

Purpose Built Schools Atlanta, Inc. (PBSA), a Georgia not-for-profit corporation, is committed to breaking the cycle of poverty through high-performing schools. Specifically, the mission is to ensure the success of low-income children and to transform the neighborhoods they serve. PBSA was formed to replicate the approach and success of Drew Charter School (Drew), a public charter school that has served as a foundation for the revitalization of the East Lake Neighborhood in Atlanta.

In June 2017, PBSA Community Engagement, Inc. (CEI) was formed as a separate nonprofit entity. CEI has not been consolidated in the accompanying financial statements. Accounting principles generally accepted in the United States of America (GAAP) require that PBSA consolidate CEI's activities because PBSA has a controlling financial interest in CEI.

PBSA manages four schools through a partnership with the Atlanta Public Schools (APS). Inside the schools, PBSA will replicate the proven Drew instructional model, with its emphasis on strong leadership and teachers; investments in professional development; an extended day and year; a Response to Intervention (RTI) model that provides intensive, individualized instruction in literacy and math; a robust early learning pipeline; and a STEAM curriculum informed by a project based learning instructional approach.

CEI implements a comprehensive program of family engagement and support, all designed to create strong relationships with families and stable schools and neighborhoods. Among other programs, CEI has partnerships with Atlanta Volunteers Lawyers Foundation to improve housing conditions and reduce student transiency, as well as with CHRIS 180 to provide a wide range of mental health services and counseling for students and families. CEI began operations in August 2017.

In June 2016, PBSA entered into a contract with APS to operate four "turnaround" schools. The contract runs from July 1, 2016 through June 30, 2030. PBSA began providing services to Thomasville Heights Elementary School (THES) on July 1, 2016, to Slater Elementary School and Price Middle School on July 1, 2017, and to Carver High School on July 1, 2018.

In May 2022, the Atlanta Board of Education voted to temporarily close THES due to the redevelopment of a nearby apartment complex that caused the relocation of approximately 75% of THES' student population. Students who remained living in the THES attendance zone were rezoned to Slater Elementary School.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Standards

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 326 *Financial Instruments – Credit Losses*, which significantly changed how entities measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an

PURPOSE BUILT SCHOOLS ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

entity's exposure to credit risk and the measurement of credit losses. Financial assets held by PBSA that are subject to the guidance in FASB ASC 326 were accounts receivable.

PBSA adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements.

Basis of Accounting

The financial statements of PBSA have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities at year end. Net assets, revenues, expenses, gains and losses are recorded based on the existence or absence of donor-imposed restrictions. The net assets of PBSA and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

Board Designated – Net assets without donor restrictions designated by the Board of Directors (the Board) to be held for specified purposes. The Board can elect to remove these designations in the future.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of PBSA and/or passage of time.

Revenue Recognition

Revenue from APS and program fees are recognized in the period the service is delivered. Revenue from reimbursement basis grants is recognized as related expenditures are made.

An allowance for credit losses is provided based on management's evaluation of potential uncollectible receivables at year end. Management does not consider any amounts to be uncollectible at June 30, 2024 and 2023.

Contributions

Contributions, which include unconditional promises to give, are recognized as revenue in the period received. Conditional pledges, if received, are not recognized until the conditions on which they depend are substantially met. Contributions or assets other than cash are recorded at estimated fair value at the date of the gift as determined by valuation methods deemed appropriate by management. PBSA records gifts of cash and other assets as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities as net assets released from restrictions. All contributions and unconditional promises to give which do not have donor restrictions as to purpose or time are classified as contributions without donor restrictions.

PBSA uses the allowance method to determine the uncollectible unconditional contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made and reasonable expectations of future collections. No allowance was deemed necessary for the years ended June 30, 2024 and 2023.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Contributions – Nonfinancial Assets

PBSA utilizes in-kind contributions to carry out its mission. All in-kind contributions received during the years ended June 30, 2024 and 2023, were considered without donor restrictions and able to be used by PBSA as determined by the Board and management. PBSA valued in-kind contributed services based on current market rates for comparable services. In-kind contributions are included in support and revenue and program expenses in the accompanying statements of activities.

Contributed Services: Contributed services are recognized if the services received: (1) create or enhance nonfinancial assets; or (2) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist in PBSA's activities. PBSA receives numerous volunteer hours each year that are not valued in the financial statements because the services do not meet the criteria.

A nonprofit consultant that works with a network of communities and schools provided management and consulting services at no charge to PBSA during the year ended 2023. These services were valued at \$95,625, for June 30, 2023, based on market rates.

Cash and Concentration of Credit Risk

For purposes of the statements of cash flows, PBSA considers all highly liquid investments with a maturity of three months or less to be cash and cash equivalents. At times, PBSA's cash balances exceed the federally insured limit.

At June 30, 2024, 100% of contributions receivable was attributable to one donor, and 79% of grants and contribution income was attributable to two donors. At June 30, 2023, 92% of contributions receivable was attributable to one donor, and 81% of grants and contribution income was attributable to two donors.

Loan Costs

Debt issuance costs related to a recognized debt liability are presented in the statements of financial position as a direct deduction from the carrying amount of that debt liability. Loan closing costs are amortized to interest expense on a straight-line basis over the life of the loan, which approximates the effective interest method.

Tax Status

PBSA is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC) and is classified as an organization which is not a private foundation under Section 509(a) of the IRC. PBSA qualifies for the charitable contribution deduction.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain indirect costs have been allocated among the programs and supporting services benefited. Personnel costs have been allocated based on estimates of time and effort. PBSA's fundraising expenses are not significant.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Property and Equipment

PBSA capitalizes all expenditures for furniture, fixtures and equipment in excess of \$3,000. Furniture and equipment are recorded at cost or fair value if donated and are depreciated using straight-line methods over their estimated useful lives as follows:

Computer equipment	3 years
Machinery and equipment	5 – 7 years
Vehicle	5 years
Furniture and fixtures	7 years
Building improvements	20 years

Fair Values of Financial Instruments

PBSA estimates that the carrying amount for cash and cash equivalents, receivable and accounts payable approximates fair value because of the short-term nature of these instruments.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Right-of-Use Assets and Lease Liabilities

Effective July 1, 2022, PBSA adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases* (Topic 842). Under Topic 842, a lessee is required to recognize a lease liability and a right-of-use lease asset on the statements of financial position. PBSA has determined that its leases are insignificant to the financial statements and do not require recording right-of-use assets and lease liabilities under Topic 842.

Events Occurring After Report Date

Management has evaluated events and transactions that occurred between June 30, 2024 and October 29, 2024, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2024, are due to be received in the following year.

**PURPOSE BUILT SCHOOLS ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2024 and 2023, is composed of the following:

	<u>2024</u>	<u>2023</u>
Computer equipment	\$ 1,745,910	\$ 1,457,608
Machinery and equipment	277,398	166,216
Vehicle	55,998	55,998
Furniture and fixtures	475,498	475,498
Building improvements	<u>1,107,528</u>	<u>1,064,432</u>
	3,662,332	3,219,752
Less accumulated depreciation	<u>(2,113,981)</u>	<u>(1,604,802)</u>
	<u>\$ 1,548,351</u>	<u>\$ 1,614,950</u>

Depreciation expense of \$509,179 and \$470,946 was recorded for the years ended June 30, 2024 and 2023, respectively.

5. NEW MARKETS TAX CREDIT PROGRAM TRANSACTION

The New Markets Tax Credit (NMTC) Program was established by Congress in 2000 to attract investment capital to low-income communities by providing investors with tax credit incentives for making equity investments in certified Community Development Entities (CDE).

PBSA manages schools that are located within a tract that is eligible for the NMTC Program. In order to benefit under the NMTC Program, PBSA and CEI entered into a series of agreements and transactions with a CDE and its subsidiary and an investment fund affiliated with a bank.

6. NOTES PAYABLE

Investment Bond

On September 22, 2016, PBSA entered into an unsecured investment bond agreement. The \$1,000,000 investment bond requires quarterly 0.25% interest payments. The note is unsecured and matured on September 22, 2021. In September 2021, the investment bond agreement was extended to September 13, 2026, with all terms remaining the same.

Community Redevelopment Loans

In connection with the NMTC transaction described in Note 5, PBSA entered into note payable agreements totaling \$11,880,000 with a CDE's subsidiary. The notes bear interest at 0.659% and are secured by substantially all of PBSA's assets.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

<u>Note Payable</u>	<u>Payment Terms</u>	<u>Maturity Date</u>
\$ 5,794,000	Annual interest only payments through December 1, 2024, then annual principal and interest payments through maturity date	December 1, 2029
3,129,000	Annual interest only payments through December 1, 2024, then annual principal and interest payments through maturity date	December 1, 2029
2,000,000	Annual interest only payments through December 1, 2023, then principal and accrued interest due at maturity	August 17, 2024
957,000	Annual interest only payments through December 1, 2023, then principal and accrued interest due at maturity	August 17, 2024
<u>\$ 11,880,000</u>		

No prepayment is allowed on the NMTC notes during the initial seven-year period.

Loan Costs

Loan costs of \$249,623 are net of accumulated amortization of \$174,537 and \$148,995 as of June 30, 2024 and 2023, respectively. Amortization expense of \$25,542 for the years ended June 30, 2024 and 2023, is included in interest expense.

Notes payable as of June 30, 2024 and 2023, are summarized below:

	<u>2024</u>	<u>2023</u>
Total notes payable	\$ 12,880,000	\$ 12,880,000
Less current portion	(4,777,036)	-
Long-term portion	8,102,964	12,880,000
Less unamortized loan closing costs	(75,086)	(100,628)
Notes payable, net of unamortized loan costs	<u>\$ 8,027,878</u>	<u>\$ 12,779,372</u>

PURPOSE BUILT SCHOOLS ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Maturities of notes payable subsequent to June 30, 2024, are as follows:

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2025	\$ 4,777,036
2026	2,820,036
2027	1,820,036
2028	1,820,036
2029	1,642,856
Total	<u>\$ 12,880,000</u>

Interest expense, exclusive of amortization, was \$80,789 for the years ended June 30, 2024 and 2023.

On August 20, 2024, subsequent to year end and as part of the NMTC unwind, PBSA repaid two of the Community Redevelopment Loans totaling \$2,957,000.

7. NET ASSETS – DESIGNATIONS AND RESTRICTIONS

Net assets with donor restrictions at June 30, 2024 and 2023, are available as follows:

	<u>2024</u>	<u>2023</u>
Donor-restricted – purpose		
THES farm program	\$ 40,000	\$ 130,000
STEAM program	25,000	25,000
	65,000	155,000
Donor-restricted – time		
Year ending June 30, 2024	833,333	833,333
Year ending June 30, 2025	-	833,333
	<u>\$ 898,333</u>	<u>\$ 1,821,666</u>

During the year ended June 30, 2022, the Board voted to establish a designated reserve to pay future debt obligations. The Board's intent is to designate net assets without donor restrictions of \$3,000,000 in advance of the maturity dates of the debt instruments described in Note 6.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Net assets with donor restrictions released from restrictions during the years ended June 30, 2024 and 2023, were as follows:

	2024	2023
Student and family support	\$ 300,000	\$ 350,000
Community support program	-	160,000
THES farm program	93,650	97,000
STEAM program	35,000	10,000
Slater Elementary	25,000	-
Teacher Wish List	25,000	-
Passage of time	833,333	1,833,334
	\$ 1,311,983	\$ 2,450,334

8. COMMITMENTS

School Facility Leases

PBSA entered into lease agreements with APS providing for the lease of THES, Price Middle School and Slater Elementary School facilities and all equipment, fixtures, furniture, educational resources and other personal property. PBSA is responsible for maintenance and repair, operating expenses, utilities and insurance and other costs related to its use of the property. Rent payments are not required as PBSA's use and maintenance of the property is considered adequate consideration. The leases expire on June 30, 2030. The leases may be terminated by PBSA with 60 days' notice or by APS if the contract described in Note 1 is terminated for cause.

In May 2018, PBSA entered into a lease agreement with APS related to the Carver School facility. The lease provisions are similar to the other facility leases. The lease also expires on June 30, 2030.

In May 2022, the Atlanta Board of Education voted to temporarily close THES and the lease was terminated.

Lease of Office Equipment

PBSA leases office equipment under several operating leases. Rent expense for the years ended June 30, 2024 and 2023, amounted to approximately \$47,000. The future minimum lease payments which extend beyond one year are as follows:

For the Year Ending June 30,

2025	\$ 42,416
2026	16,960
	\$ 59,376

PURPOSE BUILT SCHOOLS ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

9. RELATED PARTY TRANSACTIONS

As of June 30, 2024, PBSA owes CEI \$1,822,200 for expenses paid by CEI on behalf of PBSA. CEI owes PBSA \$5,794,000 for a loan paid in full by PBSA on behalf of CEI. These amounts are netted in due from CEI on the accompanying statement of financial position.

As of June 30, 2023, PBSA owes CEI \$1,746,666 for contributions received on behalf of CEI and \$2,426,562 for expenses paid by CEI on behalf of PBSA. CEI owes PBSA \$5,794,000 for a loan paid in full by PBSA on behalf of CEI. These amounts are netted in due from CEI on the accompanying statement of financial position.

During the years ended June 30, 2024 and 2023, PBSA made contributions of \$2,284,543 and \$4,567,463, respectively, to CEI.

In August 2024, subsequent to year end, the Board voted in favor of forgiving the \$5,794,000 due to PBSA from CEI.

10. RETIREMENT PLAN

PBSA 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 in the years ended June 30, 2024 and 2023. PBSA contributed 19.98% of each participant's annual salary for the years ended June 30, 2024 and 2023. Employer contributions totaled approximately \$3,224,000 and \$2,993,000 for the years ended June 30, 2024 and 2023, respectively.

11. CONTRACT WITH APS

In addition to the contract described in Note 1, PBSA entered into an operational service agreement with APS during the year ended June 30, 2017. The agreement is for the period July 1, 2016 through June 30, 2021, and automatically renews under the same terms unless terminated for up to four one-year terms. The agreement automatically renewed for the years June 30, 2024 and 2023. Under the terms of the agreement, APS will provide nutrition services, facilities maintenance and repair services and access to purchase certain other goods and services from APS or APS vendors. PBSA purchases from APS for the years ended June 30, 2024 and 2023 totaled \$880,690 and \$736,519, respectively. At June 30, 2024 and 2023 approximately \$852,000 and \$117,000, respectively, was payable to APS for these services and is included in accounts payable.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

12. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects PBSA's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 10,578,119	\$ 9,619,489
Accounts receivable – Title I Funds	1,010,368	372,219
Current portion of contributions receivable	873,333	100,000
Grant receivable	977,479	2,646,841
Due from CEI	3,971,800	1,620,772
Other receivables	19,156	-
Financial assets, at year end	<u>17,430,255</u>	<u>14,359,321</u>
Less: Assets unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Net assets with donor restrictions	898,333	1,821,666
Adjusted for: long-term contributions receivable	-	(1,706,666)
	<u>898,333</u>	<u>115,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 16,531,922</u>	<u>\$ 14,244,321</u>

PBSA is supported in part by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, PBSA must maintain sufficient resources to meet those responsibilities to donors. Therefore, certain financial assets may not be available for general expenditures within one year. As part of PBSA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

13. FEDERAL CORONAVIRUS AID RELIEF

In early 2020 an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity.

In May 2021 PBSA was allocated CARES funding through the Elementary and Secondary School Emergency Relief Fund (ESSER) totaling \$5,789,533. The funds will be available through September 2024. As of June 30, 2024 and 2023, PBSA recognized \$1,880,034 and \$2,646,841, respectively, as revenue in the statements of activities.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

14. SUBSEQUENT EVENT

In August 2024, as a result of the unwinding of the NMTC, PBSA repaid two of the Community Redevelopment Loans totaling \$2,957,000. Additionally, the Board voted in favor of forgiving the \$5,794,000 due to PBSA from CEI.