

**ATLANTA NEIGHBORHOOD
CHARTER SCHOOL, INC.**

FINANCIAL REPORT

JUNE 30, 2023

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

FINANCIAL REPORT JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Atlanta Neighborhood Charter School, Inc. (the "School"), a Georgia not-for-profit organization, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Atlanta Neighborhood Charter School, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Atlanta Neighborhood Charter School, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Atlanta Neighborhood Charter School, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2023, on our consideration of Atlanta Neighborhood Charter School, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Atlanta Neighborhood Charter School, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Atlanta Neighborhood Charter School, Inc.'s internal control over financial reporting and compliance.



Atlanta, Georgia
October 26, 2023

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2023 AND 2022

<u>Assets</u>	2023	2022
Current assets		
Cash	\$ 3,241,363	\$ 2,124,764
Certificates of deposit	245,846	245,846
Grants receivable	256,790	2,156,763
Prepaid expenses	4,455	15,763
Total current assets	3,748,454	4,543,136
Other assets		
Investments	591,619	566,700
Agency funds	46,493	-
Property and equipment, net	3,660,065	3,595,267
Right of use assets	100,546	-
Total other assets	4,398,723	4,161,967
Total assets	\$ 8,147,177	\$ 8,705,103
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 296,915	\$ 68,555
Accrued payroll and benefits	1,293,993	1,474,581
Agency funds	46,493	-
Current portion of notes payable	63,002	60,731
Current portion of operating lease liabilities	22,998	-
Total current liabilities	1,723,401	1,603,867
Long-term liabilities		
Notes payable, net of current portion and unamortized loan costs	717,795	778,994
Operating lease liability, net of current portion	77,548	-
Total current liabilities	795,343	778,994
Total liabilities	2,518,744	2,382,861
Net assets		
Without donor restrictions	5,550,646	6,133,458
With donor restrictions	77,787	188,784
Total net assets	5,628,433	6,322,242
Total liabilities and net assets	\$ 8,147,177	\$ 8,705,103

See Notes to Financial Statements.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Atlanta Public School funding	\$ 13,295,150	\$ -	\$ 13,295,150
Contributions and grants	221,069	-	221,069
Federal grants	656,154	-	656,154
Other government grants	198,018	-	198,018
Student meal income	268,299	-	268,299
Other program income	473,462	-	473,462
Other income	94,694	-	94,694
	15,206,846	-	15,206,846
Net assets released from restrictions			
Satisfaction of restrictions	110,997	(110,997)	-
	15,317,843	(110,997)	15,206,846
Expenses			
Program services			
Instructional expenses	10,058,340	-	10,058,340
Facilities expenses	1,356,416	-	1,356,416
Staff development expenses	393,697	-	393,697
After school program expenses	20,610	-	20,610
Student meal expenses	264,210	-	264,210
Other program expenses	29,860	-	29,860
Total program services	12,123,133	-	12,123,133
Supporting expenses			
Management and general	3,548,817	-	3,548,817
Fundraising expenses	228,705	-	228,705
	15,900,655	-	15,900,655
Change in net assets	(582,812)	(110,997)	(693,809)
Net assets, beginning of year	6,133,458	188,784	6,322,242
Net assets, end of year	\$ 5,550,646	\$ 77,787	\$ 5,628,433

See Notes to Financial Statements.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

STATEMENTS OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

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

See Notes to Financial Statements.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (693,809)	\$ (76,753)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	332,743	261,726
Amortization	1,804	1,052
Unrealized and realized (gains) losses on investments, net	(24,919)	127
Loss on sale of property and equipment	-	38,807
Decrease in prepaid expenses	11,308	-
Decrease (increase) in grants and contributions receivable	1,899,973	(600,477)
(Increase) in right of use assets	(100,546)	-
Increase in accounts payable and accrued expenses	228,360	25,254
(Decrease) increase in accrued payroll and benefits	(180,588)	134,030
Increase operating lease liabilities	100,546	-
Net cash provided by (used in) operating activities	1,574,872	(216,234)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of certificates of deposits	-	320,834
Purchase of investments	-	(566,827)
Purchase of property and equipment	(397,541)	(1,233,628)
Net cash used in investing activities	(397,541)	(1,479,621)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	(60,732)	(43,587)
Debt issuance costs paid	-	(12,627)
Net cash used in financing activities	(60,732)	(56,214)
Net increase (decrease) in cash and cash equivalents	1,116,599	(1,752,069)
Cash and cash equivalents at beginning of year	2,124,764	3,876,833
Cash and cash equivalents at end of year	\$ 3,241,363	\$ 2,124,764
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid during the year	\$ 31,319	\$ 60,486

See Notes to Financial Statements.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION

Neighborhood Charter School, Inc. (“NCS”), a Georgia not-for-profit organization, was formed on November 20, 1998 to operate a charter elementary school in Grant Park to serve Grant Park, Ormewood Park, and other in-town areas of Atlanta, Georgia. Southeast Atlanta Charter Middle School, Inc. (ACMS), a Georgia not-for-profit corporation, was formed on June 20, 2003 to operate a charter middle school in Ormewood Park to serve Grant Park, Ormewood Park, and other in-town areas of Atlanta, Georgia.

Effective May 19, 2011, the two schools merged and became Atlanta Neighborhood Charter School, Inc. (the “School”). The School was granted a charter by the Board of Education of the City of Atlanta for a five year term ending on June 30, 2016. The charter was renewed for two additional five-year term beginning on July 1, 2016 and expiring on June 30, 2026. The Charter permits the School to operate as a Charter School under the Atlanta Public School system, provided the School operates within the guidelines of the Charter and all applicable state and federal laws. Under the terms of the Charter, the School receives an allocation from the Atlanta Public Schools (“APS”) which is based on enrollment. The School’s support comes primarily from state and local funding through the Atlanta Public Schools and from grants and contributions.

The mission of the School is to provide a learning environment for all students that demands high educational standards and high levels of parent/guardian involvement and responsibility.

Combined enrollment for the two campuses for the years ended June 30, 2023 and 2022 was approximately 630 students.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The School prepares its financial statements in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ACS”) 958-205, *Not-For-Profit Entities*. Under FASB ACS 958, the School reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions which are used to account for resources available to carry out the purposes of the School in accordance with the limitations of its bylaws. The Board designated net assets are without donor restrictions, but are designated by the Board to be spent for specific purposes. At both June 30, 2023 and 2022, the School had no board designated net assets.

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

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restriction depending on the nature of the restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction.

Contributed Services

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

Cash

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

Loan Closing Costs

Loan closing costs are amortized to interest expense on a straight-line basis over the life of the loan which approximates the effective interest method.

Fair Values of Financial Instruments

At June 30, 2023 and 2022, the carrying value of financial instruments such as cash, receivables, accounts payable, and borrowings under notes payable approximated their fair values.

Property and Equipment

The School capitalizes all expenditures for property and equipment in excess of \$5,000. Property and equipment are recorded at cost or fair value, if donated. Leasehold improvements are amortized over the life of the lease. Other property and equipment are depreciated using straight-line methods over their estimated useful lives as follows:

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

Tax Status

The School is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is classified as an organization which is not a private foundation under Section 509(a) of the U.S. Internal Revenue Code. The School qualifies for the charitable contribution deduction. Management does not believe there are any uncertain tax positions as defined by FASB ASC 740, *Income Taxes*.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain indirect costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and benefits which are allocated on the basis of estimates of time and effort.

Use of Estimates

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

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 (“ASU 2016-02”), *Leases* Topic 842, which supersedes the lease recognition requirements in Accounting Standards Codification Topic 840, *Leases*. Several updates to the ASU have subsequently been issued.

Effective July 1, 2022, the School adopted FASB ASC 842, *Leases*. The School determines if an arrangement contains a lease at inception based on whether the School has the right to control the asset during the contract period and other facts and circumstances. The School elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use-assets and operating lease liabilities of \$125,340 as of July 1, 2022. Results for periods beginning prior to July 1, 2022 continue to be reported in accordance with our historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on the School’s results of operations, cash flows, or debt covenants.

NOTE 3. LIQUIDITY AND AVAILABILITY

The School manages its liquidity by developing annual budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the School are expected to be met on a monthly basis from contributions received without donor restriction, Atlanta Public School Funding, grant revenue, and other sources for general expenditures. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position as of June 30, 2023 and 2022, comprise of the following:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and certificates of deposits	\$ 3,409,422	\$ 2,248,653
Grants receivable	<u>256,790</u>	<u>2,156,763</u>
Total financial assets without donor or other restrictions available for general use within one year	<u>\$ 3,666,212</u>	<u>\$ 4,405,416</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2023 and 2022 is composed of the following:

	2023	2022
Buildings and building improvements	\$ 2,022,297	\$ 2,022,297
Leasehold improvements	2,993,060	2,713,342
Computer equipment and software	702,906	699,830
Other equipment	855,044	787,219
Furniture and fixtures	344,318	297,396
Less accumulated depreciation	(3,257,560)	(2,924,817)
Net property and equipment	\$ 3,660,065	\$ 3,595,267

Depreciation expense amounted to \$332,743 and \$261,726 for the years ended June 30, 2023 and 2022, respectively.

NOTE 5. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy described in Note 2, the School's assets at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 198	\$ -	\$ -	\$ 198
Mutual funds	479,825	-	-	479,825
Exchange traded funds	106,749	-	-	106,749
Equities	4,847	-	-	4,847
	\$ 591,619	\$ -	\$ -	\$ 591,619

The following table sets forth by level, within the fair value hierarchy described in Note 2, the School's assets at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 67,271	\$ -	\$ -	\$ 67,271
Mutual funds	395,479	-	-	395,479
Exchange traded funds	99,132	-	-	99,132
Equities	4,818	-	-	4,818
	\$ 566,700	\$ -	\$ -	\$ 566,700

NOTES TO FINANCIAL STATEMENTS

NOTE 6. NOTES PAYABLE

In June 2014, the School refinanced the existing debt with an \$1,165,000 loan bearing a 5.11% fixed interest rate. On the fifth anniversary of the closing date, the interest rate will be adjusted to the greater of 4.5% or the mid-market semi-annual swap rate for USD swap transactions with a 2 year maturity plus 3.35%. The note requires monthly principal and interest installments based on a 20 year amortization with a final payment of all unpaid principal and interest due on its July 2021 maturity date. The loan is subject to a prepayment premium. Effective July 1, 2021, the school extended the maturity date to December 31, 2021.

In November 2021, the School refinanced the existing debt with an \$855,760 loan bearing a 3.75% fixed interest rate. The note requires monthly principal and interest installments based on a 7 year amortization with a final balloon payment of all unpaid principal and interest due on its November 2028 maturity date. The loan is secured by the building and improvements. The outstanding balance at June 30, 2023 and 2022 was \$790,568 and \$851,300, respectively.

Future maturities of the note payable are as follows:

Year ending June 30:		
2024	\$	63,002
2025		65,518
2026		68,053
2027		70,686
2028		73,371
Thereafter		449,938
	<u>\$</u>	<u>790,568</u>

Unamortized loan costs as of June 30, 2023 and 2022 is composed of the following:

	2023	2022
Loan cost	\$ 12,627	\$ 12,627
Less accumulated amortization	(9,771)	(1,052)
Unamortized loan cost	<u>\$ 9,771</u>	<u>\$ 11,575</u>

Amortization expense amounted to \$1,804 and \$1,052 the years ending June 30, 2023 and 2022, respectively.

Notes payable as of June 30, 2023 and 2022 is composed of the following:

	2023	2022
Note payable	\$ 790,568	\$ 851,300
Less unamortized loan cost	(9,771)	(11,575)
Note payable, net of unamortized loan cost	<u>780,797</u>	<u>839,725</u>
Less current portion	(63,002)	(60,731)
	<u>\$ 717,795</u>	<u>\$ 778,994</u>

Total interest expense on all debt for the years ended June 30, 2023 and 2022 amounted to \$31,319 and \$60,486, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LEASES

The School elected to adopt FASB ASC 842, *Leases*, using the optional transition method that allows the School to initially apply the new leases standard at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. As a result, the School reporting for the comparative period presented in the financial statements is in accordance with FASB ASC 840. The School elected to adopt the package of practical expedients available under the transition guidance with the new standard. This package includes the following: relief from determination of lease contracts included in existing or expiring leases at the point of adoption, relief from having to reevaluate the classification of leases in effect at the point of adoption, and relief from reevaluation of existing leases that have initial direct costs associated with the execution of the lease contract. The School also elected to adopt the practical expedient to use hindsight to determine the lease term and assess the impairment of the right of use assets as well as the practical expedient to use the risk-free rate when determining the present value of lease payments over the lease terms.

The School leases office space under a non-cancelable operating lease that expires in December 2024. The School leases copiers under a non-cancelable operating lease the expires in June 2028. The leases provide for fixed payments over the various lease terms. The School has elected to use the risk-free rate as the discount rate for all leases. The discount rate related to the School's lease liability as of June 30, 2023 was 2.84%.

The following is a schedule by years of minimum future rentals on the operating lease and the amortization of the net present value ("NPV") of the lease liability as of June 30, 2023:

	Minimum Annual Lease Payments	Amortization of NPV of Lease Liabilities
Year Ending June 30:		
2024	\$ 26,157	\$ 22,998
2025	20,532	18,570
2026	20,532	19,104
2027	20,532	19,654
2028	20,532	20,220
	\$ 108,285	\$ 100,546

The carrying value of the related right-of-use asset as of June 30, 2023 are:

Accumulated basis	\$ 125,934
Less – accumulated amortization	(25,388)
	\$ 100,546

Rent expense for the years ended June 30, 2023 and 2022 was \$38,873 and \$37,174, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. RESTRICTIONS ON NET ASSETS

Net assets with donor restriction at June 30, 2023 and 2022 are available as follows and are included in contributions receivable and cash:

	<u>2023</u>	<u>2022</u>
CREATE Teacher Residency Program	<u>\$ 77,787</u>	<u>\$ 188,784</u>

NOTE 9. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2023 and 2022 by incurring expenses or acquiring capital assets satisfying the restricted purposes specified by donors as follows:

	<u>2023</u>	<u>2022</u>
CREATE Teacher Residency Program	<u>\$ 110,997</u>	<u>\$ 400,567</u>

NOTE 10. RETIREMENT PLAN

The School participates in the Teachers Retirement System of Georgia (“TRS”). TRS, a cost-sharing multiple employer defined benefit plan (the “Plan”), is administered by the TRS Board of Trustees. Participation is available to all full-time public school employees as defined by the Plan. Participant employees contributed 6% of their annual salary for the years ended June 30, 2023 and 2022. The School contributed 19.98% and 19.81% of each participant’s annual salary for the years ended June 30, 2023 and 2022, respectively. School contributions totaled \$1,325,020 and \$1,323,825 for the years ended June 30, 2023 and 2022, respectively.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. FUNCTIONAL EXPENSES

Expenses for the year ended June 30, 2023 were as follows:

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salary and benefits	\$ 7,634,360	\$ 2,566,453	\$ 65,000	\$ 10,265,813
Pension	1,325,020	-	-	1,325,020
Payroll taxes	672,252	-	-	672,252
Professional fees	6,233	105,276	-	111,509
Advertising	-	-	12,590	12,590
Office	96,978	69,354	-	166,332
Technology	22,062	149,789	-	171,851
Occupancy	1,221,418	42,390	-	1,263,808
Travel	99,942	132	-	100,074
Conferences, conventions, and meetings	24,206	-	-	24,206
Insurance	-	68,032	-	68,032
Professional development	69,120	-	-	69,120
Classroom expenses	339,960	-	-	339,960
Nutrition program expenses	312,997	-	-	312,997
Other	298,585	214,648	151,115	664,348
Depreciation	-	332,743	-	332,743
	<u>\$ 12,123,133</u>	<u>\$ 3,548,817</u>	<u>\$ 228,705</u>	<u>\$ 15,900,655</u>

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 12. SUBSEQUENT EVENTS

The School has evaluated all other subsequent events, through October 26, 2023, the date the financial statements were available to be issued.

SINGLE AUDIT SECTION

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

<u>Pass-Through Grantor/Program Title</u>	<u>Grant Award #</u>	<u>Assistance Listing Number</u>	<u>Expenditures</u>
U.S. Department of Education COVID-19: Education Stabilization Fund - Elementary and Secondary School Emergency Relief	ESSER III (ARP)	84.425D	<u>\$ 1,110,399</u>
Passed Through Georgia State University: Collaboration and Reflection to Enhance Atlanta Teacher Effectiveness in Mathematics and Science	SP00013145-01	84.411C	<u>75,149</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 1,185,548</u></u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Atlanta Neighborhood Charter School, Inc. under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Atlanta Neighborhood Charter School, Inc., it is not intended and does not represent the financial position, changes in net assets, or cash flows of Atlanta Neighborhood Charter School, Inc.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. INDIRECT COST RATE

Atlanta Neighborhood Charter School, Inc. has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of Atlanta Neighborhood Charter School, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the School's financial statements, and have issued our report thereon dated October 26, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Atlanta Neighborhood Charter School, Inc.'s internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

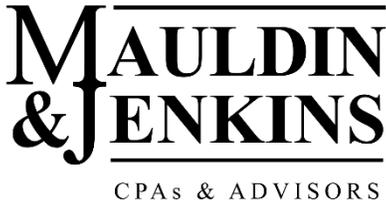
As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 26, 2023



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Atlanta Neighborhood Charter School, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2023. Atlanta Neighborhood Charter School, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Atlanta Neighborhood Charter School, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

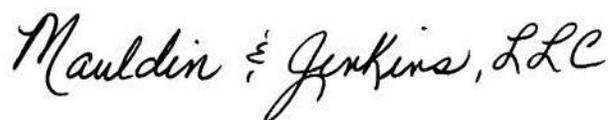
Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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



Atlanta, Georgia
October 26, 2023

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS:

Financial statements:

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

Federal Awards:

Internal controls over major programs:

Material weaknesses identified?	_____	<u>X</u>
Significant deficiencies identified not considered to be material weaknesses?	_____	<u>None reported</u>

Type of auditors' report issued on compliance for major programs

Unmodified

Audit findings required to be reported in accordance with the Uniform Guidance

None

Identification of major programs:

COVID-19: Education Stabilization Fund - Elementary and Secondary School Emergency Relief

84.425D

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

\$ 750,000

Yes

No

Auditee qualified as low-risk auditee?

X

Financial statement findings?

X

Findings and questioned costs for Federal awards?

X

**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

**ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

SUPPLEMENTAL INFORMATION



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

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

We have audited the financial statements of Atlanta Neighborhood Charter School, Inc. as of and for the year ended June 30, 2023 and have issued our report thereon dated October 26, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The supplemental statement of net position, statement of activities, balance sheet - governmental fund, statement of revenues, expenditures, and changes in fund balances - governmental fund and related reconciliations and selected notes are presented in accordance with Government Accounting Standards Board pronouncements as required by Atlanta Public Schools and the Georgia Department of Education and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 26, 2023

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

STATEMENT OF NET POSITION JUNE 30, 2023

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Assets:	
Cash	\$ 3,241,363
Certificates of deposit	245,846
Grants receivable	256,790
Prepaid expenses	4,455
Agency funds	46,493
Long term assets	
Investments	591,619
Capital assets (net of accumulated depreciation)	3,660,065
Right of use assets	100,546
Total assets	<u>8,147,177</u>
Deferred outflows of resources:	
Related to defined benefit pension plan	9,232,573
Total deferred outflows of resources	<u>9,232,573</u>
Total assets and deferred outflows of resources	<u>\$ 17,379,750</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Liabilities:	
Accounts payable	\$ 296,915
Accrued payroll and benefits	1,293,993
Operating lease liability due within one year	22,998
Note payable due within one year	63,002
Agency funds	46,493
Long term liabilities	
Note payable due in more than one year	727,566
Operating lease liability due in more than one year	77,548
Proportionate share of collective net pension liability	17,841,054
Total liabilities	<u>20,369,569</u>
Deferred inflows of resources:	
Related to defined benefit pension plan	94,852
Total deferred inflows of resources	<u>94,852</u>
Net Position:	
Net investment in capital assets	3,760,611
Restricted for:	
Restricted for use in future years	77,787
Unrestricted	(6,923,069)
Total net position	<u>(3,084,671)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 17,379,750</u>

See Independent Auditor's Report on Supplemental Information.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		<u>Net Revenues (Expenses) and Changes in Net Positions</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 12,650,638	\$ 473,462	\$ -	\$ (12,177,176)
Support services				
Pupil services	65,649	-	-	(65,649)
Improvement of instructional services	5,878,234	-	1,059,888	(4,818,346)
Federal grant administration	2,659,857	-	-	(2,659,857)
General administration	287,192	-	-	(287,192)
School administration	4,416,312	-	-	(4,416,312)
Business administration	253,291	-	-	(253,291)
Maintenance and operation of plant services	2,116,856	-	-	(2,116,856)
Other support services	150,054	-	-	(150,054)
Operations of non-instructional services				
Debt service	31,319	-	-	(31,319)
After school services	20,610	-	-	(20,610)
Food services	1,851,251	268,299	85,128	(1,497,824)
	<u>1,851,251</u>	<u>268,299</u>	<u>85,128</u>	<u>(1,497,824)</u>
Total governmental activities	<u>\$ 30,381,263</u>	<u>\$ 741,761</u>	<u>\$ 1,145,016</u>	<u>\$ (28,494,486)</u>
GENERAL REVENUES				
Atlanta Public Schools Board of Education				\$ 13,295,150
Investment earnings				24,919
				<u>13,320,069</u>
CHANGE IN NET POSITION				(15,174,417)
NET POSITION - BEGINNING OF YEAR				<u>12,089,746</u>
NET POSITION - END OF YEAR				<u>\$ (3,084,671)</u>

See Independent Auditor's Report on Supplemental Information.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

BALANCE SHEET - GOVERNMENTAL FUND

JUNE 30, 2023

ASSETS

Cash	\$	3,241,363
Certificates of deposit		245,846
Grants receivable		256,790
Investments		591,619
Other assets		4,455
Total assets	\$	<u>4,340,073</u>

LIABILITIES AND FUND BALANCES

Liabilities		
Accounts payable	\$	296,915
Accrued payroll and benefits		1,293,993
Total liabilities		<u>1,590,908</u>
Fund balances		
Restricted		77,787
Unassigned		2,671,378
Total fund balances		<u>2,749,165</u>
Total liabilities and fund balances	\$	<u>4,340,073</u>

See Independent Auditor's Report on Supplemental Information.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

TOTAL FUND BALANCES - GOVERNMENTAL FUND	\$ 2,749,165
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported as assets in governmental funds	
These assets consist of:	
Buildings and building improvements	\$ 2,022,297
Leasehold improvements	2,993,060
Computer equipment and software	702,906
Other equipment	855,044
Furniture and fixtures	344,318
Right-of-use asset	100,546
Accumulated depreciation	<u>(3,257,560)</u>
	3,760,611
Deferred outflows and inflows of resources related to the School's pension plans are applicable to future periods and, therefore, are not reported in the funds	9,232,573
The School's net pension liability is not due and payable to the current period and, therefore, is not reporting in the funds	(17,841,054)
Deferred inflows of resources related to the School's pension plans are applicable to future periods and, therefore, are not reported in the funds	(94,852)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>(891,114)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (3,084,671)</u></u>

See Independent Auditor's Report on Supplemental Information.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

REVENUES	
Federal funding	\$ 656,154
State funding	198,018
Contributions	221,069
Student activity fees	473,462
Student meal income	268,299
Other revenue	94,694
Total revenues	<u>1,911,696</u>
EXPENDITURES	
Instruction	12,650,638
Pupil services	65,649
Business administration	253,291
General administration	287,192
Improvement of instructional services	398,194
Maintenance of operation of plant services	1,349,674
School nutrition program	359,487
After school program	20,610
Other support services	150,054
Capital outlays:	
Acquisition of capital assets	397,541
Debt service:	
Interest expense	31,319
Principal payments	60,732
Total expenditures	<u>16,024,381</u>
EXCESS OF EXPENDITURES OVER REVENUES	(14,112,685)
OTHER FINANCING SOURCES	
Transfers from Atlanta Public Schools	<u>13,295,150</u>
Total other financing sources	<u>13,295,150</u>
NET CHANGE IN FUND BALANCE	(817,535)
FUND BALANCE AT BEGINNING OF YEAR	<u>3,566,700</u>
FUND BALANCE AT END OF YEAR	<u>\$ 2,749,165</u>

See Independent Auditor's Report on Supplemental Information.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2023

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUND		\$	(817,535)
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	\$	397,541	
Depreciation expense		<u>(332,743)</u>	
Excess of depreciation expense over capital outlay			64,798
Principal debt payments are reported as expenditures in governmental funds Principal payments on notes payable			60,732
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds			
Interest expense related to payment of lease liabilities			-
Pension expense			<u>(14,482,412)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES			<u>\$ (15,174,417)</u>

See Independent Auditor's Report on Supplemental Information.

ATLANTA NEIGHBORHOOD CHARTER SCHOOL, INC.
SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. CAPITAL ASSETS

Each class of capital assets is as follows as of and for the year ended June 30, 2023:

	<u>Cost</u>	<u>Depreciation</u>
BUILDINGS AND BUILDING IMPROVEMENTS		
Beginning of year balance	\$ 2,022,297	\$ 415,368
Acquisitions	-	-
Dispositions	-	-
Depreciation expense	-	32,831
End of year balance	<u>\$ 2,022,297</u>	<u>\$ 448,199</u>
LEASEHOLD IMPROVEMENTS		
Beginning of year balance	\$ 2,713,342	\$ 1,339,870
Acquisitions	279,718	-
Dispositions	-	-
Depreciation expense	-	187,450
End of year balance	<u>\$ 2,993,060</u>	<u>\$ 1,527,320</u>
COMPUTER EQUIPMENT AND SOFTWARE		
Beginning of year balance	\$ 699,830	\$ 543,731
Acquisitions	3,076	-
Dispositions	-	-
Depreciation expense	-	46,589
End of year balance	<u>\$ 702,906</u>	<u>\$ 590,320</u>
OTHER EQUIPMENT		
Beginning of year balance	\$ 787,219	\$ 310,187
Acquisitions	114,747	-
Dispositions	-	-
Transfers	(46,922)	-
Depreciation expense	-	54,208
End of year balance	<u>\$ 855,044</u>	<u>\$ 364,395</u>

**SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

1. CAPITAL ASSETS (CONTINUED)

Each class of capital assets is as follows as of and for the year ended June 30, 2023:

	Cost	Depreciation
FURNITURE AND FIXTURES		
Beginning of year balance	\$ 297,396	\$ 318,012
Acquisitions	-	-
Dispositions	-	-
Transfers	46,922	-
Depreciation expense	-	11,665
	\$ 344,318	\$ 329,677
End of year balance	\$ 344,318	\$ 329,677

2. LONG TERM LIABILITIES

Long term liabilities are as follows as of and for the year ended June 30, 2023:

Notes payable		
Beginning of year liability		\$ 851,300
Reductions		(60,732)
		\$ 790,568
End of year balance		\$ 790,568
Balance due within one year		\$ 63,002
Amounts due in future years		
Year ending June 30,		
2024		63,002
2025		65,518
2026		68,053
2027		70,686
2028		73,371
Thereafter		449,938
		\$ 790,568

**SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

3. NET POSITION AND FUND BALANCE ACCOUNTS

Restricted net assets at June 30, 2023 are available as follows:

CREATE Teacher Residency Program	\$ 77,787
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4. RETIREMENT PLAN

Pensions

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

Plan Description

All teachers of the Atlanta Public School District (the “District”), as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) and certain other support personnel as defined by §47-3-63, are provided a pension through the 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.

Benefits Provided

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

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2023. The School’s contractually required contribution rate for the year ended June 30, 2023 was 19.98% of annual School payroll. The School’s contributions to TRS were \$1,325,020 for the year ended June 30, 2023.

**SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

4. RETIREMENT PLAN (CONTINUED)

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

At June 30, 2023, the School reported a liability for its proportionate share of the net pension liability that reflected a reduction for support provided to the School by the State of Georgia for certain public school support personnel. The amount recognized by the School as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the School were as follows:

School's proportionate share of the net pension liability	\$ 17,841,054
State of Georgia's proportionate share of the net pension liability associated with the School	-
Total	\$ 17,841,054

The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2022 was determined using standard roll-forward techniques. The School's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2021. At June 30, 2022, the School's proportion was 0.054943% which was an increase of 0.004430% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the School recognized pension expense of \$2,932,227 and revenue of \$- for support provided by the State of Georgia for certain support personnel. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 740,587	\$ 92,867
Changes of assumptions	2,685,648	-
Net difference between projected and actual earnings on plan investments	3,505,260	-
Changes in proportion and differences between School contributions and proportionate share of contributions	977,253	1,985
School contributions subsequent to the measurement date	1,323,825	-
Total	\$ 9,232,573	\$ 94,852

**SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

4. RETIREMENT PLAN (CONTINUED)

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

School contributions subsequent to the measurement date of \$1,323,825 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2024	\$ 2,195,514
2025	1,687,509
2026	1,274,220
2027	2,656,653
	<u>\$ 7,813,896</u>

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

<u>Asset class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Fixed income	30.00 %	0.20 %
U.S. Large stocks	46.30 %	9.40 %
U.S. Small stocks	1.20 %	13.40 %
International developed market equities	12.30 %	9.30 %
International emerging market equities	5.20 %	11.40 %
Alternatives	5.00 %	10.50 %
Total	<u>100.00 %</u>	

**Rates shown are net of inflation*

**SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

4. RETIREMENT PLAN (CONTINUED)

Discount Rate

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

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

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

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
School's proportionate share of the net pension liability	\$ 26,916,242	\$ 17,841,054	\$ 10,429,963

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.

**SELECTED NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

4. RETIREMENT PLAN (CONTINUED)

Schedule of Proportionate Share of Net Pension Liability

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
School's proportion of the net pension liability	0.054943%	0.050513%	0.048139%	0.047814%	0.0046149%
School's proportionate share of the net pension liability	\$17,841,054	\$4,467,538	\$11,661,150	\$10,281,303	\$8,566,243
State of Georgia's proportionate share of the net pension liability associated with the school	-	-	-	-	-
Total	<u>\$17,841,054</u>	<u>\$4,467,538</u>	<u>\$11,661,150</u>	<u>\$10,281,303</u>	<u>\$8,566,243</u>
School's covered employee payroll					
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	2.68%	60%	32.5%	166%	147%
Plan fiduciary net position as a percentage of the total pension liability	72.85%	92.03%	77.01%	78.56%	80.27%
	<u>2018</u>	<u>2017</u>	<u>2016</u>		
School's proportion of the net pension liability	0.046722%	0.046846%	0.044621%		
School's proportionate share of the net pension liability	\$8,683,428	\$9,664,852	\$6,793,104		
State of Georgia's proportionate share of the net pension liability associated with the school	-	-	-		
Total	<u>\$8,683,428</u>	<u>\$9,664,852</u>	<u>\$6,793,104</u>		
School's covered employee payroll					
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	158%	180%	145%		
Plan fiduciary net position as a percentage of the total pension liability	79.33%	76.06%	81.44%		

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