

**PURPOSE BUILT SCHOOLS ATLANTA, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2023 AND 2022**



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

**PURPOSE BUILT SCHOOLS ATLANTA, INC.**  
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**JUNE 30, 2023 AND 2022**

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## 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, 2023 and 2022, 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, 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 Qualified Opinion

As discussed in Note 1 to the financial statements, CEI has not been consolidated in the accompanying June 30, 2023 and 2022 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 \$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. Total assets would be increased by \$10,994,659 and total liabilities would be increased by \$2,180,372 as of June 30, 2022 and changes in net assets would be increased by \$110,454 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 31, 2023, 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 31, 2023

**PURPOSE BUILT SCHOOLS ATLANTA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

<b>ASSETS</b>		
	<b>2023</b>	<b>2022</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 9,619,489	\$ 8,943,980
Accounts receivable – Title I funding	372,219	1,140,020
Current portion of contributions receivable	100,000	1,129,896
Grant receivable	2,646,841	2,258,513
Due from CEI	1,620,772	520,578
Other receivables	-	124,178
Prepaid items	77,712	43,420
Total current assets	14,437,033	14,160,585
<b>OTHER ASSETS</b>		
Contributions receivable, net of current portion	1,706,666	-
Property and equipment, net	1,614,950	1,829,512
Total other assets	3,321,616	1,829,512
<b>TOTAL ASSETS</b>	<b>\$ 17,758,649</b>	<b>\$ 15,990,097</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 1,705,316	\$ 1,762,535
Accrued payroll liabilities	412,637	427,054
Other accrued liabilities	136,889	374,913
Total current liabilities	2,254,842	2,564,502
<b>LONG-TERM LIABILITIES</b>		
Notes payable, net of unamortized loan costs	12,779,372	12,753,830
Total long-term liabilities	12,779,372	12,753,830
<b>TOTAL LIABILITIES</b>	<b>15,034,214</b>	<b>15,318,332</b>
<b>NET ASSETS (DEFICIT)</b>		
Without donor restrictions	902,769	(453,235)
With donor restrictions	1,821,666	1,125,000
<b>TOTAL NET ASSETS</b>	<b>2,724,435</b>	<b>671,765</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 17,758,649</b>	<b>\$ 15,990,097</b>

See notes to the financial statements.

**PURPOSE BUILT SCHOOLS ATLANTA, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
*(with comparative totals for 2022)*

	<b>2023</b>			<b>2022</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>				
Atlanta Public School funding	\$ 25,505,975	\$ -	\$ 25,505,975	\$ 27,990,467
Federal ESSER funding	2,646,841	-	2,646,841	2,258,513
Grants and contributions	377,475	3,147,000	3,524,475	1,930,677
Title 1 funding	1,154,581	-	1,154,581	1,897,980
In-kind contributions	95,625	-	95,625	114,750
Other income	737,006	-	737,006	574,220
Total support and revenue	30,517,503	3,147,000	33,664,503	34,766,607
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Satisfaction of restrictions	2,450,334	(2,450,334)	-	-
<b>TOTAL SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS</b>				
	32,967,837	696,666	33,664,503	34,766,607
<b>EXPENSES</b>				
Program expenses				
Instructional expenses	22,842,879	-	22,842,879	25,965,415
Facilities expenses	2,305,490	-	2,305,490	2,900,518
Technology expenses	636,476	-	636,476	590,810
Community support and engagement	4,605,648	-	4,605,648	4,024,920
Support expenses				
Management and general	1,221,340	-	1,221,340	1,356,537
<b>TOTAL EXPENSES</b>	31,611,833	-	31,611,833	34,838,200
<b>CHANGES IN NET ASSETS</b>	1,356,004	696,666	2,052,670	(71,593)
<b>NET ASSETS AT:</b>				
<b>BEGINNING OF YEAR</b>	(453,235)	1,125,000	671,765	743,358
<b>END OF YEAR</b>	\$ 902,769	\$ 1,821,666	\$ 2,724,435	\$ 671,765

See notes to the financial statements.

**PURPOSE BUILT SCHOOLS ATLANTA, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Atlanta Public School funding	\$ 27,990,467	\$ -	\$ 27,990,467
Federal ESSER funding	2,258,513	-	2,258,513
Grants and contributions	942,677	988,000	1,930,677
Title 1 funding	1,897,980	-	1,897,980
In-kind contributions	114,750	-	114,750
Other income	574,220	-	574,220
Total support and revenue	<u>33,778,607</u>	<u>988,000</u>	<u>34,766,607</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Satisfaction of restrictions	<u>2,013,216</u>	<u>(2,013,216)</u>	<u>-</u>
<b>TOTAL SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>35,791,823</u>	<u>(1,025,216)</u>	<u>34,766,607</u>
<b>EXPENSES</b>			
Program expenses			
Instructional expenses	25,965,415	-	25,965,415
Facilities expenses	2,900,518	-	2,900,518
Technology expenses	590,810	-	590,810
Community support and engagement	4,024,920	-	4,024,920
Support expenses			
Management and general	<u>1,356,537</u>	<u>-</u>	<u>1,356,537</u>
<b>TOTAL EXPENSES</b>	<u>34,838,200</u>	<u>-</u>	<u>34,838,200</u>
<b>CHANGES IN NET ASSETS</b>	953,623	(1,025,216)	(71,593)
<b>NET ASSETS AT:</b>			
<b>BEGINNING OF YEAR</b>	<u>(1,406,858)</u>	<u>2,150,216</u>	<u>743,358</u>
<b>END OF YEAR</b>	<u>\$ (453,235)</u>	<u>\$ 1,125,000</u>	<u>\$ 671,765</u>

See notes to the financial statements.

**PURPOSE BUILT SCHOOLS ATLANTA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
*(with comparative totals for 2022)*

	2023							2022 Total
	Program							
	Instruction	Facilities	Technology	Community Support and Engagement	Total Program	Management and General	Total	
Salaries and wages	\$ 15,363,297	\$ 119,867	\$ 3,582	\$ -	\$ 15,486,746	\$ 341,784	\$ 15,828,530	\$ 18,638,593
Pension	2,992,556	-	-	-	2,992,556	-	2,992,556	3,016,833
Other employee benefits	2,151,299	-	-	-	2,151,299	-	2,151,299	2,418,830
Charitable contributions	-	-	-	4,576,525	4,576,525	-	4,576,525	1,475,970
Transportation	1,261,287	-	-	-	1,261,287	-	1,261,287	1,346,482
Supplies	716,252	-	44,437	-	760,689	-	760,689	661,973
APS buy back services	-	709,631	26,888	-	736,519	-	736,519	858,667
Depreciation expense	-	-	470,946	-	470,946	-	470,946	344,371
Contract services	-	-	-	-	-	436,366	436,366	341,156
Utilities	-	425,193	-	-	425,193	-	425,193	712,544
Custodial services	-	341,462	-	-	341,462	-	341,462	527,479
Insurance	-	293,724	-	-	293,724	-	293,724	221,106
Security	-	275,126	-	-	275,126	-	275,126	393,308
Interest expense	-	-	-	-	-	106,331	106,331	145,324
Student incentives	159,306	-	-	-	159,306	-	159,306	171,755
Training and staff development	147,088	-	-	-	147,088	-	147,088	192,538
Repairs and maintenance	-	140,487	-	-	140,487	-	140,487	128,665
Legal and professional fees	-	-	-	-	-	138,322	138,322	239,061
Office expenses	-	-	-	-	-	127,482	127,482	135,809
Advertising	-	-	-	-	-	24,000	24,000	24,000
Service fees	-	-	-	-	-	-	-	2,500,000
Other	51,794	-	90,623	29,123	171,540	47,055	218,595	343,736
	<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>	<u>\$ 34,838,200</u>

See notes to the financial statements.

**PURPOSE BUILT SCHOOLS ATLANTA, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2022**

	Program					Total
	Instruction	Facilities	Technology	Community Support and Engagement	Management and General	
Salaries and wages	\$ 18,069,676	\$ 96,519	\$ 50,562	\$ -	\$ 421,836	\$ 18,638,593
Pension	3,016,833	-	-	-	-	3,016,833
Other employee benefits	2,418,830	-	-	-	-	2,418,830
Service fees	-	-	-	2,500,000	-	2,500,000
Charitable contributions	-	-	-	1,475,970	-	1,475,970
Transportation	1,346,482	-	-	-	-	1,346,482
APS buy back services	-	820,897	37,770	-	-	858,667
Utilities	-	712,544	-	-	-	712,544
Supplies	624,080	-	37,893	-	-	661,973
Custodial services	-	527,479	-	-	-	527,479
Security	-	393,308	-	-	-	393,308
Depreciation expense	-	-	344,371	-	-	344,371
Contract services	-	-	-	-	341,156	341,156
Legal and professional fees	-	-	-	-	239,061	239,061
Insurance	-	221,106	-	-	-	221,106
Training and staff development	192,538	-	-	-	-	192,538
Student incentives	171,755	-	-	-	-	171,755
Interest expense	-	-	-	-	145,324	145,324
Office expenses	-	-	-	-	135,809	135,809
Repairs and maintenance	-	128,665	-	-	-	128,665
Advertising	-	-	-	-	24,000	24,000
Other	125,221	-	120,214	48,950	49,351	343,736
	<u>\$ 25,965,415</u>	<u>\$ 2,900,518</u>	<u>\$ 590,810</u>	<u>\$ 4,024,920</u>	<u>\$ 1,356,537</u>	<u>\$ 34,838,200</u>

See notes to the financial statements.

**PURPOSE BUILT SCHOOLS ATLANTA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 2,052,670	\$ (71,593)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	470,946	344,371
Loan cost amortization	25,542	25,542
Decrease (increase) in:		
Accounts receivable – Title 1 funding	767,801	(898,734)
Contributions receivable	(676,770)	905,000
Grant receivable	(388,328)	(137,218)
Other receivables	124,178	(87,008)
Prepaid expenses	(34,292)	88,262
Due to/from CEI	(1,100,194)	(38,829)
Increase in accounts payable and accrued liabilities	<u>(309,660)</u>	<u>400,564</u>
Net cash provided by operating activities	<u>931,893</u>	<u>530,357</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Property and equipment purchases	<u>(256,384)</u>	<u>(800,796)</u>
Net cash used in investing activities	<u>(256,384)</u>	<u>(800,796)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on line of credit	<u>-</u>	<u>(2,875,065)</u>
Net cash used in financing activities	<u>-</u>	<u>(2,875,065)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	675,509	(3,145,504)
<b>CASH AND CASH EQUIVALENTS AT:</b>		
<b>BEGINNING OF YEAR</b>	<u>8,943,980</u>	<u>12,089,484</u>
<b>END OF YEAR</b>	<u>\$ 9,619,489</u>	<u>\$ 8,943,980</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Interest paid during the year	<u>\$ 78,289</u>	<u>\$ 148,704</u>

See notes to financial statements.

**PURPOSE BUILT SCHOOLS ATLANTA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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**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.

**PURPOSE BUILT SCHOOLS ATLANTA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **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 uncollectible receivables is provided based on management's evaluation of potential uncollectible promises receivable at year end. Management does not consider any amounts to be uncollectible at June 30, 2023 and 2022.

### **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. No allowance was deemed necessary for the years ended June 30, 2023 and 2022.

**PURPOSE BUILT SCHOOLS ATLANTA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**In-Kind Contributions**

PBSA utilizes in-kind contributions to carry out its mission. All in-kind contributions received during the years ended June 30, 2023 and 2022 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 years ended June 30, 2023 and 2022. These services have been valued at \$95,625 and \$114,750 for June 30, 2023 and 2022, respectively, based on current 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, 2023, 92% of contributions receivable was attributable to one donor and 81% of grants and contribution income was attributable to two donors. At June 30, 2022, 89% of contributions receivable was attributable to one donor and 77% of grants and contribution income was attributable to four 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, 2023 AND 2022**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Property and Equipment**

PBSA capitalizes all expenditures for furniture, fixtures and equipment in excess of \$1,000. 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, receivables, 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.

**Reclassifications**

Certain 2022 amounts have been reclassified to conform to the 2023 presentation. These reclassifications had no effect on net assets as previously reported.

**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. There was no cumulative effect adjustment to PBSA's net assets as a result of the adoption of this standard. In connection with the adoption of Topic 842, PBSA elected to apply the following practical expedients:

- not to reassess whether a contract includes an embedded lease at adoption;
- not to reassess the previously determined classification of a lease as operating or capital;
- not to reassess previously recorded initial direct costs;
- election of an accounting policy that permits inclusion of both the lease and non-lease components as a single lease component;
- election of an accounting policy to exclude lease accounting requirements for leases that have terms of less than 12 months; and
- the use of hindsight in determining the lease term and in assessing impairment of right-of-use assets.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

In accordance with Topic 842, at lease commencement, PBSA initially measures the lease liability at the present value of payments expected to be made during the lease term. The right-of-use lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs.

Key estimates and judgments related to leases include how PBSA determines: (1) the discount rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. PBSA uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, PBSA generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease, as well as expected renewal terms. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

PBSA monitors changes in circumstances that would require a remeasurement of its leases and will remeasure right-of-use lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of any lease liability.

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, 2023 and October 31, 2023, 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, 2023 are due to be received in the following years:

<b><u>For the Year Ending June 30,</u></b>	
2024	\$ 100,000
2025	873,333
2026	833,333
	<u>\$ 1,806,666</u>

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**4. PROPERTY AND EQUIPMENT**

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

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 1,457,608	\$ 1,294,691
Machinery and equipment	166,216	122,636
Vehicle	55,998	55,998
Furniture and fixtures	475,498	475,498
Building improvements	<u>1,064,432</u>	<u>1,014,545</u>
	3,219,752	2,963,368
Less accumulated depreciation	<u>(1,604,802)</u>	<u>(1,133,856)</u>
	<u>\$ 1,614,950</u>	<u>\$ 1,829,512</u>

Depreciation expense of \$470,946 and \$344,371 was recorded for the years ended June 30, 2023 and 2022, 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.

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**6. NOTES PAYABLE**

**Revolving Line of Credit**

During the year ended June 30, 2017, PBSA entered into a revolving line of credit totaling \$5,000,000. The line of credit bore interest at Overnight LIBOR plus 1.9% and a 0.2% “unused” fee on any unused portion of the line. Quarterly interest and fee payments were required. The credit line matured on September 22, 2019 and was renewed and extended through September 22, 2022. The revolving line of credit was guaranteed by The Cousins Foundation. There was an outstanding balance on the credit line of \$2,875,065 at June 30, 2021. During the year ended June 30, 2022, the line of credit balance was paid and the agreement was not renewed.

**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, with all terms remaining the same, to September 13, 2026.

**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.

<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.

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**6. NOTES PAYABLE – CONTINUED**

**Loan Costs**

Loan costs of \$249,623 are net of accumulated amortization of \$148,995 and \$123,453 as of June 30, 2023 and 2022, respectively. Amortization expense of \$25,542 for the years ended June 30, 2023 and 2022, is included in interest expense.

Notes payable as of June 30, 2023 and 2022 are summarized below:

	<u>2023</u>	<u>2022</u>
Notes payable	\$ 12,880,000	\$ 12,880,000
Less unamortized loan closing costs	<u>(100,628)</u>	<u>(126,170)</u>
	<u>\$ 12,779,372</u>	<u>\$ 12,753,830</u>

Interest expense, exclusive of amortization, for the years ended June 30, 2023 and 2022 was \$80,789 and \$119,782, respectively.

**7. NET ASSETS – DESIGNATIONS AND RESTRICTIONS**

Net assets with donor restrictions at June 30, 2023 and 2022 are available as follows:

	<u>2023</u>	<u>2022</u>
Donor-restricted – purpose		
THES farm program	\$ 130,000	\$ 100,000
STEAM program	25,000	25,000
Community support program	<u>-</u>	<u>1,000,000</u>
	155,000	1,125,000
Donor-restricted – time		
Year ending June 30, 2025	833,333	-
Year ending June 30, 2026	<u>833,333</u>	<u>-</u>
	<u>\$ 1,821,666</u>	<u>\$ 1,125,000</u>

Net assets with donor restrictions for Community Support Program are also time restricted in line with the related contributions receivable.

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.

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**7. NET ASSETS – DESIGNATIONS AND RESTRICTIONS – CONTINUED**

Net assets with donor restrictions released from restrictions during the years ended June 30, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Student and family support	\$ 350,000	\$ 825,000
Community support program	160,000	1,000,000
THES farm program	97,000	168,320
STEAM program	10,000	-
Emotional learning curriculum	-	19,896
Passage of time	1,833,334	-
	<u>\$ 2,450,334</u>	<u>\$ 2,013,216</u>

**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, 2023 and 2022 amounted to approximately \$47,000 and \$59,000, respectively. The future minimum lease payments which extend beyond one year are as follows:

<u>For the Year Ending June 30,</u>	
2024	\$ 42,439
2025	23,282
2026	5,328

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**9. RELATED PARTY TRANSACTIONS**

On July 1, 2017, PBSA entered into a service agreement with CEI as part of the NMTC transaction described in Note 5. The service agreement required PBSA to pay CEI \$2,200,000 in the initial year of operations and \$2,500,000 for subsequent years through June 30, 2022. The agreement specified that CEI was to provide the following services in exchange for the service fee: afterschool programming; Saturday and summer programming; recreation and enrichment programs; housing legal services; family counseling and social/emotional health support; early learning programs; adult education, job training, and family self-sufficiency programs; and parent engagement programs. \$2,500,000 was due to CEI as of June 30, 2022 and is included in service fee on the statements of activities for the year ended June 30, 2022.

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.

As of June 30, 2022, PBSA owes CEI \$1,000,000 for contributions received on behalf of CEI and \$1,773,422 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, along with the service fee of \$2,500,000 due from PBSA to CEI, are netted in due from CEI on the accompanying statement of financial position.

During the years ended June 30, 2023 and 2022 PBSA made contributions of \$3,349,475 and \$1,469,418, respectively, to 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, 2023 and 2022. PBSA contributed 19.98% and 19.81% of each participant's annual salary for the years ended June 30, 2023 and 2022, respectively. Employer contributions totaled approximately \$2,993,000 and \$3,017,000 for the years ended June 30, 2023 and 2022, respectively.

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**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 ended June 30, 2023 and 2022. 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, 2023 and 2022 totaled \$736,519 and \$858,667, respectively. At June 30, 2023 and 2022 approximately \$68,000 and \$122,000, respectively, was payable to APS for these services and is included in accounts payable.

**12. LIQUIDITY AND FUNDS AVAILABLE**

The following table reflects PBSA's financial assets as of June 30, 2023 and 2022, 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 9,619,489	\$ 8,943,980
Accounts receivable – Title I Funds	372,219	1,140,020
Current portion of contributions receivable	100,000	1,129,896
Grant receivable	2,646,841	2,258,513
Due from CEI	1,620,772	520,578
Other receivables	-	124,178
Financial assets, at year end	<u>14,359,321</u>	<u>14,117,165</u>
Less: Assets unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Net assets with donor restrictions	1,821,666	1,125,000
Adjusted for: long-term contributions receivable	<u>(1,706,666)</u>	<u>-</u>
	<u>115,000</u>	<u>1,125,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,244,321</u>	<u>\$ 12,992,165</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.

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**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 February 2021 PBSA was allocated CARES funding through the Elementary and Secondary School Emergency Relief Fund (ESSER) totaling \$2,577,873. The funds are also retroactive to March 13, 2020 and will be available through September 2023. As of June 30, 2022 \$1,115,888 as revenue on the statements of activities.

In May 2021 PBSA was allocated additional ESSER funding totaling \$5,789,533. The funds will be available through September 2024. As of June 30, 2023 and 2022 PBSA recognized \$2,646,841 and \$1,142,625, respectively, as revenue in the statements of activities.