PURPOSE BUILT SCHOOLS ATLANTA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021 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 $10,994,659 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. Total assets would be increased by $10,845,986 and total liabilities would be increased by $2,142,153 as of June 30, 2021 and changes in net assets would be increased by $3,484,248 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 26, 2022, 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 26, 2022

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 8,943,980	$ 12,089,484
Accounts receivable – Title I Funds	1,140,020	241,286
Current portion of contributions receivable	1,129,896	1,034,896
Grant receivable	2,258,513	2,121,295
Due from CEI	520,578	481,749
Other receivables	124,178	37,170
Prepaid items	43,420	131,682
Total current assets	14,160,585	16,137,562
OTHER ASSETS		
Contributions receivable, net of current portion	-	1,000,000
Property and equipment, net	1,829,512	1,373,087
Total other assets	1,829,512	2,373,087
TOTAL ASSETS	$ 15,990,097	$ 18,510,649

LIABILITIES AND NET ASSETS

	2022	2021
LIABILITIES		
Accounts payable	$ 1,762,535	$ 728,227
Accrued payroll liabilities	427,054	1,004,180
Other accrued liabilities	374,913	431,531
Total current liabilities	2,564,502	2,163,938
LONG-TERM LIABILITIES		
Notes payable, net of unamortized loan costs	12,753,830	15,603,353
Total long-term liabilities	12,753,830	15,603,353
TOTAL LIABILITIES	15,318,332	17,767,291
NET ASSETS (DEFICIT)		
Without donor restrictions	(453,235)	(1,406,858)
With donor restrictions	1,125,000	2,150,216
TOTAL NET ASSETS	671,765	743,358
TOTAL LIABILITIES AND NET ASSETS	$ 15,990,097	$ 18,510,649

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(with comparative totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Atlanta Public School funding	$ 27,990,467	$ -	$ 27,990,467	$ 26,285,964
Federal ESSER funding	2,258,513	-	2,258,513	2,121,295
Grants and contributions	942,677	988,000	1,930,677	4,232,196
Title 1 funding	1,897,980	-	1,897,980	1,483,946
In-kind contributions	114,750	-	114,750	242,800
Other income	574,220	-	574,220	602,388
Total support and revenue	33,778,607	988,000	34,766,607	34,968,589
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of restrictions	2,013,216	(2,013,216)	-	-
TOTAL SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	35,791,823	(1,025,216)	34,766,607	34,968,589
EXPENSES				
Program expenses				
Instructional expenses	25,965,415	-	25,965,415	22,302,806
Facilities expenses	2,900,518	-	2,900,518	2,425,942
Technology expenses	590,810	-	590,810	425,048
Community support and engagement	4,024,920	-	4,024,920	6,070,020
Support expenses				
Management and general	1,356,537	-	1,356,537	1,083,063
TOTAL EXPENSES	34,838,200	-	34,838,200	32,306,879
CHANGES IN NET ASSETS	953,623	(1,025,216)	(71,593)	2,661,710
NET ASSETS (DEFICIT) AT:				
BEGINNING OF YEAR	(1,406,858)	2,150,216	743,358	(1,918,352)
END OF YEAR	$ (453,235)	$ 1,125,000	$ 671,765	$ 743,358

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Atlanta Public School funding	$ 26,285,964	$ -	$ 26,285,964
Federal ESSER funding	2,121,295	-	2,121,295
Grants and contributions	845,300	3,386,896	4,232,196
Title 1 funding	1,483,946	-	1,483,946
In-kind contributions	242,800	-	242,800
Other income	602,388	-	602,388
Total support and revenue	31,581,693	3,386,896	34,968,589
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of restrictions	1,826,955	(1,826,955)	-
TOTAL SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	33,408,648	1,559,941	34,968,589
EXPENSES			
Program expenses			
Instructional expenses	22,302,806	-	22,302,806
Facilities expenses	2,425,942	-	2,425,942
Technology expenses	425,048	-	425,048
Community support and engagement	6,070,020	-	6,070,020
Support expenses			
Management and general	1,083,063	-	1,083,063
TOTAL EXPENSES	32,306,879	-	32,306,879
CHANGES IN NET ASSETS	1,101,769	1,559,941	2,661,710
NET ASSETS (DEFICIT) AT:			
BEGINNING OF YEAR	(2,508,627)	590,275	(1,918,352)
END OF YEAR	$ (1,406,858)	$ 2,150,216	$ 743,358

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(with comparative totals for 2021)

	2022							
	Program							
	Instruction	Facilities	Technology	Community Support and Engagement	Total Program	Management and General	Total	2021 Total
Salaries and wages	$ 18,069,676	$ 96,519	$ 50,562	$ -	$ 18,216,757	$ 421,836	$ 18,638,593	$ 16,997,704
Pension	3,016,833	-	-	-	3,016,833	-	3,016,833	2,951,695
Other employee benefits	2,418,830	-	-	-	2,418,830	-	2,418,830	2,054,628
Service fees	-	-	-	2,500,000	2,500,000	-	2,500,000	2,500,000
Charitable contributions	-	-	-	1,475,970	1,475,970	-	1,475,970	3,559,684
Transportation	1,346,482	-	-	-	1,346,482	-	1,346,482	163,005
APS buy back services	-	820,897	37,770	-	858,667	-	858,667	719,154
Utilities	-	712,544	-	-	712,544	-	712,544	618,296
Supplies	624,080	-	37,893	-	661,973	-	661,973	537,978
Custodial services	-	527,479	-	-	527,479	-	527,479	425,356
Security	-	393,308	-	-	393,308	-	393,308	345,363
Depreciation expense	-	-	344,371	-	344,371	-	344,371	199,075
Contract services	-	-	-	-	-	341,156	341,156	103,788
Legal and professional fees	-	-	-	-	-	239,061	239,061	192,925
Insurance	-	221,106	-	-	221,106	-	221,106	197,025
Training and staff development	192,538	-	-	-	192,538	-	192,538	97,446
Student incentives	171,755	-	-	-	171,755	-	171,755	100,636
Interest expense	-	-	-	-	-	145,324	145,324	163,994
Office expenses	-	-	-	-	-	135,809	135,809	112,823
Repairs and maintenance	-	128,665	-	-	128,665	-	128,665	61,579
Advertising	-	-	-	-	-	24,000	24,000	24,000
Other	125,221	-	120,214	48,950	294,385	49,351	343,736	180,725
	$ 25,965,415	$ 2,900,518	$ 590,810	$ 4,024,920	$ 33,481,663	$ 1,356,537	$ 34,838,200	$ 32,306,879

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program						
	Instruction	Facilities	Technology	Community Support and Engagement	Total Program	Management and General	Total
Salaries and wages	$ 16,425,896	$ 95,019	$ 38,286	$ -	$ 16,559,201	$ 438,503	$ 16,997,704
Pension	2,951,695	-	-	-	2,951,695	-	2,951,695
Other employee benefits	2,054,628	-	-	-	2,054,628	-	2,054,628
Charitable contributions	-	-	-	3,559,684	3,559,684	-	3,559,684
Service fees	-	-	-	2,500,000	2,500,000	-	2,500,000
APS buy back services	-	683,304	35,850	-	719,154	-	719,154
Utilities	-	618,296	-	-	618,296	-	618,296
Supplies	495,355	-	42,623	-	537,978	-	537,978
Custodial services	-	425,356	-	-	425,356	-	425,356
Security	-	345,363	-	-	345,363	-	345,363
Depreciation expense	-	-	199,075	-	199,075	-	199,075
Insurance	-	197,025	-	-	197,025	-	197,025
Legal and professional fees	-	-	-	-	-	192,925	192,925
Interest expense	-	-	-	-	-	163,994	163,994
Transportation	163,005	-	-	-	163,005	-	163,005
Office expenses	-	-	-	-	-	112,823	112,823
Contract services	-	-	-	-	-	103,788	103,788
Student incentives	100,636	-	-	-	100,636	-	100,636
Training and staff development	97,446	-	-	-	97,446	-	97,446
Repairs and maintenance	-	61,579	-	-	61,579	-	61,579
Advertising	-	-	-	-	-	24,000	24,000
Other	14,145	-	109,214	10,336	133,695	47,030	180,725
	$ 22,302,806	$ 2,425,942	$ 425,048	$ 6,070,020	$ 31,223,816	$ 1,083,063	$ 32,306,879

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (71,593)	$ 2,661,710
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	344,371	199,075
Donated property and equipment	-	(128,050)
Loan cost amortization	25,542	25,542
Loss on disposal of property and equipment	-	3,117
(Increase) decrease in:		
Accounts receivable – Title 1	(898,734)	181,177
Contributions receivable	905,000	(1,932,397)
Grant receivable	(137,218)	(2,121,295)
Other receivables	(87,008)	(19,156)
Prepaid expenses	88,262	(53,884)
Due to/from CEI	(38,829)	3,529,929
Increase (decrease) in accounts payable and accrued liabilities	400,564	(728,175)
Net cash provided by operating activities	530,357	1,617,593
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment purchases	(800,796)	(461,143)
Net cash used in investing activities	(800,796)	(461,143)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on line of credit	(2,875,065)	-
Net cash used in financing activities	(2,875,065)	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,145,504)	1,156,450
CASH AND CASH EQUIVALENTS AT:		
BEGINNING OF YEAR	12,089,484	10,933,034
END OF YEAR	$ 8,943,980	$ 12,089,484
SUPPLEMENTAL DISCLOSURES:		
Interest paid during the year	$ 148,704	$ 52,769

See notes to financial statements.

1. ORGANIZATION AND BUSINESS

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Standards
On July 1, 2021, PBSA adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires contributed nonfinancial assets to be presented as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. The ASU also requires the disaggregation of the contributed nonfinancial assets recognized within the statements of activities by the category that depicts the type of contributed nonfinancial assets. For each type of contributed nonfinancial asset certain additional disclosures are required.

PBSA applied the retrospective approach to the statements of activities when adopting ASU 2020-07. Other than these changes in presentation on the statements of activities and in the footnotes to the financial statements for the years ended June 30 2022 and 2021, the adoption of ASU 2020-07 did not have an impact on its results of operations.

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, 2022 and 2021.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2022 and 2021.

In-Kind Contributions
PBSA utilizes in-kind contributions to carry out its mission. All in-kind contributions received during the years ended June 30, 2022 and 2021 were considered without donor restrictions and able to be used by PBSA as determined by the Board of Directors and management. PBSA valued in-kind contributed services based on current market rates for comparable services. In-kind contributions are included in support revenue and program expenses in the accompanying statements of activities.

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

A nonprofit consultant that works with a network of communities and schools provided management and consulting services at no charge to PBSA during the year ended June 30, 2022 and 2021. These services have been valued at $114,750 for June 30, 2022 and 2021, based on current market rates.

Other In-Kind Contributions: PBSA received donated computers with an estimated fair value of $128,050 for the year ended June 30, 2021. The computers were used in instructional enhancement.

PBSA received gifts-in-kind for the years ended June 30,:

	2022	2021
Professional services	$ 114,750	$ 114,750
Fixed assets	-	128,050
	$ 114,750	$ 242,800

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2022, 89% of contributions receivable was attributable to one donor and 77% of grants and contribution income was attributable to four donors. At June 30, 2021, 98% of contributions receivable was attributable to one donor and 83% of grants and contribution income was attributable to one donor.

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.

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. The carrying value of notes with variable interest rates approximates fair value because the variable rates reflect current market rates for loans with similar maturities and credit quality.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 2021 amounts have been reclassified to conform to the 2022 presentation. These reclassifications had no effect on net assets as previously reported.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases,* increasing the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statements of financial position and disclosing key information about leasing arrangements. The amendments in this update are effective for fiscal years beginning after December 15, 2021. PBSA is currently evaluating the effects that the provisions of ASU 2016-02 will have on PBSA's financial statements.

Events Occurring After Report Date

Management has evaluated events and transactions that occurred between June 30, 2022 and October 26, 2022, 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, 2022 are due to be received in the following year.

4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 and 2021 is composed of the following:

	2022	2021
Computer equipment	$ 1,294,691	$ 1,055,349
Machinery and equipment	122,636	122,636
Vehicle	55,998	55,998
Furniture and fixtures	475,498	36,508
Building improvements	1,014,545	892,081
	2,963,368	2,162,572
Less accumulated depreciation	(1,133,856)	(789,485)
	$ 1,829,512	$ 1,373,087

Depreciation expense of $344,371 and $199,075 was recorded for the years ended June 30, 2022 and 2021, respectively.

5. NEW MARKETS TAX CREDIT 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 entered into a series of agreements and transactions with a CDE and its subsidiary and an investment fund affiliated with a bank.

6. NOTES PAYABLE

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 bears 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 are 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.

Note Payable	Payment Terms	Maturity Date
$ 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
$ 11,880,000		

6. NOTES PAYABLE – CONTINUED

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

Loan Costs
Loan costs of $249,623 are net of accumulated amortization of $123,453 and $97,911 as of June 30, 2022 and 2021, respectively. Amortization expense of $25,542 for the years ended June 30, 2022 and 2021, is included in interest expense.

Notes payable as of June 30, 2022 and 2021 are summarized below:

	2022	2021
Notes payable	$ 12,880,000	$ 15,755,065
Less unamortized loan closing costs	(126,170)	(151,712)
	$ 12,753,830	$ 15,603,353

Interest expense, exclusive of amortization, for the years ended June 30, 2022 and 2021 was $119,782 and $138,452, respectively.

7. NET ASSETS – DESIGNATIONS AND RESTRICTIONS

Net assets with donor restrictions at June 30, 2022 and 2021 are available as follows:

	2022	2021
Donor-restricted – purpose		
Community support program	$ 1,000,000	$ 2,000,000
THES farm program	100,000	105,320
STEAM program	25,000	25,000
Emotional learning curriculum	-	19,896
	$ 1,125,000	$ 2,150,216

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.

7. NET ASSETS – DESIGNATIONS AND RESTRICTIONS – CONTINUED

Net assets with donor restrictions released from restrictions during the years ended June 30, 2022 and 2021, were as follows:

	2022	2021
Community support program	$ 1,000,000	$ 1,366,578
Student and family support	825,000	-
THES farm program	168,320	108,130
Emotional learning curriculum	19,896	282,498
THES reading initiatives	-	19,480
STEAM coordinator	-	3,269
Other	-	47,000
	$ 2,013,216	$ 1,826,955

8. COMMITMENTS

School Facility Leases
PBSA entered into lease agreements with APS providing for the lease of Thomasville Heights Elementary School, 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.

Lease of Office Equipment
PBSA leases office equipment under several operating leases. Rent expense for the years ended June 30, 2022 and 2021 amounted to approximately $59,000. The future minimum lease payments which extend beyond one year are as follows:

For the Year Ending June 30,	
2023	$ 26,140
2024	12,139

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 requires 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 specifies that CEI is 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 is due to CEI as of June 30, 2022 and 2021 and included in service fee on the statements of activities for the years ended June 30, 2022 and 2021.

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 statements of financial position.

As of June 30, 2021, PBSA owes CEI $2,000,000 for contributions received on behalf of CEI and $812,251 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 statements of financial position.

During the years ended June 30, 2022 and 2021 PBSA made contributions of $1,469,418 and $3,551,760, 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, 2022 and 2021. PBSA contributed 19.81% and 19.06% of each participant’s annual salary for the years ended June 30, 2022 and 2021, respectively. Employer contributions totaled approximately $3,017,000 and $2,952,000 for the years ended June 30, 2022 and 2021, respectively.

11. CONTRACT WITH APS

In addition to the contract described in Note 1, PBSA entered into an operational service agreement with APS during the year ended June 30, 2017. The agreement 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, 2022 and 2021. 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, 2022 and 2021 totaled $858,667 and $719,154, respectively. At June 30, 2022 and 2021 approximately $122,000 and $93,000, 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, 2022 and 2021, 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.

	2022	2021
Cash and cash equivalents	$ 8,943,980	$ 12,089,484
Accounts receivable – Title I Funds	1,140,020	241,286
Current portion of contributions receivable	1,129,896	1,034,896
Grant receivable	2,258,513	2,121,295
Due from CEI	520,578	481,749
Other receivables	124,178	37,170
Financial assets, at year end	14,117,165	16,005,880
Less: Assets unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Net assets with donor restrictions	1,125,000	2,150,216
Adjusted for: long-term contributions receivable	-	(1,000,000)
	1,125,000	1,150,216
Financial assets available to meet cash needs for general expenditures within one year	$ 12,992,165	$ 14,855,664

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

13. FEDERAL CORONAVIRUS AID RELIEF

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

In June 2020 PBSA was allocated CARES funding through the Elementary and Secondary School Emergency Relief Fund (ESSER) totaling $659,319. The funds were used for COVID-19 related costs, as directed by APS and were retroactive to March 13, 2020 and are available through September 2022. PBSA recognized $659,310 as revenue on the statement of activities as of June 30, 2021.

In February 2021 PBSA was allocated additional ESSER funding 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 and 2021 PBSA, recognized $1,115,888 and $1,461,985, respectively, 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, 2022 PBSA recognized $1,142,625 as revenue on the statement of activities.