PURPOSE BUILT SCHOOLS ATLANTA, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Warren Averett
CPAs AND ADVISORS

PURPOSE BUILT SCHOOLS ATLANTA, INC.
TABLE OF CONTENTS
JUNE 30, 2018 AND 2017

Warren Averett
CPAs AND ADVISORS

6 Concourse Parkway, Suite 600
Atlanta, GA 30328-5351
770.396.1100
warrenaverett.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements
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, 2018 and 2017, the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Modified Opinion

As discussed in Note 1 to the financial statements, PBSA Community Engagement, Inc. (CEI) has not been consolidated in the accompanying June 30, 2018 financial statements. In our opinion, accounting principles generally accepted in the United States of America require that Purpose Built Schools Atlanta, Inc. (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 $11,718,326 and total liabilities would be increased by $7,866,571 as of June 30, 2018 and changes in net assets would be increased by $3,851,755 for the year then ended.

Modified Opinion

In our opinion, except for the effects of not consolidating the activity of PBSA and CEI, as discussed in the Basis for Modified 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, 2018 and 2017, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2018, on our consideration of Purpose Built Schools Atlanta, 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 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 Purpose Built Schools Atlanta, Inc.'s internal control over financial reporting and compliance.

Warren Averett, LLC

Atlanta, Georgia
October 10, 2018

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 10,526,872	$ 950,156
Accounts receivable – Title I Funds	78,987	77,449
Current portion of contributions receivable	2,591,334	1,219,000
Due from CEI	885,214	-
Other receivables	40,206	194,907
Prepaid items	134,245	502,490
Total current assets	14,256,858	2,944,002
OTHER ASSETS		
Contributions receivable, net of current portion	2,216,333	1,066,000
Property and equipment, net	1,102,510	135,801
Total other assets	3,318,843	1,201,801
TOTAL ASSETS	$ 17,575,701	$ 4,145,803

LIABILITIES AND NET ASSETS

	2018	2017
LIABILITIES		
Accounts payable	$ 628,480	$ 641,736
Accrued payroll liabilities	1,104,328	337,228
Other accrued liabilities	1,084,232	157,281
Current portion of notes payable	2,875,065	-
Total current liabilities	5,692,105	1,136,245
LONG TERM LIABILITIES		
Notes payable, net of current portion and unamortized loan costs	12,651,662	2,985,065
Total long term liabilities	12,651,662	2,985,065
TOTAL LIABILITIES	18,343,767	4,121,310
NET ASSETS		
Unrestricted	(5,678,341)	(2,700,928)
Temporarily restricted	4,910,275	2,725,421
TOTAL NET ASSETS	(768,066)	24,493
TOTAL LIABILITIES AND NET ASSETS	$ 17,575,701	$ 4,145,803

See notes to financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(with comparative totals for 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Atlanta Public School funding	$ 19,033,684	$ -	$ 19,033,684	$ 5,634,526
Grants and contributions	252,382	7,176,250	7,428,632	2,836,308
Title 1 funding	951,789	-	951,789	348,720
Bright from the Start grant	-	-	-	67,238
In kind contributions	114,750	-	114,750	246,500
Other income	11,747	-	11,747	6,082
Total support and revenue	20,364,352	7,176,250	27,540,602	9,139,374
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of restrictions	4,991,396	(4,991,396)	-	-
TOTAL SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	25,355,748	2,184,854	27,540,602	9,139,374
EXPENSES				
Program expenses				
Instructional expenses	18,166,309	-	18,166,309	6,893,672
Facilities expenses	2,236,110	-	2,236,110	661,202
Technology expenses	290,543	-	290,543	115,339
Afterschool program	-	-	-	350,928
Community development	6,761,845	-	6,761,845	100,079
Support expenses				
Management and general	878,354	-	878,354	993,661
TOTAL EXPENSES	28,333,161	-	28,333,161	9,114,881
CHANGES IN NET ASSETS	(2,977,413)	2,184,854	(792,559)	24,493
NET ASSETS AT				
BEGINNING OF YEAR	(2,700,928)	2,725,421	24,493	-
END OF YEAR	$ (5,678,341)	$ 4,910,275	$ (768,066)	$ 24,493

See notes to financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Atlanta Public School funding	$ 5,634,526	$ -	$ 5,634,526
Grants and contributions	28,777	2,807,531	2,836,308
Title 1 funding	348,720	-	348,720
Bright from the Start grant	67,238	-	67,238
In kind contributions	246,500		246,500
Other income	6,082	-	6,082
Total support and revenue	6,331,843	2,807,531	9,139,374
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of restrictions	82,110	(82,110)	-
TOTAL SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	6,413,953	2,725,421	9,139,374
EXPENSES			
Program expenses			
Instructional expenses	6,893,672	-	6,893,672
Facilities expenses	661,202	-	661,202
Technology expenses	115,339	-	115,339
Afterschool program	350,928	-	350,928
Community development	100,079	-	100,079
Support expenses			
Management and general	993,661	-	993,661
TOTAL EXPENSES	9,114,881	-	9,114,881
CHANGES IN NET ASSETS	(2,700,928)	2,725,421	24,493
NET ASSETS AT			
BEGINNING OF YEAR	-	-	-
END OF YEAR	$ (2,700,928)	$ 2,725,421	$ 24,493

See notes to financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (792,559)	$ 24,493
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	93,593	21,855
Loss on disposal of property and equipment	1,250	-
(Increase) decrease in		
Accounts receivable – Title 1	(1,538)	(77,449)
Contributions receivable	(2,522,667)	(2,285,000)
Other receivables	154,701	(194,907)
Prepaid expenses	368,245	(471,829)
Due from CEI	(885,214)	-
Increase in		
Accounts payable and accrued expenses	1,680,795	1,105,245
NET CASH USED IN OPERATING ACTIVITIES	(1,903,394)	(1,877,592)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment purchases	(1,040,267)	(157,656)
NET CASH USED IN INVESTING ACTIVITIES	(1,040,267)	(157,656)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan closing costs	(249,623)	-
Proceeds from notes payable	12,770,000	2,985,065
NET CASH USED IN FINANCING ACTIVITIES	12,520,377	2,985,065
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,576,716	949,817
CASH AND CASH EQUIVALENTS:		
AT BEGINNING OF YEAR	950,156	339
AT END OF YEAR	$ 10,526,872	$ 950,156
SUPPLEMENTAL DISCLOSURES		
Interest paid during the year	$ 99,257	$ 17,083

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. In our opinion, 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 will ultimately manage 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 on July 1, 2016 and to Slater Elementary School and Price Middle School on July 1, 2017. PBSA will begin providing services to Carver High School on July 1, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

PBSA prepares its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-For-Profit Entities Presentation of Financial Statements*. Under FASB ASC 958, PBSA reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of June 30, 2018 and 2017, PBSA did not have any permanently restricted net assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions

Contributions are recognized when the donor makes a promise to give to PBSA that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. During the year ended June 30, 2018 and 2017, PBSA did not receive any permanently restricted contributions.

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, 2018 and 2017.

Contributed Services

Contributed services are recognized if the services received (a) create or enhance nonfinancial assets or (b) 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 consulting firm 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, 2018 and 2017. These services have been valued at approximately $115,000 and $238,000, respectively.

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.

Cash and Concentration of Credit Risk

For purposes of the statement 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, 2018, 90% of contributions receivable and 95% of grants and contribution income was attributable to three donors. At June 30, 2017, 94% of contributions receivable was attributable to three donors and 87% 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 statement 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.

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	5-7 years
Machinery and equipment	5-7 years
Building improvements	20 years
Vehicle	5 years

Tax Status
Purpose Built Schools Atlanta, Inc. 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 statement of activities. Accordingly, certain indirect costs have been allocated among the programs and supporting services benefited.

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.

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.

New Accounting Pronouncements
In August 2016 FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 (1) reduces the number of net asset classes presented from three to two; (2) requires the presentation of expense by functional and natural classification in one location; (3) requires quantitative and qualitative disclosures about liquidity and availability of financial assets; and (4) requires additional policy disclosures regarding board designated funds. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. PBSA expects to implement the provisions of ASU 2016-14 during the year ending June 30, 2019. PBSA is evaluating the impact of the new standard on its current policies and reporting methodologies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Events Occurring After Report Date

Management has evaluated events and transactions that occurred between June 30, 2018 and October 10, 2018, 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, 2018 are due to be received as follows:

Year ending June 30,	
2019	$ 2,591,334
2020	2,216,333
	$ 4,807,667

4. CONDITIONAL PROMISE TO GIVE

In April 2017 PBSA received a $1,500,000 grant of which $1,000,000 of the grant is conditioned on the achievement of certain financial and performance goals. The grant is to be used to support the operations of the Carver Cluster. The grant provided for an initial payment of $500,000 in July 2017 to be used for the 2017/2018 school year. This amount was included in contributions receivable and temporarily restricted net assets at June 30, 2017 and was paid and released from temporarily restricted net assets during the year ended June 30, 2018. The remaining $1,000,000 is to be paid in two equal annual installments upon documentation of PBSA's achievement of certain fundraising goals as well as service statistics. The second two installments are considered conditional promises to give. Grant revenue will be recorded as the conditions are satisfied. No revenue has been recorded for the conditional $1,000,000 as of June 30, 2018.

5. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 and 2017 is composed of the following:

	2018	2017
Computer equipment	$ 299,527	$ 131,512
Machinery and equipment	31,625	8,254
Vehicle	36,882	-
Building improvements	209,820	17,890
	577,854	157,656
Less accumulated depreciation	(93,639)	(21,855)
	484,215	135,801
Construction in progress – Thomasville Heights renovation	618,295	-
Net property and equipment	$ 1,102,510	$ 135,801

Depreciation expense of $72,308 and $21,855 was recorded for the years ended June 30, 2018 and 2017, respectively.

6. 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.

7. 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% (3.8354% and 3.0617% at June 30, 2018 and 2017, respectively) and a 0.2% “unused” fee on any unused portion of the line. Quarterly interest and fee payments are required. The credit line matures on September 22, 2018 and is guaranteed by The Cousins Foundation. There was an outstanding balance on the credit line of $2,875,065 and $1,985,065 at June 30, 2018 and 2017, respectively.

7. NOTES PAYABLE – CONTINUED

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 matures on September 22, 2021 at which time all unpaid interest and principal is due.

Community Redevelopment Loans

In connection with the NMTC transaction described in Note 6, 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		

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 $21,285 as of June 30, 2018. Amortization expense of $21,285 for the year ended June 30, 2018 is included in interest expense.

Summary

Notes payable as of June 30, 2018 and 2017 are summarized below:

	2018	2017
Notes payable	$ 15,755,065	$ 2,985,065
Less current portion	(2,875,065)	-
	12,880,000	2,985,065
Less unamortized loan closing costs	(228,338)	-
	$ 12,651,662	$ 2,985,065

Interest expense for the years ended June 30, 2018 and 2017 was $120,542 and $17,083, respectively.

8. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017 are available as follows:

Purpose restricted	2018	2017
Community Support Program	$ 1,066,000	$ 1,985,000
Family Emergency Funds	-	10,401
Afterschool Program	-	25,000
STEAM Coordinator	102,608	200,000
"Teacher Leader" Career Path	75,000	-
Other	-	5,020
	1,243,608	2,225,421
Time restricted		
Year ending June 30, 2018	-	500,000
Year ending June 30, 2019	1,833,334	-
Year ending June 30, 2020	1,833,333	-
	$ 4,910,275	$ 2,725,421

A portion of restricted net assets for Community Support and “Teacher Leader” Career Path programs are also time restricted in line with the related contributions receivable as follows:

Year ending June 30,	
2019	$ 758,000
2020	383,000

9. COMMITMENTS

Lease of Thomasville Heights Elementary School: In June 2016 PBSA entered into a lease agreement with APS providing for the lease of the Thomasville Heights Elementary School facility 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 lease expires on June 30, 2030. The lease may be terminated by PBSA with 60 days notice or by APS if the contract described in Note 1 is terminated.

9. COMMITMENTS – CONTINUED

Leases of Price Middle and Slater Elementary Schools: In June 2017 PBSA entered into lease agreements with APS providing for the lease of the Price Middle 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 day notice or by APS if the contract described in Note 1 is terminated.

Lease of Office Equipment: PBSA leases office equipment under several operating leases. Rent expense for the years ended June 30, 2018 and 2017 amounted to approximately $27,000, and $5,000, respectively. The future minimum lease payments which extend beyond one year are as follows:

Year Ending June 30,		
2019	$	34,479
2020		24,909
2021		11,498

10. RELATED PARTY TRANSACTIONS

On July 1, 2017 PBSA entered into a service agreement with CEI as part of the NMTC transaction as described in Note 6. 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 programing; 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. This amount was paid during the year and is included in community development program expenses on the statement of activities for the year ended June 30, 2018.

PBSA owes CEI $249,623 for loan closing costs paid for by CEI on behalf of PBSA. As of June 30, 2018 CEI owes PBSA $711,378 for expenses paid for by PBSA on behalf of CEI. Additionally, CEI owes PBSA $423,459 for an advance payment of contributions. These amounts are netted in due from CEI in the accompanying statement of financial position.

During the year ended June 30, 2018 PBSA made contributions of $4,552,791 to CEI.

11. RETIREMENT PLAN

PBSA participates in the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple employer defined benefit 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, 2018 and 2017. PBSA contributed 16.81% and 14.27% of each participant's annual salary for the years ended June 30, 2018 and 2017, respectively. Employer contributions totaled approximately $1,901,000 and $665,000 for the years ended June 30, 2018 and 2017, respectively.

12. CONTRACT WITH APS

In addition to the contract described in Note 1, PBSA entered into an operational service agreement with APS for 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 year ended June 30, 2018. 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 year ended June 30, 2018 and 2017 totaled $822,184 and $401,120, respectively. At June 30, 2018 and 2017 approximately $367,000 and $266,000, respectively, was payable to APS for these services and is included in accounts payable.