PURPOSE BUILT SCHOOLS ATLANTA, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

Warren Averett
CPAs AND ADVISORS

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Warren Averett
CPAs AND ADVISORS

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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, 2019 and 2018, the related statements of activities, functional expenses 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, 2019 and 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 $6,614,220 and total liabilities would be increased by $2,074,661 as of June 30, 2019 and changes in net assets would be increased by $687,804 for the year then ended. 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, 2019 and 2018, 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, 2019 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, 2019

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 6,612,429	$ 10,526,872
Accounts receivable – Title I Funds	526,260	78,987
Current portion of contributions receivable	2,333,333	2,591,334
Due from CEI	5,591,286	885,214
Other receivables	25,206	40,206
Prepaid items	107,843	134,245
Total current assets	15,196,357	14,256,858
OTHER ASSETS		
Contributions receivable, net of current portion	-	2,216,333
Property and equipment, net	1,161,046	1,102,510
Total other assets	1,161,046	3,318,843
TOTAL ASSETS	$ 16,357,403	$ 17,575,701

LIABILITIES AND NET ASSETS

	2019	2018
LIABILITIES		
Accounts payable	$ 2,387,033	$ 628,480
Accrued payroll liabilities	1,097,179	1,104,328
Other accrued liabilities	769,294	1,084,232
Current portion of notes payable	2,875,065	2,875,065
Total current liabilities	7,128,571	5,692,105
LONG TERM LIABILITIES		
Notes payable, net of current portion and unamortized loan costs	12,677,204	12,651,662
Total long term liabilities	12,677,204	12,651,662
TOTAL LIABILITIES	19,805,775	18,343,767
NET ASSETS		
Without donor restrictions	(5,804,454)	(5,678,341)
With donor restrictions	2,356,082	4,910,275
TOTAL NET ASSETS	(3,448,372)	(768,066)
TOTAL LIABILITIES AND NET ASSETS	$ 16,357,403	$ 17,575,701

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(with comparative totals for 2018)

	2019			2018
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Total**
SUPPORT AND REVENUE				
Atlanta Public School funding	$ 26,737,879	$ -	$ 26,737,879	$ 19,033,684
Grants and contributions	313,139	2,166,980	2,480,119	7,428,632
Title 1 funding	1,766,249	-	1,766,249	951,789
In kind contributions	122,150	-	122,150	114,750
Other income	253,545	-	253,545	11,747
Total support and revenue	29,192,962	2,166,980	31,359,942	27,540,602
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of restrictions	4,721,173	(4,721,173)	-	-
TOTAL SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	33,914,135	(2,554,193)	31,359,942	27,540,602
EXPENSES				
Program expenses				
Instructional expenses	24,398,502	-	24,398,502	18,098,358
Facilities expenses	2,951,169	-	2,951,169	2,227,537
Technology expenses	487,989	-	487,989	290,543
Community support and engagement	4,751,819	-	4,751,819	6,770,418
Support expenses				
Management and general	1,450,769	-	1,450,769	946,305
TOTAL EXPENSES	34,040,248	-	34,040,248	28,333,161
CHANGES IN NET ASSETS	(126,113)	(2,554,193)	(2,680,306)	(792,559)
NET ASSETS AT				
BEGINNING OF YEAR	(5,678,341)	4,910,275	(768,066)	24,493
END OF YEAR	$ (5,804,454)	$ 2,356,082	$ (3,448,372)	$ (768,066)

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Atlanta Public School funding	$ 19,033,684	$ -	$ 19,033,684
Grants and contributions	252,382	7,176,250	7,428,632
Title 1 funding	951,789	-	951,789
In kind contributions	114,750		114,750
Other income	11,747	-	11,747
Total support and revenue	20,364,352	7,176,250	27,540,602
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
EXPENSES			
Program expenses			
Instructional expenses	18,098,358	-	18,098,358
Facilities expenses	2,227,537	-	2,227,537
Technology expenses	290,543	-	290,543
Community support and engagement	6,770,418	-	6,770,418
Support expenses			
Management and general	946,305	-	946,305
TOTAL EXPENSES	28,333,161	-	28,333,161
CHANGES IN NET ASSETS	(2,977,413)	2,184,854	(792,559)
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)

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program						
	Instruction	Facilities	Technology	Community Support and Engagement	Total Program	Management and General	Total
Salaries and wages	$ 16,162,732	$ 57,019	$ 127,820	$ -	$ 16,347,571	$ 388,473	$ 16,736,044
Pension	3,264,409	-	-	-	3,264,409	81,191	3,345,600
Other employee benefits	2,425,780	8,726	-	-	2,434,506	58,588	2,493,094
Service fees	-	-	-	2,500,000	2,500,000	-	2,500,000
Charitable contributions	-	-	-	2,237,772	2,237,772	-	2,237,772
APS buy back services	-	1,444,655	35,103	-	1,479,758	-	1,479,758
Utilities	-	466,577	-	-	466,577	-	466,577
Security	-	344,335	-	-	344,335	-	344,335
Custodial services	-	342,541	-	-	342,541	-	342,541
Repairs and maintenance	-	128,167	-	-	128,167	-	128,167
Transportation	1,166,733	-	-	-	1,166,733	-	1,166,733
Supplies	707,327	-	27,175	-	734,502	-	734,502
Legal and professional fees	-	-	-	-	-	149,395	149,395
Depreciation expense	-		278,294	-	278,294	422	278,716
Training and staff development	238,224	-	-	-	238,224	-	238,224
Student incentives	152,475	-	-	-	152,475	-	152,475
Office expenses	-	-	-	-	-	169,459	169,459
Insurance	-	159,149	-	-	159,149	-	159,149
Contract services	154,075	-	-	-	154,075	234,245	388,320
Interest expense	-	-	-	-	-	305,602	305,602
Advertising	-	-	-	-	-	12,000	12,000
Other	126,747	-	19,597	14,047	160,391	51,394	211,785
	$ 24,398,502	$ 2,951,169	$ 487,989	$ 4,751,819	$ 32,589,479	$ 1,450,769	$ 34,040,248

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (2,680,306)	$ (792,559)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation expense	278,716	72,308
Loan cost amortization	25,542	21,285
Loss on disposal of property and equipment	34,095	1,250
(Increase) decrease in		
Accounts receivable – Title 1	(447,273)	(1,538)
Contributions receivable	2,474,334	(2,522,667)
Other receivables	15,000	154,701
Prepaid expenses	26,402	368,245
Due to/from CEI	(4,706,072)	(885,214)
Increase in		
Accounts payable and accrued expenses	1,436,466	1,680,795
Net cash used in operating activities	(3,543,096)	(1,903,394)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment purchases	(371,347)	(1,040,267)
Net cash provided by investing activities	(371,347)	(1,040,267)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan closing costs	-	(249,623)
Proceeds from notes payable	-	12,770,000
Net cash provided by financing activities	-	12,520,377
NET (DECREASE) INCREASE IN		
CASH AND CASH EQUIVALENTS	(3,914,443)	9,576,716
CASH AND CASH EQUIVALENTS:		
AT BEGINNING OF YEAR	10,526,872	950,156
AT END OF YEAR	$ 6,612,429	$ 10,526,872
SUPPLEMENTAL DISCLOSURES		
Interest paid during the year	$ 201,771	$ 99,257

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 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncements

In August 2016 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which made several improvements to current financial reporting for not-for-profits. The guidance was effective for PBSA's annual financial statements for the year ended June 30, 2019. The changes in the ASU were applied on a retrospective basis, which means that all financial statements presented reflected the changes and the effect was disclosed for each period presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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. Accordingly, 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.

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.

Contributions

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, 2019 and 2018.

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, 2019 and 2018. These services have been valued at approximately $115,000 each year.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2019, 89% of contributions receivable was attributable to three donors and 60% of grants and contribution income was attributable to two donors. At June 30, 2018, 90% of contributions receivable and 95% of grants and contribution income was attributable to three 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.

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
Furniture and fixtures	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. Personnel costs have been allocated based on estimates of time and effort. PBSA's fundraising expenses are not significant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Reclassifications

Certain 2018 amounts have been reclassified to conform to the 2019 presentation. These reclassifications had no effect on net assets as previously reported.

Recently Issued Accounting Standards

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* superseding the guidance in former FASB ASC 605, *Revenue Recognition*. It requires entities to recognize revenue based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance will be effective for fiscal year ending June 30, 2020 for PBSA. PBSA does not expect the adoption to have a material impact on the financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958-605)* clarifying the accounting guidance for contributions received and contributions made to further improve the scope and the accounting guidance for revenue recognition, to assist entities distinguishing between contributions (non-reciprocal) and exchange (reciprocal) transactions and to determine whether a contribution is conditional. The amendment will be effective for PBSA's fiscal year ending June 30, 2020. The School does not expect the adoption to have a material impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases,* to increase transparency and improve comparability by requiring entities to recognize assets and liabilities on the balance sheets for all leases, with certain exceptions. In addition, through improved disclosure requirements, the standard update will enable users of financial statements to further understand the amount, timing, and uncertainty of cash flows arising from leases. This standard update allows for a modified retrospective application and is effective as of the first quarter of calendar year 2020; however, early adoption is permitted. Entities are allowed to apply the modified retrospective approach: (1) retrospectively to each prior reporting period presented in the financial statements with the cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented; or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. Management is currently evaluating the impact of adopting ASU 2016-02 on PBSA's financial position, results of activities, cash flows and related disclosures.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Events Occurring After Report Date
Management has evaluated events and transactions that occurred between June 30, 2019 and October 10, 2019, 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, 2019 are due to be received in the following year.

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. 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. In January 2019, PBSA received $500,000 as conditions of the grant were satisfied. The remaining $500,000 is considered a conditional promise to give. Grant revenue will be recorded as the conditions are satisfied.

5. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 and 2018 is composed of the following:

	2019	2018
Computer equipment	$ 490,955	$ 299,527
Machinery and equipment	89,050	31,625
Vehicle	55,998	36,882
Furniture and fixtures	4,473	-
Building improvements	878,694	209,820
	1,519,170	577,854
Less accumulated depreciation	(358,124)	(93,639)
	1,161,046	484,215
Construction in progress – Thomasville Heights renovation	-	618,295
Net property and equipment	$ 1,161,046	$ 1,102,510

Depreciation expense of $278,716 and $72,308 was recorded for the years ended June 30, 2019 and 2018, 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% (4.2598% and 3.8354% at June 30, 2019 and 2018, respectively) 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, 2018 and was renewed and extended through September 22, 2019. The revolving line of credit is guaranteed by The Cousins Foundation. There was an outstanding balance on the credit line of $2,875,065 at June 30, 2019 and 2018.

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.

7. NOTES PAYABLE – CONTINUED

Loan Costs
Loan costs of $249,623 are net of accumulated amortization of $46,827 and $21,285 as of June 30, 2019 and 2018, respectively. Amortization expense of $25,542 and $21,285 for the years ended June 30, 2019 and 2018, respectively, is included in interest expense.

Notes payable as of June 30, 2019 and 2018 are summarized below:

	2019	2018
Notes payable	$ 15,755,065	$ 15,755,065
Less current portion	(2,875,065)	(2,875,065)
	12,880,000	12,880,000
Less unamortized loan closing costs	(202,796)	(228,338)
	$ 12,677,204	$ 12,651,662

Interest expense for the years ended June 30, 2019 and 2018 was $305,602 and $120,542, respectively.

8. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions at June 30, 2019 and 2018 are available as follows:

	2019	2018
Donor restricted - purpose		
Community Support Program	$ 500,000	$ 1,066,000
THE Reading Initiatives	19,480	-
STEAM Coordinator	3,269	102,608
"Teacher Leader" Career Path	-	75,000
	522,749	1,243,608
Donor restricted - time		
Year ending June 30, 2019	-	1,833,334
Year ending June 30, 2020	1,833,333	1,833,333
	$ 2,356,082	$ 4,910,275

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

8. RESTRICTIONS ON NET ASSETS – CONTINUED

Net assets with donor restrictions released from restrictions during the years ended June 30, 2019 and 2018, were as follows:

	2019	2018
Community Support Program	$ 1,677,500	$ 1,119,000
"Teacher Leader" Career Path	-	75,000
STEAM Coordinator	99,340	97,392
THE Farm Project	50,000	-
Other	20,000	5,020
Expansion of School Network	-	1,326,250
Afterschool	-	25,000
Family Emergency Funds	-	10,401
Passage of Time	2,874,333	2,333,333
	$ 4,721,173	$ 4,991,396

9. 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, 2019 and 2018 amounted to approximately $38,000, and $27,000, respectively. The future minimum lease payments which extend beyond one year are as follows:

Year Ending June 30,	
2020	$ 28,881
2021	9,664

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 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. This amount is due to CEI as of June 30, 2019 and included in service fee on the statement of activities for the years ended June 30, 2019 and 2018.

As of June 30, 2019, PBSA owes CEI $325,985 for contributions received on behalf of CEI and $125,289 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. Additionally, CEI owes PBSA $2,748,560 for expenses paid for 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.

As of June 30, 2018, PBSA owed CEI $249,623 for loan closing costs paid for by CEI on behalf of PBSA and CEI owed PBSA $711,378 for expenses paid for by PBSA on behalf of CEI. Additionally, CEI owed 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 years ended June 30, 2019 and 2018 PBSA made contributions of $2,236,287 and $4,552,791, respectively, 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, 2019 and 2018. PBSA contributed 20.9% and 16.81% of each participant's annual salary for the years ended June 30, 2019 and 2018, respectively. Employer contributions totaled approximately $3,264,000 and $1,900,000 for the years ended June 30, 2019 and 2018, respectively.

12. 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, 2019 and 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 years ended June 30, 2019 and 2018 totaled $1,479,758 and $861,209, respectively. At June 30, 2019 and 2018 approximately $600,000 and $367,000, respectively, was payable to APS for these services and is included in accounts payable.

13. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects PBSA's financial assets as of June 30, 2019 and 2018, 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.

	2019	2018
Cash and cash equivalents	$ 6,612,429	$ 10,526,872
Accounts receivable – Title I Funds	526,260	78,987
Current portion of contributions receivable	2,333,333	2,591,334
Due from CEI	5,591,286	885,214
Other receivables	25,206	40,206
Financial assets, at year end	15,088,514	14,122,613
Less: Assets unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Net assets with donor restrictions	2,356,082	4,910,275
Adjusted for: long-term contributions receivable	-	(2,216,333)
	2,356,082	2,693,942
Financial assets available to meet cash needs for general expenditures within one year	$ 12,732,432	$ 11,428,671

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.