PURPOSE BUILT SCHOOLS ATLANTA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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, 2021 and 2020 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 $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. Total assets would be increased by $7,257,691 and total liabilities would be increased by $2,038,106 as of June 30, 2020 and changes in net assets would be increased by $680,026 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, 2021 and 2020, 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 October 26, 2021 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 26, 2021

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	$ 12,089,484	$ 10,933,034
Accounts receivable – Title I Funds	241,286	422,463
Current portion of contributions receivable	1,034,896	87,499
Grant receivable	2,121,295	-
Due from CEI	481,749	4,011,678
Other receivables	37,170	18,014
Prepaid items	131,682	77,798
Total current assets	16,137,562	15,550,486
OTHER ASSETS		
Contributions receivable, net of current portion	1,000,000	15,000
Property and equipment, net	1,373,087	986,086
Total other assets	2,373,087	1,001,086
TOTAL ASSETS	$ 18,510,649	$ 16,551,572

LIABILITIES AND NET ASSETS

	2021	2020
LIABILITIES		
Accounts payable	$ 728,227	$ 596,769
Accrued payroll liabilities	1,004,180	1,000,778
Other accrued liabilities	431,531	1,294,566
Total current liabilities	2,163,938	2,892,113
LONG-TERM LIABILITIES		
Notes payable, net of unamortized loan costs	15,603,353	15,577,811
Total long-term liabilities	15,603,353	15,577,811
TOTAL LIABILITIES	17,767,291	18,469,924
NET ASSETS		
Without donor restrictions	(1,406,858)	(2,508,627)
With donor restrictions	2,150,216	590,275
TOTAL NET ASSETS	743,358	(1,918,352)
TOTAL LIABILITIES AND NET ASSETS	$ 18,510,649	$ 16,551,572

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(with comparative totals for 2020)

	2021			2020
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Total**
SUPPORT AND REVENUE				
Atlanta Public School funding	$ 26,285,964	$ -	$ 26,285,964	$ 26,299,667
Federal CARES Act PPP grant	-	-	-	4,822,200
Federal ESSER funding	2,121,295	-	2,121,295	
Grants and contributions	845,300	3,386,896	4,232,196	985,784
Title 1 funding	1,483,946	-	1,483,946	1,948,280
In kind contributions	242,800	-	242,800	114,750
Other income	602,388	-	602,388	559,374
Total support and revenue	31,581,693	3,386,896	34,968,589	34,730,055
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	34,730,055
EXPENSES				
Program expenses				
Instructional expenses	22,302,806	-	22,302,806	25,619,814
Facilities expenses	2,425,942	-	2,425,942	2,667,002
Technology expenses	425,048	-	425,048	406,342
Community support and engagement	6,070,020	-	6,070,020	3,446,827
Support expenses				
Management and general	1,083,063	-	1,083,063	1,060,050
TOTAL EXPENSES	32,306,879	-	32,306,879	33,200,035
CHANGES IN NET ASSETS	1,101,769	1,559,941	2,661,710	1,530,020
NET ASSETS AT:				
BEGINNING OF YEAR	(2,508,627)	590,275	(1,918,352)	(3,448,372)
END OF YEAR	$ (1,406,858)	$ 2,150,216	$ 743,358	$ (1,918,352)

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Atlanta Public School funding	$ 26,299,667	$ -	$ 26,299,667
Federal CARES Act PPP grant	4,822,200	-	4,822,200
Grants and contributions	123,772	862,012	985,784
Title 1 funding	1,948,280	-	1,948,280
In kind contributions	114,750	-	114,750
Other income	559,374	-	559,374
Total support and revenue	33,868,043	862,012	34,730,055
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of restrictions	2,627,819	(2,627,819)	-
TOTAL SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	36,495,862	(1,765,807)	34,730,055
EXPENSES			
Program expenses			
Instructional expenses	25,619,814	-	25,619,814
Facilities expenses	2,667,002	-	2,667,002
Technology expenses	406,342	-	406,342
Community support and engagement	3,446,827	-	3,446,827
Support expenses			
Management and general	1,060,050	-	1,060,050
TOTAL EXPENSES	33,200,035	-	33,200,035
CHANGES IN NET ASSETS	3,295,827	(1,765,807)	1,530,020
NET ASSETS AT:			
BEGINNING OF YEAR	(5,804,454)	2,356,082	(3,448,372)
END OF YEAR	$ (2,508,627)	$ 590,275	$ (1,918,352)

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(with comparative totals for 2020)

	2021							
	Program							
	Instruction	Facilities	Technology	Community Support and Engagement	Total Program	Management and General	Total	2020 Total
Salaries and wages	$ 16,425,896	$ 95,019	$ 38,286	$ -	$ 16,559,201	$ 438,503	$ 16,997,704	$ 18,429,265
Pension	2,951,695	-	-	-	2,951,695	-	2,951,695	3,622,744
Other employee benefits	2,054,628	-	-	-	2,054,628	-	2,054,628	2,438,853
Charitable contributions	-	-	-	3,559,684	3,559,684	-	3,559,684	928,918
Service fees	-	-	-	2,500,000	2,500,000	-	2,500,000	2,500,000
APS buy back services	-	683,304	35,850	-	719,154	-	719,154	855,702
Utilities	-	618,296	-	-	618,296	-	618,296	665,972
Supplies	495,355	-	42,623	-	537,978	-	537,978	527,540
Custodial services	-	425,356	-	-	425,356	-	425,356	412,604
Security	-	345,363	-	-	345,363	-	345,363	375,759
Depreciation expense	-		199,075	-	199,075	-	199,075	237,316
Insurance	-	197,025	-	-	197,025	-	197,025	172,785
Legal and professional fees	-	-	-	-	-	192,925	192,925	143,196
Transportation	163,005	-	-	-	163,005	-	163,005	1,009,209
Office expenses	-	-	-	-	-	112,823	112,823	127,014
Contract services	-	-	-	-	-	103,788	103,788	150,423
Student incentives	100,636	-	-	-	100,636	-	100,636	126,242
Training and staff development	97,446	-	-	-	97,446	-	97,446	73,913
Interest expense	-	-	-	-	-	163,994	163,994	146,058
Repairs and maintenance	-	61,579	-	-	61,579	-	61,579	112,344
Advertising	-	-	-	-	-	24,000	24,000	21,000
Other	14,145	-	109,214	10,336	133,695	47,030	180,725	123,178
	$ 22,302,806	$ 2,425,942	$ 425,048	$ 6,070,020	$ 31,223,816	$ 1,083,063	$ 32,306,879	$ 33,200,035

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program						
	Instruction	Facilities	Technology	Community Development	Total Program	Management and General	Total
Salaries and wages	$ 17,768,047	$ 107,686	112,601	$ -	$ 17,988,334	$ 440,931	$ 18,429,265
Pension	3,622,744	-	-	-	3,622,744	-	3,622,744
Other employee benefits	2,438,853	-	-	-	2,438,853	-	2,438,853
Charitable contributions	-	-	-	928,918	928,918	-	928,918
Service fees	-	-	-	2,500,000	2,500,000	-	2,500,000
APS buy back services	-	819,852	35,850	-	855,702	-	855,702
Utilities	-	665,972	-	-	665,972	-	665,972
Supplies	509,161	-	18,379	-	527,540	-	527,540
Custodial services	-	412,604	-	-	412,604	-	412,604
Security	-	375,759	-	-	375,759	-	375,759
Depreciation expense	-	-	237,316	-	237,316	-	237,316
Insurance	-	172,785	-	-	172,785	-	172,785
Legal and professional fees	-	-	-	-	-	143,196	143,196
Transportation	1,009,209	-	-	-	1,009,209	-	1,009,209
Office expenses	-	-	-	-	-	127,014	127,014
Contract services	15,600	-	-	-	15,600	134,823	150,423
Student incentives	126,242	-	-	-	126,242	-	126,242
Training and staff development	73,913	-	-	-	73,913	-	73,913
Interest expense	-	-	-	-	-	146,058	146,058
Repairs and maintenance	-	112,344	-	-	112,344	-	112,344
Advertising	-	-	-	-	-	21,000	21,000
Other	56,045	-	2,196	17,909	76,150	47,028	123,178
	$ 25,619,814	$ 2,667,002	$ 406,342	$ 3,446,827	$ 32,139,985	$ 1,060,050	$ 33,200,035

See notes to the financial statements.

PURPOSE BUILT SCHOOLS ATLANTA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 2,661,710	$ 1,530,020
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	199,075	237,316
Donated property and equipment	(128,050)	-
Loan cost amortization	25,542	25,542
Loss on disposal of property and equipment	3,117	172
(Increase) decrease in:		
Accounts receivable – Title 1	181,177	103,797
Contributions receivable	(1,932,397)	2,230,834
Grant receivable	(2,121,295)	-
Other receivables	(19,156)	7,192
Prepaid expenses	(53,884)	30,045
Due to/from CEI	3,529,929	1,579,608
Decrease in accounts payable and accrued expenses	(728,175)	(1,361,393)
Net cash provided by operating activities	1,617,593	4,383,133
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment purchases	(461,143)	(62,528)
Net cash used in investing activities	(461,143)	(62,528)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,156,450	4,320,605
CASH AND CASH EQUIVALENTS AT:		
BEGINNING OF YEAR	10,933,034	6,612,429
END OF YEAR	$ 12,089,484	$ 10,933,034
SUPPLEMENTAL DISCLOSURES		
Interest paid during the year	$ 60,163	$ 42,227

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

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2021 and 2020.

Contributions

Contributions, which include unconditional promises to give, are recognized as revenue in the period received. Conditional pledges, if received, are not recognized until the conditions on which they depend are substantially met. Contributions or assets other than cash are recorded at estimated fair value at the date of the gift as determined by valuation methods deemed appropriate by management. PBSA records gifts of cash and other assets as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities as net assets released from restrictions. All contributions and unconditional promises to give which do not have donor restrictions as to purpose or time are classified as contributions without donor restrictions.

PBSA uses the allowance method to determine the uncollectible unconditional contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance was deemed necessary for the years ended June 30, 2021 and 2020.

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, 2021 and 2020. These services have been valued at approximately $115,000 each year.

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, 2021, 98% of contributions receivable was attributable to one donor and 83% of grants and contribution income was attributable to one donor. At June 30, 2020, 78% of contributions receivable was attributable to three donors and 81% of grants and contribution income was attributable to four donors

Loan Costs

Debt issuance costs related to a recognized debt liability are presented in the statements of financial position as a direct deduction from the carrying amount of that debt liability. Loan closing costs are amortized to interest expense on a straight-line basis over the life of the loan, which approximates the effective interest method.

Tax Status

PBSA is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC) and is classified as an organization which is not a private foundation under Section 509(a) of the IRC. PBSA qualifies for the charitable contribution deduction.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the 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.

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

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 2020 amounts have been reclassified to conform to the 2021 presentation. These reclassifications had no effect on net assets as previously reported.

Recently Issued Accounting Standards

In February 2016, the FASB issued Accounting Standards Update (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 No. 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, 2021 and , which October 26, 2021, 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, 2021 are due to be received in the following years:

For the Year Ending June 30,	
2022	$ 1,034,896
2023	1,000,000
	$ 2,034,896

4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 and 2020 is composed of the following:

	2021	2020
Computer equipment	$ 1,055,349	$ 520,198
Machinery and equipment	122,636	103,059
Vehicle	55,998	55,998
Furniture and fixtures	36,508	7,381
Building improvements	892,081	892,081
	2,162,572	1,578,717
Less accumulated depreciation	(789,485)	(592,631)
	$ 1,373,087	$ 986,086

Depreciation expense of $199,075 and 237,316 was recorded for the years ended June 30, 2021 and 2020, 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 is guaranteed by The Cousins Foundation. There was an outstanding balance on the credit line of $2,875,065 at June 30, 2021 and 2020.

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.

6. NOTES PAYABLE – CONTINUED

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		

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 $97,911 and $72,369 as of June 30, 2021 and 2020, respectively. Amortization expense of $25,542 for the years ended June 30, 2021 and 2020, is included in interest expense.

Notes payable as of June 30, 2021 and 2020 are summarized below:

	2021	2020
Notes payable	$ 15,755,065	$ 15,755,065
Less unamortized loan closing costs	(151,712)	(177,254)
	$ 15,603,353	$ 15,577,811

Interest expense, exclusive of amortization, for the years ended June 30, 2021 and 2020 was $163,994 and $146,058, respectively.

7. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions at June 30, 2021 and 2020 are available as follows:

	2021	2020
Donor restricted – purpose		
Community Support Program	$ 2,000,000	$ 366,577
THES Farm Program	105,320	153,450
STEAM Program	25,000	25,000
Emotional Learning Curriculum	19,896	22,499
THES Reading Initiatives	-	19,480
STEAM Coordinator	-	3,269
	$ 2,150,216	$ 590,275

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

Net assets with donor restrictions released from restrictions during the years ended June 30, 2021 and 2020, were as follows:

	2021	2020
Community Support Program	$ 1,366,578	$ 745,552
Emotional Learning Curriculum	282,498	-
THE Farm Project	108,130	18,934
THES Reading Initiatives	19,480	-
STEAM Coordinator	3,269	-
Other	47,000	30,000
Passage of Time	-	1,833,333
	$ 1,826,955	$ 2,627,819

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, 2021 and 2020 amounted to approximately $59,000, and $46,000, respectively. The future minimum lease payments which extend beyond one year are as follows:

For the Year Ending June 30,		
2022	$	54,828
2023		29,995
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, 2021 and 2020 and included in service fee on the statement of activities for the years ended June 30, 2021 and 2020.

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 statement of financial position.

9. RELATED PARTY TRANSACTIONS – CONTINUED

As of June 30, 2020, CEI owes PBSA $5,794,000 for a loan paid in full by PBSA on behalf of CEI. Additionally, CEI owes PBSA $717,678 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.

During the years ended June 30, 2021 and 2020 PBSA made contributions of $3,551,760 and $921,394, 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, 2021 and 2020. PBSA contributed 19.06% and 21.14% of each participant's annual salary for the years ended June 30, 2021 and 2020, respectively. Employer contributions totaled approximately $2,952,000 and $3,623,000 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020. 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, 2021 and 2020 totaled $719,154 and $855,702, respectively. At June 30, 2021 and 2020 approximately $93,000 and $1,000,000, 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, 2021 and 2020, 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.

	2021	2020
Cash and cash equivalents	$ 12,089,484	$ 10,933,034
Accounts receivable – Title I Funds	241,286	422,463
Current portion of contributions receivable	1,034,896	87,499
Grant receivable	2,121,295	-
Due from CEI	481,749	4,011,678
Other receivables	37,170	18,014
Financial assets, at year end	16,005,880	15,472,688
Less: Assets unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Net assets with donor restrictions	2,150,216	590,275
Adjusted for: long-term contributions receivable	(1,000,000)	(15,000)
	1,150,216	575,275
Financial assets available to meet cash needs for general expenditures within one year	$ 14,855,664	$ 14,897,413

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.

On March 27, 2020, in response to the pandemic, the President signed into law the Coronavirus Aid, Relief and Economic Security Act (CARES). In the weeks that followed, PBSA applied for and received a $4,822,200 PPP loan granted by the Small Business Administration. PBSA elected to account for the PPP loan as a conditional contribution in accordance with the guidance provided by FASB ASU 2018-08 *Not-for-Profit Entities (Topic 958)*. Under the guidance a conditional contribution includes one or more barriers that must be overcome for the recipient to be entitled to the assets transferred and a right-of-return of the asset if a barrier to entitlement is not met.

13. FEDERAL CORONAVIRUS AID RELIEF – CONTINUED

The barriers for a PPP loan require that qualifying expenses must be incurred (compensation, mortgage interest, rent and utilities) and that the recipient maintains employee headcount and compensation levels at pre-established levels. If these barriers are not met, the recipient will be required to repay the loan over a specified period of time. At June 30, 2020, PBSA believed it had met the conditions of the grant and that substantially all of the loan would be forgiven. Therefore, PBSA recognized the full amount of the grant in the year ended June 30, 2020. The loan was forgiven in June 2021.

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. The School 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, 2021 PBSA, recognized $1,461,985 as revenue on the statement of activities.