

**PATTERSON PARK PUBLIC CHARTER SCHOOL, INC.
AND CONSOLIDATED AFFILIATE**

AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

**PATTERSON PARK PUBLIC CHARTER SCHOOL, INC.
AND CONSOLIDATED AFFILIATE**

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Independent Auditors' Report

To the Board of Directors
Patterson Park Public Charter School Inc.
Baltimore, Maryland

We have audited the accompanying consolidated financial statements of Patterson Park Public Charter School Inc. (a nonprofit organization) and affiliate, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Independent Auditors' Report (Continued)

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Patterson Park Public Charter School Inc. as of June 30, 2020 and 2019, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of consolidating statement of financial position and schedule of consolidating statement of activities and changes in net assets shown on pages 21 and 22 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Weyrich, Cronin & Sarna, LLC

Hunt Valley, Maryland
January 22, 2021

**PATTERSON PARK PUBLIC CHARTER SCHOOL, INC.
AND CONSOLIDATED AFFILIATE**

Consolidated Statements of Financial Position
June 30, 2020 and 2019

ASSETS

	2020	2019
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,823,023	\$ 670,882
Contributions receivable	69,014	118,949
Grants receivable	72,982	8,746
Prepaid expenses	50,519	16,553
Total Current Assets	2,015,538	815,130
NET PROPERTY AND EQUIPMENT - AT COST	8,721,926	9,092,342
OTHER ASSETS:		
Investments	1,014,074	948,624
Bond proceeds held by trustee - restricted	- 0 -	1,750,421
	1,014,074	2,699,045
TOTAL ASSETS	\$ 11,751,538	\$ 12,606,517

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 232,959	\$ 99,670
Accrued bond interest	- 0 -	375,445
Short-term portion - bond payable	- 0 -	190,000
Short-term portion - capital lease obligation	29,778	25,967
Total Current Liabilities	262,737	691,082
LONG-TERM LIABILITIES:		
Long-term debt - bond payable, net	11,484,736	11,592,382
Refundable advance	255,400	- 0 -
Capital lease obligation	27,646	59,990
	11,767,782	11,652,372
NET ASSETS:		
Without donor restrictions	(532,495)	59,003
With donor restrictions	253,514	204,060
Total Net Assets	(278,981)	263,063
TOTAL LIABILITIES AND NET ASSETS	\$ 11,751,538	\$ 12,606,517

See accompanying notes to financial statements

**PATTERSON PARK PUBLIC CHARTER SCHOOL, INC.
AND CONSOLIDATED AFFILIATE**

Consolidated Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:						
Baltimore City Public Schools:						
Cash funding	\$ 2,773,086	\$ - 0 -	\$ 2,773,086	\$2,411,232	\$ - 0 -	\$ 2,411,232
Teachers and staff support	6,143,058	- 0 -	6,143,058	5,906,567	- 0 -	5,906,567
	<u>8,916,144</u>	<u>- 0 -</u>	<u>8,916,144</u>	<u>8,317,799</u>	<u>- 0 -</u>	<u>8,317,799</u>
Public Support:						
Contributions and grants	210,022	231,946	441,968	192,963	286,220	479,183
School fundraising and other revenue	154,326	- 0 -	154,326	181,939	- 0 -	181,939
	<u>364,348</u>	<u>231,946</u>	<u>596,294</u>	<u>374,902</u>	<u>286,220</u>	<u>661,122</u>
Government Support:						
Grants and other revenue	65,762	- 0 -	65,762	30,589	- 0 -	30,589
Net Assets Released From Restrictions	182,492	(182,492)	- 0 -	197,018	(197,018)	- 0 -
Total Support and Revenue	<u>9,528,746</u>	<u>49,454</u>	<u>9,578,200</u>	<u>8,920,308</u>	<u>89,202</u>	<u>9,009,510</u>
EXPENSES:						
Program services	7,766,501	- 0 -	7,766,501	7,346,595	- 0 -	7,346,595
Management and general	1,554,170	- 0 -	1,554,170	1,728,042	- 0 -	1,728,042
Fundraising expenses	66,443	- 0 -	66,443	105,735	- 0 -	105,735
	<u>9,387,114</u>	<u>- 0 -</u>	<u>9,387,114</u>	<u>9,180,372</u>	<u>- 0 -</u>	<u>9,180,372</u>
OTHER INCOME (EXPENSES)						
Gain(loss) on disposal of assets	- 0 -	- 0 -	- 0 -	(12,083)	- 0 -	(12,083)
Write-off of bond issuance costs	(797,091)	- 0 -	(797,091)	- 0 -	- 0 -	- 0 -
Investment return, net	63,961	- 0 -	63,961	113,292	- 0 -	113,292
Total Expenses	<u>10,120,244</u>	<u>- 0 -</u>	<u>10,120,244</u>	<u>9,079,163</u>	<u>- 0 -</u>	<u>9,079,163</u>
CHANGE IN NET ASSETS	(591,498)	49,454	(542,044)	(158,855)	89,202	(69,653)
NET ASSETS AT BEGINNING OF YEAR	59,003	204,060	263,063	217,858	114,858	332,716
NET ASSETS AT END OF YEAR	<u>\$ (532,495)</u>	<u>\$ 253,514</u>	<u>\$ (278,981)</u>	<u>\$ 59,003</u>	<u>\$ 204,060</u>	<u>\$ 263,063</u>

See accompanying notes to financial statements

**PATTERSON PARK PUBLIC CHARTER SCHOOL, INC.
AND CONSOLIDATED AFFILIATE**

Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services			Supporting Services			Total
	Academic	Non-Academic	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 6,738,513	\$ 221,320	\$ 6,959,833	\$ 438,843	\$ 54,192	\$ 493,035	\$ 7,452,868
Payroll taxes	35,357	7,614	42,971	54,321	- 0 -	54,321	97,292
Fringe benefits	- 0 -	17,796	17,796	96,265	- 0 -	96,265	114,061
Total Salaries and Benefits	6,773,870	246,730	7,020,600	589,429	54,192	643,621	7,664,221
Professional development	10,577	2,165	12,742	2,522	- 0 -	2,522	15,264
Materials and supplies	92,619	15,507	108,126	3,522	518	4,040	112,166
Special events	2,476	- 0 -	2,476	- 0 -	10,594	10,594	13,070
Facilities	38	847	885	146,003	- 0 -	146,003	146,888
Outside services	52,352	35,228	87,580	117,221	- 0 -	117,221	204,801
Technology and communication	2,501	- 0 -	2,501	81,759	- 0 -	81,759	84,260
Other expenses	6,163	3,153	9,316	102,097	1,139	103,236	112,552
Total Expenses Before Depreciation and Interest	6,940,596	303,630	7,244,226	1,042,553	66,443	1,108,996	8,353,222
Bond interest	- 0 -	- 0 -	- 0 -	488,453	- 0 -	488,453	488,453
Other expense	- 0 -	- 0 -	- 0 -	1,804	- 0 -	1,804	1,804
Copier interest	- 0 -	- 0 -	- 0 -	10,483	- 0 -	10,483	10,483
Depreciation	506,961	- 0 -	506,961	10,557	- 0 -	10,557	517,518
Amortization	15,314	- 0 -	15,314	320	- 0 -	320	15,634
Total Expenses	\$ 7,462,871	\$ 303,630	\$ 7,766,501	\$ 1,554,170	\$ 66,443	\$ 1,620,613	\$ 9,387,114

See accompanying notes to financial statements

**PATTERSON PARK PUBLIC CHARTER SCHOOL, INC.
AND CONSOLIDATED AFFILIATE**

Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services			Supporting Services			Total
	Academic	Non-Academic	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 6,294,630	\$ 207,613	\$ 6,502,243	\$ 389,427	\$ 41,947	\$ 431,374	\$ 6,933,617
Payroll taxes	24,256	9,433	33,689	47,852	- 0 -	47,852	81,541
Fringe benefits	- 0 -	16,736	16,736	84,086	- 0 -	84,086	100,822
Total Salaries and Benefits	6,318,886	233,782	6,552,668	521,365	41,947	563,312	7,115,980
Professional development	8,182	3,126	11,308	1,782	- 0 -	1,782	13,090
Materials and supplies	74,767	11,567	86,334	- 0 -	31,269	31,269	117,603
Special events	1,429	- 0 -	1,429	- 0 -	32,503	32,503	33,932
Facilities	- 0 -	141	141	169,121	16	169,137	169,278
Outside services	61,061	44,103	105,164	71,254	- 0 -	71,254	176,418
Technology and communication	7,640	843	8,483	78,826	- 0 -	78,826	87,309
Other expenses	27,738	7,876	35,614	111,359	- 0 -	111,359	146,973
Total Expenses Before Depreciation and Interest	6,499,703	301,438	6,801,141	953,707	105,735	1,059,442	7,860,583
Copier Interest	- 0 -	- 0 -	- 0 -	750,890	- 0 -	750,890	750,890
Bond interest	- 0 -	- 0 -	- 0 -	12,086	- 0 -	12,086	12,086
Depreciation	514,518	- 0 -	514,518	10,715	- 0 -	10,715	525,233
Amortization	30,936	- 0 -	30,936	644	- 0 -	644	31,580
Total Expenses	\$ 7,045,157	\$ 301,438	\$ 7,346,595	\$ 1,728,042	\$ 105,735	\$ 1,833,777	\$ 9,180,372

See accompanying notes to financial statements

**PATTERSON PARK PUBLIC CHARTER SCHOOL, INC.
AND CONSOLIDATED AFFILIATE**

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (542,044)	\$ (69,653)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	517,518	525,233
Amortization	15,634	31,580
Loss on the disposal of assets	- 0 -	12,083
Write-off of bond issuance costs	797,091	- 0 -
Realized and unrealized gains on investments	(32,910)	(78,849)
Non-cash contributed marketable securities	(102,348)	- 0 -
Proceeds from the sale of marketable securities	102,348	- 0 -
(Increase) decrease in assets:		
Contributions receivable	49,935	(46,791)
Grants receivable	(64,236)	(8,746)
Prepaid expenses	(33,966)	10,252
Increase (decrease) in liabilities:		
Accounts payable and accrued expense	133,289	14,232
Grants payable	- 0 -	(51,447)
Accrued bond interest	(375,445)	(4,590)
	<u>464,866</u>	<u>333,304</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(303,595)	(4,599,874)
Proceeds from sales of investments	271,055	4,790,130
Purchases of property additions	(147,162)	(42,532)
	<u>(179,702)</u>	<u>147,724</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Government funds received	255,400	- 0 -
Release of renewal and replacement fund	207,782	- 0 -
Bond refinance payment from reserve funds	(1,128,093)	- 0 -
Release of investments held by trustee	1,750,421	- 0 -
Principal payments on long-term debt	(190,000)	(180,000)
Principal payments on capital lease obligation	(28,533)	(25,111)
	<u>866,977</u>	<u>(205,111)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,152,141	275,917
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>670,882</u>	<u>394,965</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,823,023</u>	<u>\$ 670,882</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 498,936	\$ 767,566
Payment of long-term debt through bond refinance	\$ 11,716,000	\$ - 0 -
Acquisition of bond issuance costs through bond refinance	\$ 236,731	\$ - 0 -

See accompanying notes to financial statements

**PATTERSON PARK PUBLIC CHARTER SCHOOL, INC.
AND CONSOLIDATED AFFILIATE**

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies

Nature of Organization - Patterson Park Public Charter School Inc. (the School) is the operator of a Baltimore City public charter school. It was founded by residents of the neighborhoods around Patterson Park as a way to continue the revitalization of their neighborhoods and provide a school where neighborhood residents would send their children rather than move when their children reach school age. The School was incorporated by those residents and obtained non-profit organizational status on March 10, 2005 under Section 501(c)(3) of the Internal Revenue Code. The School signed its original charter with the city of Baltimore in July 2005. The charter was renewed for five years, expiring June 30, 2023.

The mission of the School is "to provide a community-centered learning environment that values diversity and embraces a whole child approach to develop well-educated citizens".

The School unites students, parents, educators, and the Patterson Park neighborhood through an educational environment that rewards creativity and builds community ties. Strong academic standards and community/arts-related partnerships encourage the School's students to become independent and responsible thinkers. The School has a diverse student population and incorporates the many attendant cultures into its curriculum and daily life.

The School is a member of a non-profit organization entitled "Maryland Alliance of Public Charter Schools" (the Coalition). The Coalition has been active in working with Baltimore City Public Schools regarding the charter funding formula.

The School opened in 2005 with 300 students in grades K-4. Since then, the School's enrollment has grown to 733 students in grades prek-8 (687 in K-8) for the 2019/2020 school year.

When the School opened, it housed the entire School in a single building, the original St. Elizabeth's School building which was purchased from the Archdiocese of Baltimore. Also purchased was a second building, the original St. Elizabeth church building constructed in 1895. In 2008, the School renovated the second building to include a cafeteria, gymnasium, library, technology lab and offices. In 2010, the School closed on a bond issue (see Note 7) that allowed it to: (i) refinance loans to acquire and renovate existing buildings; and (ii) construct a new 10,000 square foot building in 2011, containing six middle school classrooms and new art and science lab facilities, which completed the physical campus.

The Patterson Park Public Charter School Fund, Inc. (the Fund) was created as a result of the issuance of the bonds and is designated to support the School's fundraising activities.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Patterson Park Public Charter School, Inc. and Patterson Park Public Charter School Fund, Inc. Together, they are known as the School. Intra-entity transactions and balances have been eliminated in consolidation.

Basis of Accounting - The consolidated financial statements of the School have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other assets and liabilities. As such, revenue is recognized when earned and expenses when incurred.

**PATTERSON PARK PUBLIC CHARTER SCHOOL, INC.
AND CONSOLIDATED AFFILIATE**

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Financial Statement Presentation - The School is required to report information regarding its financial position and activities according to two classes of net assets: (a) without donor restriction and (b) with donor restriction.

Net assets without donor restrictions represents the portion of net assets that is not subject to donor-imposed restrictions. Such net assets are available for use at the discretion of management and/or the Board of Directors for general operating purposes. The Board of Directors may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

Net assets with donor restrictions represents the portion of net assets that is subject to donor-imposed restrictions. Such restrictions may specify a purpose for which, or time in which, resources can be used. Some net assets with donor restrictions include stipulations that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities and disclosures at the date of the financial statements and certain reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - For purposes of the consolidated statements of cash flows, the School considers cash equivalents to include all highly liquid debt instruments with original maturities of three (3) months or less.

Contributions Receivable - Contributions receivable consist of unpaid grants, contributions and other amounts due. They are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are believed to be uncollectible by the time the consolidated financial statements are issued. Accounting principles generally accepted in the United States of America (GAAP) requires the allowance method for accounting for bad debts, however the differences between the two methods are deemed to be immaterial.

Grants Receivable - Grants receivable consists of funds owed to the School from Baltimore City Public Schools (BCPS) as determined by the true-up process required under the charter school agreement. This receivable is deducted from the quarterly payments received from BCPS.

Investments - Investments consist of certificate of deposits, fixed income, and exchange traded products with readily determinable fair values and are carried at those values based on quoted prices in active markets (Level 1) in the consolidated statements of financial position. Realized and unrealized gains or losses on investments are recorded in the period in which the gains or losses occur are included in the consolidated statements of activities as changes in net assets without donor restriction, unless their use is restricted by explicit donor-imposed stipulations or by law. Investment income and gains restricted by a donor are reported as increases in net assets without donor restriction if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

**PATTERSON PARK PUBLIC CHARTER SCHOOL, INC.
AND CONSOLIDATED AFFILIATE**

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment - Property and equipment are carried at stated at cost, if purchased, or at fair market value at the date of the gift, if donated. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service. The School reclassified net assets without donor restrictions at that time.

The School capitalizes expenditures for property and equipment components costing more than \$2,500 (individually or in the aggregate for similar items) and having a useful life of one or more years. Renewals and betterments that materially prolong the useful lives of assets are capitalized. The School uses the direct expensing method to account for planned major maintenance activities. The cost of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. The following represents the estimated useful lives:

<u>Category</u>	<u>Years</u>
School buildings	30
Furniture, computers and other equipment	3-7

Donated Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated asses must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The School reclassifies net assets with donor restrictions to without donor at that time.

Refundable Advances - Refundable advances consist of proceeds received under the Small Business Administration's Paycheck Protection Program. The Academy records these proceeds as a conditional contribution under FASB ASC 958-605 and will recognize the contribution as income when the application for forgiveness has been filed.

Support and Revenue - Grants, contracts, and contributions received are record as revenue with or without donor restrictions depending on the existence and nature of any such restrictions. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions and interest income are recorded as revenues without restriction if the restrictions on the use of these funds are satisfied in the same fiscal year in which the contribution is received. Revenue under grants, contracts, and contributions is recognized when unconditional promises to give are made by donors or when conditions are substantially met.

**PATTERSON PARK PUBLIC CHARTER SCHOOL, INC.
AND CONSOLIDATED AFFILIATE**

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (continued)

When grants or other fees are exchange transactions, wherein the School has to perform services in order to earn the income, revenue is recognized when the services are performed. Accordingly deferred revenue is recorded on these types of grants when funds are received but revenue has not been earned.

The School benefits from several different revenue streams. The disaggregation of revenue for the years ended June 30, 2020 and 2019 is included in the chart below:

<u>Revenue Type</u>	<u>Timing of Revenue Recognition</u>	<u>2020</u>	<u>2019</u>
School fundraising and other revenue	Period Earned	\$ 154,326	\$ 181,939
Cash funding	Over School year	2,773,086	2,411,232
Teachers and staff support	Over School year	6,143,058	5,906,567
Contributions and grants	Upon Receipt	441,968	479,183
Grants and other revenue	Upon Receipt	65,762	30,589
		<u>\$ 9,578,200</u>	<u>\$ 9,009,510</u>

Donated Services - Donated services are recognized if the services received (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts related to donated services have been recognized in the statements of activities and changes in net assets as contributions because the criteria for recognition have not been met.

Impairment of Long-Lived Assets - The School reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended June 30, 2020 and 2019.

Functional Allocation of Expenses - Expenses are presented by both functional and natural classification in the statement of functional expenses. Expenses that are directly identifiable with a particular function are charged to the program or supporting service benefited. Other expenses may benefit more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation and occupancy, which are allocated on a square footage basis.

Income Taxes - Patterson Park Public Charter School Inc., a nonprofit organization operating under section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal, state, and local income taxes. Accordingly, no provision for income taxes is included in the consolidated financial statements. The Organization is not a private foundation. The School is no longer subject to U.S. federal or state income tax examinations by tax authorities for years ending before June 30, 2017.

Debt Issuance Cost - The School records all costs incurred in the process of acquiring debt as a discount against the debt. The costs are then amortized over the term of the debt.

**PATTERSON PARK PUBLIC CHARTER SCHOOL, INC.
AND CONSOLIDATED AFFILIATE**

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Change in Accounting Principle - The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, Revenue Recognition, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, Other Assets and Deferred Costs – Contracts with Customers, to the ASC to require the deferral of incremental costs of obtaining a contract with a new customer. Collectively, we refer to the new Topic 606 and Subtopic 340-40 as the “new guidance.” This update requires entities to make new judgements and estimates, and also provides expanded disclosures about revenue.

The School adopted the new standard effective July 1, 2019, using the modified retrospective approach. The School also elected the following transition practical expedients (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

Additionally, in June 2018, the Financial Accounting Standard Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances the comparability of financial information among not-for-profit entities. The change in accounting principle was adopted retrospectively in 2019. For the year ended June 30, 2019, no reclassifications or other adjustments were necessary in adopting this new standard. As a result, there was no cumulative-effect adjustment to opening net assets with or without donor restrictions as of July 1, 2019.

2. Grants and Contributions Receivable

Grants and accounts receivable represent amounts due from governmental agencies, foundations, and other organizations under grant agreements and are deemed fully collectible by management. Collection of all grants and contributions receivable is expected within one year. Grants and accounts receivable are as follows at June 30, 2020 and 2019:

	2020	2019
Contributions receivable	\$ 69,014	\$ 118,949
Grants receivable	72,982	8,746
	\$ 141,966	\$ 127,695

**PATTERSON PARK PUBLIC CHARTER SCHOOL, INC.
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Notes to Financial Statements
June 30, 2020 and 2019

3. Net Assets with Donor Restrictions

Net assets with donor restrictions June 30, 2020 and 2019 are available for the following purposes:

	2020	2019
Purpose restrictions, available for spending:		
Clay Hill Public Charter School	\$ 100,000	\$ - 0 -
Summer camp	51,854	41,770
Other program restrictions	101,660	162,290
	\$ 253,514	\$ 204,060

Net assets with donor restrictions were released during the years ended June 30, 2020 and 2019 as follows:

	2020	2019
Purpose restrictions:		
Summer camp	\$ 59,917	\$ 65,103
Other program restrictions	122,575	131,915
	\$ 182,492	\$ 197,018

4. Revenue Concentration

For each year ended June 30, 2020 and 2019, the School received approximately 93% and 92%, respectively, of its revenue from Baltimore City Public Schools (BCPS).

Under the current Charter School Agreement, the School's charter expires on June 30, 2023 and management must apply for an extension at least one hundred twenty (120) days prior to the end of the term.

A significant reduction in this level of support, if this were to occur, may have an effect on the School's programs and activities.

**PATTERSON PARK PUBLIC CHARTER SCHOOL, INC.
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Notes to Financial Statements
June 30, 2020 and 2019

5. Fair Value of Investments

Fair values consisted of the following at June 30, 2020 and 2019, respectively:

	2020		
	<u>Fair Value Measurements at Reporting Date Using:</u>		
	<u>Cost</u>	<u>Fair Value at Quoted Prices For Active Markets For Identical Assets (Level 1)</u>	<u>Unrealized Gain/(Loss)</u>
Certificate of deposits	\$ 595,000	\$ 620,636	\$ 25,636
Exchange-traded products	<u>291,270</u>	<u>393,438</u>	<u>102,168</u>
	<u>\$ 886,270</u>	<u>\$ 1,014,074</u>	<u>\$ 127,804</u>

	2019		
	<u>Fair Value Measurements at Reporting Date Using:</u>		
	<u>Cost</u>	<u>Fair Value at Quoted Prices For Active Markets For Identical Assets (Level 1)</u>	<u>Unrealized Gain/(Loss)</u>
Certificate of deposits	\$ 619,000	\$ 622,757	\$ 3,757
Fixed income	1,749,436	1,750,421	985
Exchange-traded products	<u>242,917</u>	<u>325,867</u>	<u>82,950</u>
	<u>\$ 2,611,353</u>	<u>\$ 2,699,045</u>	<u>\$ 87,692</u>

A summary of return on investments consists of the following for the years ended June 30, 2020 and 2019, respectively:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 38,041	\$ 40,218
Realized and unrealized gains	32,910	78,849
Investment fees	<u>(6,990)</u>	<u>(5,775)</u>
	<u>\$ 63,961</u>	<u>\$ 113,292</u>

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Notes to Financial Statements
June 30, 2020 and 2019

5. Fair Value of Investments (continued)

The School's investments are reported on the consolidated statements of financial position at June 30 as follows:

	2020	2019
OTHER ASSETS:		
Investments	\$ 1,014,074	\$ 948,624
Bond proceeds held by trustee – restricted	- 0 -	1,750,421
	\$ 1,014,074	\$ 2,699,045

Investments that are held by the trustee were restricted under the bond agreement (see Note 8).

The fair value measurement accounting literature establishes a fair value hierarchy consisting of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The School uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the School measures the fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. There were no investments requiring the use of Level 2 and 3 inputs for the periods presented.

Level 1 Fair Value Measurements

Certificates of deposit, fixed income obligations and exchange-traded products are valued at the closing price reported on the active market on which the individual securities are traded.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting period.

The School's policy is to invest in Level 1 assets and accordingly there are no significant transfers between levels in the fair value hierarchy for years ended June 30, 2020 and 2019.

6. Bond Proceeds

The School had bond proceeds in the amount of \$ - 0 - and \$1,750,421 deposited with a trustee at June 30, 2020 and 2019. Investment options of these deposits were limited to those provided by the trustee. These are reported as bond proceeds held by trustee – restricted in the consolidated statements of financial position.

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Notes to Financial Statements
June 30, 2020 and 2019

7. Net Property and Equipment - At Cost

Property and equipment at June 30, consisted of the following:

	2020	2019
Land, security for bond	\$ 516,000	\$ 516,000
School buildings, security for bond	12,541,753	12,452,266
Furniture, computers and other equipment	819,909	762,294
	13,877,662	13,730,560
Less: accumulated depreciation	5,155,736	4,638,218
	\$ 8,721,926	\$ 9,092,342

Depreciation expense was \$517,518 and \$525,233 for the years ended June 30, 2020 and 2019.

8. Long-term Debt – Bonds Payable

On March 16, 2010, the Maryland Health and Higher Education Facilities Authority (MHHEFA) issued two series of bonds – its \$13,085,000 Series 2010A (Tax-Exempt) and its \$580,000 Series 2010B Bonds (Taxable) – and loaned the proceeds of the bonds to the School to refinance the purchase of the School property, the construction of the initial building improvements, and the construction and equipment of the additional building for the School. The loan was secured by a security interest in the School's receipts and a Deed of Trust from the School. The Series 2010A Bonds were issued at a blended fixed-rate of 6.1729%. The Series 2010B Bonds were issued at a fixed rate of 6.50%. As of June 30, 2019, gross bonds payable was \$12,590,000 and the net unamortized balance of the bond discount was \$807,618.

The Bonds carried numerous covenants which began in June 2011, including debt service coverage of more than one point one to one (1.1:1) and a liquidity ratio equal to 7% of the total operating expenses of the School. There is a Debt Service Reserve Fund established at the lesser of (i) ten percent (10%) of the proceeds, (ii) maximum annual debt service on all outstanding Bonds, exclusive of the principal amount of the Series 2010A Bonds maturing July 1, 2045 and (iii) 125% of the average annual debt service on all the Bonds. As of June 30, 2019, the School was in compliance with the covenants.

The Bond established a Renewal and Replacement Fund of \$200,000. The Renewal and Replacement Fund requires quarterly payments of \$12,500 that began in August 2010 until the amount equals \$200,000. As of June 30, 2020 and 2019, the renewal and replacement fund was approximately \$- 0 - and \$206,292, respectively. For the years ended June 30, 2020 and 2019, disbursements out of the Renewal and Replacement Fund were \$207,782 and \$- 0 -.

For the years ended June 30, 2020 and 2019, interest incurred on the Bonds amounted to \$269,714 and \$750,890, respectively. Interest is paid in December and July. Accrued interest was \$375,445 for the year ended June 30, 2019.

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Notes to Financial Statements
June 30, 2020 and 2019

8. Long-term Debt – Bonds Payable (continue)

The cost of issue and bond discounts in the amount of \$1,105,320 were being amortized over the life of the Bonds using the effective interest rate at the time of the loan applied to the outstanding balance of the Bond. Amortization was \$10,527 and \$31,580 for years ended June 30, 2020 and 2019, respectively. Remaining bond issuance and discounts of \$707,091 were written off when the bonds were refinanced and presented in the other income (expense) section of the statement of activities.

On October 23, 2019, the School refinanced the MHHEFA Series2010 Bonds and MHHEFA issued a 2019 revenue bond which was purchased by BBVA Mortgage Corporation. The loan is secured by a security interest in the School's receipts and a Deed of Trust from the School. The 2019 bonds are issued at a fixed rate of 3.21% from the date of issuance of the Bond until October 1, 2029. After this date, interest will be calculated based on a floating rate of the applicable percentage multiplied by the sum of LIBOR plus the applicable spread. As of June 30, 2020, gross bonds payable was \$11,716,000 and the net unamortized balance of the bond issuance costs was \$231,264.

The Bond carries numerous covenants which began in June 30, 2020, include a debt service coverage of at least one point one five to one (1.15:1) and a liquidity ratio equal to a minimum of 30 days' cash on hand, which shall be tested as of the last day of each of the School's fiscal years. As of June 30, 2020, the School was in compliance with the covenants.

For the year ended June 30, 2020, interest incurred on the Bonds totaled \$218,739 and interest is paid monthly.

The cost of bond issuance in the amount of \$236,371 is being amortized over the life of the Bonds using the straight-line method. Amortization was \$5,107 for the year ended June 30, 2020.

The 2019 Bond principal payments are due as follows at June 30:

	2021		\$	- 0 -
	2022			191,000
	2023			334,000
	2024			343,000
	2025			356,000
	Thereafter			<u>10,492,000</u>
				<u>\$ 11,716,000</u>

9. Capital Lease

The School leases copiers under a non-cancelable capital lease, with a term of 60 months. The lease expires June 2022. Monthly payments are \$2,917, including interest, and collateralized by the equipment.

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Notes to Financial Statements
June 30, 2020 and 2019

10. Capital Lease (Continued)

Future minimum lease payments at June 30, 2020 are as follows:

Year ending June 30, 2021	\$	35,003
2022		<u>29,170</u>
Total minimum lease payments		64,173
Less: amount representing interest		<u>6,749</u>
Present value of net minimum lease payments	\$	<u>57,424</u>
Current portion of capital leases payable	\$	29,778
Long-term portion of capital leases payable		<u>27,646</u>
	\$	<u>57,424</u>

The following is a schedule of the carrying values of equipment acquired under this capital lease:

	<u>2020</u>	<u>2019</u>
Cost	\$ 131,565	\$ 131,565
Accumulated depreciation	<u>(78,939)</u>	<u>(52,626)</u>
Net carrying value	<u>\$ 52,626</u>	<u>\$ 78,939</u>

These balances are included in the consolidated statements of financial position in net property and equipment - at cost. Annual depreciation expense relating to this equipment totaled \$26,313 for the years ended June 30, 2020 and 2019, respectively.

11. Refundable Advance

In May 2020, as a result of mitigating efforts to reduce the spread of coronavirus (COVID-19), which included the closure of all non-essential businesses, a reduction in cash flow to cover operating expenses was anticipated. As a result, the School applied for and received a \$255,400 loan under the Paycheck Protection Program which will be treated as a refundable advance until the School applies for forgiveness.

If the School has not satisfied the criteria for recognition of income, then the balance remaining for refundable advances will convert to a loan. The loan is for a term of two years, maturing April 2022, and bears interest at a fixed rate of 1% per annum. Payments on this loan are deferred for ten months after the covered period ends. The School's covered period ends September 2020 and therefore loan payments are deferred until July 2021. This loan qualifies for forgiveness after 24 weeks, if all criteria for forgiveness are satisfied. As of June 30, 2020, the balance on this loan was \$255,400.

Annual maturities on refundable advance at June 30, 2020 are as follows;

	<u>2020</u>	<u>2019</u>
Year Ending June 30, 2021	\$ - 0 -	\$ - 0 -
2022	<u>255,400</u>	<u>- 0 -</u>
	<u>\$ 255,400</u>	<u>\$ - 0 -</u>

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June 30, 2020 and 2019

12. Retirement Plan

The School has a 401(k) Profit Sharing Plan for individuals who are not employees of Baltimore City Public Schools, administered by a third-party organization. All eligible employees participate and are able to withhold the maximum limited by current income tax law. For employees who have attained the age of 21 the matching contribution is 100% of each participant's contribution, up to 5% of their gross salary. Retirement expense was \$17,800 and \$15,498 for the years ended June 30, 2020 and 2019, and is included in fringe benefits on the statements of functional expenses.

Employees of the Baltimore City Public Schools participate in a retirement plan sponsored by the City.

13. Liquidity and Availability of Financial Assets

The following reflects the School's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2020	2019
Financial assets at year end	\$ 2,979,093	\$ 3,497,622
Less those unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose or time restrictions	(253,514)	(204,060)
Custodial funds held on behalf of others	- 0 -	(1,750,421)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,725,579	\$ 1,543,141

The School maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

14. Contingencies

The School joined several other Baltimore City Charter schools in a lawsuit against Baltimore City Public School System alleging the district's funding formula for charter schools violates state law and threatens their ability to serve charter school students. The litigation is still pending as of June 30, 2020 and the case is with the judge for a decision. The final outcome of this litigation cannot be determined.

During the year ended June 30, 2018, the School joined another lawsuit with several other charter schools fighting the "mandatory fees" that BCPS charges charter schools. There was a similar court case in Frederick County, Maryland that went to the state supreme court ruling these "mandatory fees" should not be allocated to schools if they receive no benefit. The goal of the lawsuit is to get a ruling against BCPS regarding these mandatory fees based on the Frederick County, Maryland case. The litigation is still pending and the final outcome cannot be determined.

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Notes to Financial Statements
June 30, 2020 and 2019

14. Contingencies (continued)

In March 2020, significant mitigation efforts began taking effect in the United States in an attempt to curtail the spread of coronavirus (COVID-19) pandemic. Such efforts have included travel restrictions, business disruptions, and event cancelations. Capital markets have seen significant volatility in the wake of the pandemic and significant economic disruptions are likely to occur. In response, the School has altered its operation and interactions with donors. Management cannot reasonably estimate the related financial impact and duration of the situation at this time. However, management believes it has sufficient cash and investment reserves to sustain operations in the event of continued disruption. Management intends to monitor the situation on an ongoing basis and to continue efforts to reduce its impact on the School's operation and financial resources.

15. Concentrations of Credit Risk

In the ordinary course of business, the School's cash balances may exceed the FDIC and SIPC insurance limits. The School continually reviews credit concentrations as part of its asset and liability management.

16. Risks and Uncertainties

The School may invest in various types of marketable securities. Marketable securities are exposed to various risks, including, among others, interest rate, market, and credit risks. Due to the level of risk associated with certain marketable securities, it is at least reasonably possible that changes in the values of these securities may occur in the near term and that such change could materially affect the amounts reported in the consolidated statements of financial position.

17. Subsequent Events

In November 2020, the School signed a second charter agreement with the Baltimore City Board of School Commissioners to open a new school for the 2021/2022 school year, called Clay Hill Public Charter School. The term of the charter agreement is July 1, 2021 through June 30, 2026.

In December 2020, the School signed an agreement with the Archdiocese of Baltimore to lease 6400 E. Pratt Street, Baltimore City for the Clay Hill Public Charter School to operate. The initial term will be for three years with rent commencing August 1, 2021 and the lease expiring on July 31, 2024. The School will have three, five-year renewal terms.

Management has evaluated subsequent events through January 22, 2021, the date which the consolidated financial statements were available to be issued.

SUPPLEMENTARY FINANCIAL INFORMATION

**PATTERSON PARK PUBLIC CHARTER SCHOOL, INC.
AND CONSOLIDATED AFFILIATE**

Schedule of Consolidating Statement of Financial Position
June 30, 2020

	<u>ASSETS</u>			
	Patterson Park Public Charter School, Inc.	Patterson Park Public Charter School Fund, Inc.	Intra- Organization Eliminations	Total
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,618,437	\$ 204,586	\$ - 0 -	\$ 1,823,023
Contributions receivable	69,014	- 0 -	- 0 -	69,014
Grants receivable	72,982	- 0 -	- 0 -	72,982
Prepaid expenses	50,519	- 0 -	- 0 -	50,519
Total Current Assets	<u>1,810,952</u>	<u>204,586</u>	<u>- 0 -</u>	<u>2,015,538</u>
NET PROPERTY AND EQUIPMENT - AT COST	<u>8,721,926</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>8,721,926</u>
OTHER ASSETS:				
Investments	912,509	101,565	- 0 -	1,014,074
	<u>912,509</u>	<u>101,565</u>	<u>- 0 -</u>	<u>1,014,074</u>
TOTAL ASSETS	<u><u>\$ 11,445,387</u></u>	<u><u>\$ 306,151</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ 11,751,538</u></u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 232,959	\$ - 0 -	\$ - 0 -	\$ 232,959
Accrued bond interest	- 0 -	- 0 -	- 0 -	- 0 -
Short-term portion - bond payable	- 0 -	- 0 -	- 0 -	- 0 -
Short-term portion - capital lease obligation	29,778	- 0 -	- 0 -	29,778
Total Current Liabilities	<u>262,737</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>262,737</u>
LONG-TERM LIABILITIES:				
Long-term debt - bond payable, net	11,484,736	- 0 -	- 0 -	11,484,736
Refundable advance	255,400	- 0 -	- 0 -	255,400
Capital lease obligation	27,646	- 0 -	- 0 -	27,646
	<u>11,767,782</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>11,767,782</u>
NET ASSETS:				
Without donor restrictions	(838,646)	306,151	- 0 -	(532,495)
With donor restrictions	253,514	- 0 -	- 0 -	253,514
Total Net Assets	<u>(585,132)</u>	<u>306,151</u>	<u>- 0 -</u>	<u>(278,981)</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 11,445,387</u></u>	<u><u>\$ 306,151</u></u>	<u><u>\$ - 0 -</u></u>	<u><u>\$ 11,751,538</u></u>

See accompanying notes to financial statements

**PATTERSON PARK PUBLIC CHARTER SCHOOL, INC.
AND CONSOLIDATED AFFILIATE**

Schedule of Consolidating Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020

	Patterson Park Public Charter School, Inc.			Patterson Park Public Charter School Fund, Inc.			Grand Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE:							
Baltimore City Public Schools:							
Cash funding	\$ 2,773,086	\$ - 0 -	\$ 2,773,086	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 2,773,086
Teachers and staff support	6,143,058	- 0 -	6,143,058	- 0 -	- 0 -	- 0 -	6,143,058
	<u>8,916,144</u>	<u>- 0 -</u>	<u>8,916,144</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>8,916,144</u>
Public Support:							
Contributions and grants	585,469	131,946	717,415	- 0 -	100,000	100,000	817,415
School fundraising and other revenue	154,326	- 0 -	154,326	- 0 -	- 0 -	- 0 -	154,326
	<u>739,795</u>	<u>131,946</u>	<u>871,741</u>	<u>- 0 -</u>	<u>100,000</u>	<u>100,000</u>	<u>971,741</u>
Government Support:							
Grants and other revenue	65,762	- 0 -	65,762	- 0 -	- 0 -	- 0 -	65,762
Net Assets Released from Restrictions	182,492	(182,492)	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Total Support and Revenue	<u>9,904,193</u>	<u>(50,546)</u>	<u>9,853,647</u>	<u>- 0 -</u>	<u>100,000</u>	<u>100,000</u>	<u>9,953,647</u>
EXPENSES:							
Program services	7,766,501	- 0 -	7,766,501	- 0 -	- 0 -	- 0 -	7,766,501
Management and general	1,549,170	- 0 -	1,549,170	5,000	- 0 -	5,000	1,554,170
Fundraising expenses	66,443	- 0 -	66,443	- 0 -	- 0 -	- 0 -	66,443
Affiliate contribution expense	- 0 -	- 0 -	- 0 -	375,447	- 0 -	375,447	375,447
	<u>9,382,114</u>	<u>- 0 -</u>	<u>9,382,114</u>	<u>380,447</u>	<u>- 0 -</u>	<u>380,447</u>	<u>9,762,561</u>
OTHER INCOME (EXPENSES):							
Write-off of bond issuance costs	(797,091)	- 0 -	(797,091)	- 0 -	- 0 -	- 0 -	(797,091)
Investment return, net	54,124	- 0 -	54,124	9,837	- 0 -	9,837	63,961
Total Expenses	<u>10,125,081</u>	<u>- 0 -</u>	<u>10,125,081</u>	<u>370,610</u>	<u>- 0 -</u>	<u>370,610</u>	<u>10,495,691</u>
CHANGE IN NET ASSETS	(220,888)	(50,546)	(271,434)	(370,610)	100,000	(270,610)	(542,044)
NET ASSETS AT BEGINNING OF YEAR	(517,758)	204,060	(313,698)	576,761	- 0 -	576,761	263,063
NET ASSETS AT END OF YEAR	<u>\$ (738,646)</u>	<u>\$ 153,514</u>	<u>\$ (585,132)</u>	<u>\$ 206,151</u>	<u>\$ 100,000</u>	<u>\$ 306,151</u>	<u>\$ (278,981)</u>

See accompanying notes to financial statements