

**AVONDALE EDUCATION ASSOCIATION, INC.  
DBA THE MUSEUM SCHOOL OF AVONDALE ESTATES  
AND THE MUSEUM SCHOOL FOUNDATION, INC.**

**COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013**

AVONDALE EDUCATION ASSOCIATION, INC.  
DBA THE MUSEUM SCHOOL OF AVONDALE ESTATES  
AND THE MUSEUM SCHOOL FOUNDATION, INC.

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Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Avondale Education Association, Inc. dba The Museum School of Avondale Estates  
and The Museum School Foundation, Inc.

We have audited the accompanying combined financial statements of Avondale Education Association, Inc. dba The Museum School of Avondale Estates and The Museum School Foundation, Inc., which comprise the combined statements of financial position as of June 30, 2014 and 2013, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Avondale Education Association, Inc. dba The Museum School of Avondale Estates and The Museum School Foundation, Inc. as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, appearing to read 'Haley, Angela &amp; Partners, LLP'.

Atlanta, Georgia

September 23, 2014

AVONDALE EDUCATION ASSOCIATION, INC.  
 DBA THE MUSEUM SCHOOL OF AVONDALE ESTATES  
 AND THE MUSEUM SCHOOL FOUNDATION, INC.  
 COMBINED STATEMENTS OF FINANCIAL POSITION  
 JUNE 30,

ASSETS

	2014	2013
Cash and cash equivalents	\$ 733,535	\$ 505,115
Grants receivable	40,899	16,320
Pledges receivable, net	492,659	615,115
Prepaid expenses	42,103	45,635
Deferred in-kind donation	1,679,879	1,841,908
Property and equipment, net	1,486,362	1,154,525
Construction in progress	624,493	312,955
Total assets	\$ 5,099,930	\$ 4,491,573

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 420,564	\$ 414,197
Total liabilities	420,564	414,197

Net assets:

Unrestricted	2,999,487	2,235,468
Temporarily restricted	1,679,879	1,841,908
Total net assets	4,679,366	4,077,376
Total liabilities and net assets	\$ 5,099,930	\$ 4,491,573

See auditors' report and accompanying notes

AVONDALE EDUCATION ASSOCIATION, INC.  
 DBA THE MUSEUM SCHOOL OF AVONDALE ESTATES  
 AND THE MUSEUM SCHOOL FOUNDATION, INC.  
 COMBINED STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues and other support:</u>				
Grant revenue	\$ 3,426,945	\$ -	\$ -	\$ 3,426,945
Contributions	223,882	-	-	223,882
Program service fees	27,718	-	-	27,718
Fundraising activities	114,390	-	-	114,390
Interest income	82	-	-	82
Net assets released from restrictions upon satisfaction of program restrictions	<u>162,029</u>	<u>(162,029)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>3,955,046</u>	<u>(162,029)</u>	<u>-</u>	<u>3,793,017</u>
<u>Expenses:</u>				
Program services	2,880,840	-	-	2,880,840
Support services				
Management and general	258,806	-	-	258,806
Fundraising	<u>51,381</u>	<u>-</u>	<u>-</u>	<u>51,381</u>
Total expenses	<u>3,191,027</u>	<u>-</u>	<u>-</u>	<u>3,191,027</u>
Changes in net assets	764,019	(162,029)	-	601,990
Net assets, beginning of year	<u>2,235,468</u>	<u>1,841,908</u>	<u>-</u>	<u>4,077,376</u>
Net assets, end of year	<u>\$ 2,999,487</u>	<u>\$ 1,679,879</u>	<u>\$ -</u>	<u>\$ 4,679,366</u>

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AVONDALE EDUCATION ASSOCIATION, INC.  
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 COMBINED STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Revenues and other support:</u>				
Grant revenue	\$ 2,261,523	\$ -	\$ -	\$ 2,261,523
Contributions	1,217,660	-	-	1,217,660
Program service fees	20,913	-	-	20,913
Fundraising activities	105,906	-	-	105,906
Interest income	55	-	-	55
Net assets released from restrictions upon satisfaction of program restrictions	<u>144,120</u>	<u>(144,120)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>3,750,177</u>	<u>(144,120)</u>	<u>-</u>	<u>3,606,057</u>
<u>Expenses:</u>				
Program services	2,270,158	-	-	2,270,158
Support services				
Management and general	242,195	-	-	242,195
Fundraising	<u>52,107</u>	<u>-</u>	<u>-</u>	<u>52,107</u>
Total expenses	<u>2,564,460</u>	<u>-</u>	<u>-</u>	<u>2,564,460</u>
Change in net assets	1,185,717	(144,120)	-	1,041,597
Net assets, beginning of year	<u>1,049,751</u>	<u>1,986,028</u>	<u>-</u>	<u>3,035,779</u>
Net assets, end of year	<u>\$ 2,235,468</u>	<u>\$ 1,841,908</u>	<u>\$ -</u>	<u>\$ 4,077,376</u>

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AVONDALE EDUCATION ASSOCIATION, INC.  
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 AND THE MUSEUM SCHOOL FOUNDATION, INC.  
 COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
 JUNE 30, 2014

<u>Expenses</u>	<u>Support Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	
Salaries	\$ 1,737,806	\$ 130,779	\$ 19,434	\$ 1,888,019
Taxes and benefits	357,356	26,893	3,996	388,245
Contract labor	1,199	18,081	-	19,280
Supplies	173,226	23,244	2,521	198,991
Museum partnerships and student activities	41,297	377	377	42,051
Food program	43,107	-	-	43,107
Recruiting	2,528	-	-	2,528
Insurance	26,701	2,009	1,249	29,959
Rent	149,138	11,223	1,668	162,029
Telephone and Internet	4,071	4,135	610	8,816
Repair and maintenance	42,778	4,622	276	47,676
Fund-raising	-	-	12,344	12,344
Professional fees	-	7,650	850	8,500
Interest	-	191	-	191
Lease termination cost refund	(3,706)	(279)	(41)	(4,026)
Bad debt expense	38,012	-	-	38,012
Other	50,933	13,569	5,677	70,179
Depreciation	161,814	12,177	1,810	175,801
Postage and utilities	<u>54,580</u>	<u>4,135</u>	<u>610</u>	<u>59,325</u>
Total expenses	<u>\$ 2,880,840</u>	<u>\$ 258,806</u>	<u>\$ 51,381</u>	<u>\$ 3,191,027</u>

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AVONDALE EDUCATION ASSOCIATION, INC.  
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 COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
 JUNE 30, 2013

<u>Expenses</u>	<u>Support Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	
Salaries	\$ 1,294,844	\$ 135,491	\$ 18,182	\$ 1,448,517
Taxes and benefits	263,781	27,602	3,704	295,087
Contract labor	13,561	-	-	13,561
Supplies	151,348	18,483	1,461	171,292
Museum partnerships and student activities	15,184	84	84	15,352
Food program	33,519	-	-	33,519
Recruiting	2,650	-	-	2,650
Insurance	25,487	2,577	573	28,637
Rent	133,296	13,479	2,995	149,770
Telephone and Internet	7,221	730	162	8,113
Repair and maintenance	31,670	2,803	623	35,096
Fund-raising	-	-	9,032	9,032
Professional fees	-	7,619	-	7,619
Interest	-	4,882	4,882	9,764
Lease termination costs	82,848	-	-	82,848
Bad debt expense	33,563	-	-	33,563
Other	32,118	13,293	7,057	52,468
Depreciation	110,745	11,199	2,489	124,433
Postage and utilities	<u>38,323</u>	<u>3,953</u>	<u>863</u>	<u>43,139</u>
Total expenses	<u>\$ 2,270,158</u>	<u>\$ 242,195</u>	<u>\$ 52,107</u>	<u>\$ 2,564,460</u>

See auditors' report and accompanying notes



AVONDALE EDUCATION ASSOCIATION, INC.  
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 COMBINED STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED JUNE 30,

	<u>2014</u>	<u>2013</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ <u>601,990</u>	\$ <u>1,041,597</u>
Adjustments:		
Depreciation	175,801	124,433
Donated rent	162,029	144,120
Change in allowance for doubtful accounts	36,437	33,563
Net present value discount of long-term pledges	2,617	(1,895)
Changes in:		
Grants receivable	(24,579)	102,422
Pledges receivable	83,402	(33,640)
Prepaid expenses	3,532	10
Accounts payable and accrued expenses	<u>6,367</u>	<u>(170,939)</u>
Total adjustments	<u>445,606</u>	<u>198,074</u>
Net cash provided by operating activities	<u>1,047,596</u>	<u>1,239,671</u>
 <u>Cash flows used in investing activities</u>		
Purchase of property and equipment	<u>(819,176)</u>	<u>(573,515)</u>
 <u>Cash flows from financing activities</u>		
Net borrowings (payments) from line of credit	<u>-</u>	<u>(237,171)</u>
Net cash provided by (used in) financing activities	<u>-</u>	<u>(237,171)</u>
Net change in cash and cash equivalents	228,420	428,985
Cash and cash equivalents, beginning of year	<u>505,115</u>	<u>76,130</u>
Cash and cash equivalents, end of year	\$ <u><u>733,535</u></u>	\$ <u><u>505,115</u></u>
 <u>SUPPLEMENTAL CASH FLOW INFORMATION</u>		
Cash paid for interest:	\$ <u><u>191</u></u>	\$ <u><u>9,764</u></u>

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AVONDALE EDUCATION ASSOCIATION, INC.  
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NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

**Note A**

**Nature of Organization and Significant Accounting Policies**

Organization:

The Avondale Education Association, Inc. (the "AEA"), and its supporting foundation, The Museum School Foundation, Inc., collectively the "Organization", is a not-for-profit organization. The Avondale Education Association, Inc. was incorporated in June 2004 and was initially formed by a group of parents to study and implement different options to improve the quality of public education in the local community. In 2008, the State of Georgia passed a new law which created an independent charter school commission as an alternative authorizer to the local school boards. With support of the local community, the AEA changed its focus from supporting the local public school to organizing, applying and acquiring approval through the State of Georgia\* to become a state-chartered commission school. The application was approved in December 2009 for the AEA to serve kindergarten through eighth grade. The AEA conducted its first year of operation in 2010-2011 as a state-chartered commission school and received most of its funding under the Quality Basic Education Act ("QBE") based on the number of students enrolled. In May 2011, the Georgia Supreme Court declared the State Charter Commission unconstitutional and the AEA applied for a charter with the local school system. In June 2011, the DeKalb County Board of Education approved the AEA for a one year charter and in July 2012, the DeKalb County Board of Education approved the AEA for an additional five year charter expiring June 30, 2017.

The AEA selected the museum concept as its instructional model. This proven school model provides project-based learning through partnerships with museums and other learning institutions to create a curriculum aligned with Georgia Performance Standards. The museum school model is based on the idea that children learn best through personal exploration and hands-on experience. Interactive learning expeditions to partner sites offer students a chance to ask questions, make observations, reflect on experiences and draw their own conclusions. Students examine the lesson themes from all angles and create museum-style exhibits to demonstrate what they have learned. Four times a year, they share these projects and their knowledge with parents and other community members at Exhibit Night. The AEA does business as "The Museum School of Avondale Estates". For the 2012-2013 academic years, the AEA served students in kindergarten through fifth grade and for the 2013-2014 academic years, the AEA served students in kindergarten through sixth grade.

\* *The Georgia Charter Schools Commission was a state-level, independent charter school authorizing entity, which had the power to approve or deny petitions for commission charter schools and renew, non-renew, or terminate commission charter school petitions in accordance with Georgia law.*

Principles of Combination:

The accompanying combined financial statements include the accounts of Avondale Education Association, Inc. and its supporting foundation, The Museum School Foundation, Inc. The Museum School Foundation, Inc. was established in November 2011 to generate funds for the educational purpose of Avondale Education Association, Inc. The foundation received its 501(c)(3) status in November 2012 after which it effectively began operations. All significant intercompany transactions between these entities are eliminated in the combined financial statements.

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NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

**Note A**

**Nature of Organization and Significant Accounting Policies (Continued)**

Net Asset Classification:

The accompanying combined financial statements have been prepared in accordance with standards set forth in FASB ASC 958 and the associated industry accounting and audit guide. Under these guidelines, contributions of cash and other assets are classified as one of the following categories:

**Unrestricted** - The part of net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

**Temporarily Restricted** - The part of the net assets resulting (a) from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the organization pursuant to those stipulations.

**Permanently Restricted** - The part of the net assets resulting (a) from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

Functional Expenses:

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Expenses common to several functions are allocated according to the formula developed by management.

Basis of Accounting:

The combined financial statements have been prepared on the accrual basis of accounting. Contributions are recognized upon an unconditional promise to give by a donor to the Organization. Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Any contributions received from donors with permanent restrictions will be maintained as permanent restricted net assets in perpetuity. Expenses are recognized when incurred.

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NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2014 AND 2013

**Note A**

**Nature of Organization and Significant Accounting Policies (Continued)**

Revenue Recognition:

Special events revenue is recognized in the period in which the event is held.

Contributions (including unconditional promises to give such as pledges or private grants) are recognized as revenue in the year they are received or pledged, with allowances provided for pledges estimated to be uncollectible. Unconditional pledges or private grants that are expected to be collected within one year are recorded at net realizable value. Unconditional pledges or private grants that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts (if any) is included in contributions in the accompanying statements of activities and changes in net assets. Conditional pledges or private grants are not included as support until the conditions are substantially met.

The Organization recognizes contributions as restricted support if they are received with donor imposed restrictions that limit the use of the donated assets. When a donor-imposed restriction is met or the passage of time expires, temporarily restricted net assets are reclassified to unrestricted net assets and presented in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

Marketable securities acquired by gift are recorded at fair market value on the date of the receipt. Donated services received that either create or enhance non-financial assets or require specialized skills, which would need to be purchased if not donated are recorded as contributions with a corresponding expense.

Use of Estimates:

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes:

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended, and accordingly pays no income taxes. In accordance with FASB ASC the AEA believes that it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the combined financial statements. The Organization is no longer subject to income tax examinations for fiscal years up to and including 2010.

Cash and Cash Equivalents:

The Organization considers all cash and highly liquid investments with maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of cash held at banks, petty cash and money market funds held by other financial institutions at June 30, 2014 and 2013.

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**Note A**

**Nature of Organization and Significant Accounting Policies (Continued)**

Property and Equipment:

It is the policy of the Organization to capitalize expenditures for property and equipment in excess of \$1,000. Depreciation of leasehold improvements, furniture and equipment is provided over the estimated useful lives on the respective assets or the duration of the lease on a straight-line basis as follows:

Leasehold improvements	Lesser of estimated useful life or life of the lease
Equipment, furniture and fixtures	3 - 7 years
Signage	5 years

Concentrations:

In the normal course of business, the Organization may maintain balances in various accounts held in one bank in excess of the federally insured limit. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash deposits.

Long-Lived Assets:

In accordance with FASB ASC 360, Property, Plant and Equipment, management reviews and assesses long-lived assets for impairment whenever events or changes in circumstance indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, management estimates the future cash flows expected to result from the use of the asset. If the sum of the undiscounted expected cash flows is less than the carrying amount of the asset, an impairment loss is recognized based upon the estimated fair value of the asset. As of June 30, 2014 and 2013, no assets were impaired.

Fair Value of Financial Instruments:

In accordance with the Fair Value Measurements and Disclosures Topic of FASB ASC, the carrying value of cash and cash equivalents and all other financial instruments, including prepaid expenses, and construction in progress are carried at amounts which approximate fair value due to the short-term nature of these instruments.

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 NOTES TO COMBINED FINANCIAL STATEMENTS  
 JUNE 30, 2014 AND 2013

**Note B**  
Receivables

Receivables consisted of the following at June 30, 2014 and 2013:

	2014	2013
Other grants	\$ <u>40,899</u>	\$ <u>16,320</u>
	<u>\$ 40,899</u>	<u>\$ 16,320</u>
Pledges receivable due in:		
Less than one year	\$ 286,561	\$ 212,866
One to five years	<u>206,098</u>	<u>402,249</u>
	<u>\$ 492,659</u>	<u>\$ 615,115</u>

At June 30, 2014 and 2013, the Organization reviewed the outstanding pledges receivable and recorded an allowance for doubtful accounts of \$70,000 and \$33,563, respectively.

Pledges that are to be received over more than one year are subject to discount. Total discounts amounted to \$34,065 and \$31,448 as of June 30, 2014 and 2013, respectively. The discount rate used was 4.50%.

**Note C**  
Operating Leases

During November 2011, the AEA signed a new lease with the DeKalb County School District, effective July 1, 2012, and began renovations on the new school building. The AEA moved to the new location in July 2012 prior to commencement of the 2012/2013 school year. The new lease is for a term of 10 years expiring on June 30, 2022, with two successive five year extension options. The lease stipulated that in lieu of monetary rent, the AEA is to pay all expenses relating to the operation and maintenance of the premises. The lessor can terminate the lease at any time by giving 18 months notice should certain other DeKalb County schools reach 115% of their capacity. Should the lessor terminate the lease, it would be required to pay a termination fee equal to the unamortized cost of any capital improvements made by the AEA at an interest rate of 4.5% over the term. Upon execution of the lease agreement in November 2011, the AEA recognized donated rent revenue of \$1,841,908. The approximate fair value of the donated rent was \$162,029 and \$144,120, for the years ended June 30, 2014 and 2013, respectively. The deferred in-kind donation balances of \$1,679,879 and \$1,841,908 are shown on the statement of financial position as of June 30, 2014 and 2013, respectively. The balance of the deferred in-kind donation account is subject to significant management estimates.

Rental expense for all operating leases was \$167,645 and \$149,770 for the years ending June 30, 2014 and 2013, respectively.

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 NOTES TO COMBINED FINANCIAL STATEMENTS  
 JUNE 30, 2014 AND 2013

**Note D**  
**Property and Equipment, Net**

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 1,669,006	\$ 1,214,259
Furniture and fixtures	66,264	39,548
Equipment	40,004	13,829
Signage	<u>14,152</u>	<u>14,152</u>
	1,789,426	1,281,788
Less accumulated depreciation	<u>(303,064)</u>	<u>(127,263)</u>
	1,486,362	1,154,525
Construction in progress	<u>624,493</u>	<u>312,955</u>
Total property and equipment	<u>\$ 2,110,855</u>	<u>\$ 1,467,480</u>

Construction costs consist of costs incurred on construction projects that have not yet been completed. The AEA begins depreciating completed construction projects in the month they are placed in service.

Depreciation expense for the years ending June 30, 2014 and 2013 was \$175,801 and \$124,433, respectively.

**Note E**  
**Line of Credit**

The AEA had established a line of credit agreement on June 28, 2010, that provided for maximum borrowings of \$300,000. Borrowings under the line of credit bore interest at the bank's prime rate plus one percent with a floor of 5%. The line of credit was secured by \$350,000 in personal guarantees provided by members of the AEA's Board of Directors plus one committee member. The line expired on November 15, 2013. Interest expense related to this line of credit was \$191 and \$9,764 for the years ended June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, the outstanding balance on the line of credit was \$0, respectively.

The AEA established a line of credit agreement on June 16, 2014, that provides for maximum borrowings of \$500,000. Borrowings under the line of credit bear interest at the bank's prime rate plus one percent with a floor of 4.5%. The line of credit is secured by \$589,500 in personal guarantees provided by members of the AEA's Board of Directors, committee members and other donors and expires on November 30, 2015. Interest expense related to this line of credit was \$0 for the years ended June 30, 2014. At June 30, 2014, the outstanding balance on the line of credit was \$0.

**Note F**  
**Note payable**

On July 27, 2012, the AEA entered into a note payable for a maximum borrowing of \$750,000 from an entity formed by certain supporters of AEA at a fixed interest rate of 5.25% per annum. The note expired on January 27, 2014. Interest was payable biannually commencing January 10, 2013. In August 2012, the AEA borrowed approximately \$230,000 under the note which it repaid in full in January 2013. The interest on the loan of \$6,157 was forgiven by the creditors. As of June 30, 2014 and 2013, the balance on the note payable is \$0.

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**Note G**  
**Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following at June 30:

	2014	2013
Donated rent	\$ <u>1,679,879</u>	\$ <u>1,841,908</u>

Temporarily restricted net assets were released from restrictions as follows:

	2014	2013
Donated rent	\$ <u>162,029</u>	\$ <u>144,120</u>

**Note H**  
**QBE Funding**

The AEA, as a charter school, receives the majority of its funding under the QBE program, as discussed in Note A. For the years ended June 30, 2014 and 2013, the AEA reflected earnings from the QBE program of \$3,139,225 and \$2,065,220, respectively, which are included in the grant revenue in the accompanying statements of activities.

**Note I**  
**Retirement Plan**

The AEA participates in the Teachers Retirement System of Georgia (TRS), a public retirement system that provides retirement benefits to Georgia's public school teachers. During the year ended June 30, 2014 and 2013, the AEA contributed 12.28% and 11.41%, respectively, of the eligible and participating employees' salaries or \$210,467 and \$153,726, respectively, as a contribution to the plan.

**Note J**  
**Subsequent Events**

The Organization evaluated subsequent events through September 23, 2014, when these combined financial statements were available to be issued.

During September 2014, the Organization received a \$250,000 temporality restricted grant from an anonymous donor for the purpose of finalization and completion of the most recent construction. This grant was a "challenge grant" whereby the donor challenged the Organization to raise the rest of the required funding for the construction and then awarded and paid the Organization once the rest of the funding was raised.