PRAIRIE CROSSING CHARTER SCHOOL
AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2019 AND 2018

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Prairie Crossing Charter School and its Subsidiary
Grayslake, Illinois

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Prairie Crossing Charter School and its Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 audits 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 auditors' 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Prairie Crossing Charter School and its Subsidiary

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Prairie Crossing Charter School and its Subsidiary as of June 30, 2019 and 2018, and the changes in their net assets and their 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 consolidating supplementary schedules 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 as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Racine, Wisconsin
November 12, 2019

PRAIRIE CROSSING CHARTER SCHOOL AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,146,316	$ 1,692,026
Cash Restricted to Investment in Property	5,951	5,951
Grants Receivable	53,156	44,352
Other Receivables	11,551	61,520
Charter Renewal Fees	16,644	7,415
Prepaid Assets	25,735	25,636
Interest Rate Swap	17,766	174,578
Total Current Assets	2,277,119	2,011,478
DEPOSIT REQUIRED BY LOAN AGREEMENT	306,696	306,696
PROPERTY AND EQUIPMENT, NET	7,797,320	8,136,402
Total Assets	$ 10,381,135	$ 10,454,576
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 168,791	$ 173,733
Accrued Expenses and Other Liabilities	419,319	412,632
Current Maturities of Bond Payable	273,663	264,712
Current Maturities of Capital Lease Obligations	5,352	5,041
Unearned Revenue	30,180	134,930
Total Current Liabilities	897,305	991,048
LONG-TERM LIABILITIES		
Bond Payable, Less Current Maturities Above	6,420,047	6,673,629
Capital Lease Obligations, Less Current Maturities Above	3,750	9,102
Total Long-Term Liabilities	6,423,797	6,682,731
Total Liabilities	7,321,102	7,673,779
NET ASSETS		
Without Donor Restrictions	3,053,970	2,774,734
With Donor Restrictions	6,063	6,063
Total Net Assets	3,060,033	2,780,797
Total Liabilities and Net Assets	$ 10,381,135	$ 10,454,576

See accompanying Notes to Consolidated Financial Statements.

PRAIRIE CROSSING CHARTER SCHOOL AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS (LOSSES), AND OTHER SUPPORT						
General State Aid	$ 5,463,147	$ -	$ 5,463,147	$ 5,221,946	$ -	$ 5,221,946
Contributions	6,727	2,252	8,979	17,039	3,854	20,893
Fundraising	1,843	-	1,843	3,109	-	3,109
Grants:						
State Grants	136,633	-	136,633	127,021	-	127,021
Federal Special Education	128,840	-	128,840	129,161	-	129,161
Other	10,391	-	10,391	21,428	-	21,428
School and Program Fees	365,711	-	365,711	410,080	-	410,080
Rent Income	5,495	-	5,495	7,063	-	7,063
Net Investment Return, Appropriated to Cash and Cash Equivalents	8,115	-	8,115	5,248	-	5,248
Net Investment Return (Loss), Appropriated to (from) Interest Rate Swap	(156,812)	-	(156,812)	124,037	-	124,037
Other Expense	(105,204)	-	(105,204)	(102,442)	-	(102,442)
Total Revenues, Gains (Losses), and Other Support	5,864,886	2,252	5,867,138	5,963,690	3,854	5,967,544
Net Assets Released from Purpose Restrictions	2,252	(2,252)	-	3,854	(3,854)	-
Total Revenues, Gains (Losses), and Other Support without Donor Restrictions	5,867,138	-	5,867,138	5,967,544	-	5,967,544
EXPENSES						
Program Services	4,306,964	-	4,306,964	4,531,615	-	4,531,615
Fundraising	11,063	-	11,063	18,048	-	18,048
Management and General	1,269,875	-	1,269,875	1,093,178	-	1,093,178
Total Expenses	5,587,902	-	5,587,902	5,642,841	-	5,642,841
CHANGE IN NET ASSETS	279,236	-	279,236	324,703	-	324,703
Net Assets - Beginning of Year	2,774,734	6,063	2,780,797	2,450,031	6,063	2,456,094
NET ASSETS - END OF YEAR	$ 3,053,970	$ 6,063	$ 3,060,033	$ 2,774,734	$ 6,063	$ 2,780,797

See accompanying Notes to Consolidated Financial Statements.

PRAIRIE CROSSING CHARTER SCHOOL AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019				2018			
	Program Services	Fundraising	Management and General	Total	Program Services	Fundraising	Management and General	Total
Salaries	$ 2,481,892	$ -	$ 600,260	$ 3,082,152	$ 2,355,063	$ -	$ 625,644	$ 2,980,707
Benefits	344,511	-	48,633	393,144	381,348	-	-	381,348
Payroll Taxes	95,697	-	34,404	130,101	119,073	-	8,375	127,448
Subtotal	2,922,100	-	683,297	3,605,397	2,855,484	-	634,019	3,489,503
Accounting Expense	-	-	38,707	38,707	-	-	35,069	35,069
Club Expenses	113,871	-	28,944	142,815	162,404	-	28,387	190,791
Community Outreach	-	-	93,617	93,617	-	-	82,370	82,370
Dues	-	-	11,532	11,532	-	-	11,821	11,821
Educational Materials and Supplies	45,557	-	-	45,557	95,985	-	-	95,985
Fundraising	-	11,063	-	11,063	-	18,048	-	18,048
Grants	138,747	-	-	138,747	136,489	-	-	136,489
Hot Lunches and Field Trips	127,908	-	-	127,908	134,766	-	-	134,766
Legal Expense	2,885	-	15,641	18,526	2,613	-	3,535	6,148
Liability Insurance	59,772	-	14,943	74,715	55,216	-	13,804	69,020
Miscellaneous Expense	-	-	2,252	2,252	-	-	3,854	3,854
Other Professional Fees	16,521	-	4,130	20,651	22,946	-	5,736	28,682
Office Expense	26,195	-	167,263	193,458	52,936	-	153,190	206,126
Out of District Placement	-	-	43,009	43,009	-	-	35,279	35,279
Professional Development	51,462	-	12,866	64,328	86,480	-	21,620	108,100
Repairs and Maintenance	73,204	-	18,303	91,507	118,532	-	29,633	148,165
Special Education Professional Fees	167,240	-	-	167,240	164,911	-	-	164,911
Transportation	20,018	-	-	20,018	21,535	-	-	21,535
Utilities	32,779	-	8,195	40,974	36,959	-	4,106	41,065
Depreciation and Amortization	287,317	-	71,829	359,146	346,566	-	18,240	364,806
Interest Expense	221,388	-	55,347	276,735	237,793	-	12,515	250,308
Total Expenses	$ 4,306,964	$ 11,063	$ 1,269,875	$ 5,587,902	$ 4,531,615	$ 18,048	$ 1,093,178	$ 5,642,841

See accompanying Notes to Consolidated Financial Statements.

PRAIRIE CROSSING CHARTER SCHOOL AND ITS SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 279,236	$ 324,703
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	359,146	364,806
Amortization of Debt Issuance Costs	20,081	10,022
Loss on Disposal of Assets	-	361
Net Unrealized Loss (Gain) on Interest Rate Swap	156,812	(124,037)
Effects of Changes in Operating Assets and Liabilities:		
Grants Receivable	(8,804)	72,636
Other Receivables	49,969	(61,520)
Other Assets	(16,743)	(15,957)
Accounts Payable	(4,942)	10,279
Accrued Expenses and Other Liabilities	6,687	(7,199)
Unearned Revenue	(104,750)	54,690
Net Cash Provided by Operating Activities	736,692	628,784
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(12,649)	(267,725)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease Obligations	(5,041)	(4,747)
Payments on Bond Payable	(264,712)	(256,054)
Net Cash Used by Financing Activities	(269,753)	(260,801)
NET INCREASE IN CASH AND CASH EQUIVALENTS	454,290	100,258
Cash and Cash Equivalents - Beginning of Year	1,692,026	1,591,768
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,146,316	$ 1,692,026
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 258,275	$ 240,286

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Prairie Crossing Charter School (PCCS) was formed in July 1999 in the state of Illinois and focuses on the environment, conservation, and good citizenship and currently offers kindergarten through grade 8. The maximum enrollment for the school is capped at 432 students in the school year 2018-2019. In the 2017-2018 school year, the enrollment was capped at 432 students. For the 2018-2019 school year, budgeted enrollment was at 430 students and 430 students were reported on the last day of school, of which two students were out of district. For the 2017-2018 school year, 428 students were reported on the last day of school, of which two students were out of district. PCCS is supported primarily by General State Aid from the state of Illinois, which reimburses PCCS a dollar amount per student per school year, and various grants from state, federal, and other agencies.

PCCS is subject to a “Charter Agreement” with the Illinois State Charter School Commission (ISCSC). The original agreement was for a term of five years and ended with the 2003-2004 school year. The agreement was renewed for three additional terms of five years, ending with the 2018-2019 school year. On November 4, 2019, the agreement was renewed for an additional five years, ending with the 2023-2024 school year.

PCCS Holdings, LLC (Holdings) is an Illinois Limited Liability Company, with PCCS as a single member. Holdings was formed in June 2004 to own and develop PCCS property and lease it to PCCS. Construction for the first building was completed in December 2004, and construction for the second building was completed in August 2006.

Consolidation

The accompanying consolidated financial statements include the accounts of Prairie Crossing Charter School and its wholly owned subsidiary, PCCS Holdings, LLC (collectively, the Organization). All significant intercompany items and transactions have been eliminated.

Significant accounting policies followed by the Organization are presented below.

Basis of Accounting

The Organization prepares its consolidated financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when obligations are incurred, regardless of the timing of the cash flows.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues, expenditures, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

The Organization's financial instruments are cash and cash equivalents, accounts receivable, accounts payable, unearned revenue, accrued expenses, and long-term debt. The recorded values of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and unearned revenue approximate their fair values based on their short-term nature. The fair value of the Organization's long-term debt is estimated based on the current rates offered to the Organization for debt of similar terms and maturities.

Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash balances at regional banks.

Certificates of Deposit

Certificates of deposit are carried at cost which approximates fair value.

Receivables

Receivables are uncollateralized obligations which generally require payment within 30 days from the invoice date. Receivables are stated at the invoice amount.

Account balances with invoices over 90 days old are considered delinquent. Payments of receivables are applied to the specific invoices identified on the remittance advice or, if unspecified, to the earliest unpaid invoices.

The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectability of specific accounts and the aging of the receivables. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. At June 30, 2019 and 2018, no amounts are considered uncollectible and accordingly, the Organization has not recorded an allowance for uncollectible amounts.

Property and Equipment

Property and equipment is stated at cost or, if donated, at the estimated fair market value as of the date of donation. Expenses for maintenance and repairs are charged to expense as incurred. Additions and replacements in excess of $2,500, including interest and issuance costs during the construction period, are capitalized. Depreciation is recorded on the straight-line method over the estimated useful lives of the various assets, which range from 3 to 39 years.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Accounting Policy for Derivative Financial Instruments

The Organization recognizes all of its derivative instruments as either assets or liabilities at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, the Organization designates the hedging instrument as a fair value hedge.

For derivative instruments that are designated and qualify as a fair value hedge (i.e., hedging the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk), the gain or loss on the derivative instrument as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in the current earnings during the period of the change in fair values.

Net Assets

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – These represent net assets that are not subject to external donor-imposed restrictions.

With Donor Restrictions – These represent net assets that are subject to donor-imposed time or purpose restrictions that have not been met (See Note 8).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 and reported in the consolidated statements of activities as Net Assets Released from Restrictions.

The Organization reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Other Income (Expense)

The Organization reports other income (expense) in the consolidated statements of activities as a component of revenues, gains, losses, and other support. This includes the charter school commission fee established by the Illinois legislature in 2011 and various activities on a net basis including SCRIP, plant sale, holiday bazaar, and others.

Income Taxes

No provision or benefit for income taxes has been included in these consolidated financial statements since the Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries, benefits, payroll taxes, club expenses, legal expenses, liability insurance, other professional fees, office expenses, professional development, repairs and maintenance, utilities, depreciation and amortization, and interest expenses, which are allocated on the basis of estimates of time and effort.

Debt Issuance Costs

Debt issuance costs and loan fees are amortized over the term of the related debt (see Note 6). Debt issuance costs totaled $563,995 and $584,076 at June 30, 2019 and 2018, respectively. Amortization of debt issuance costs charged to interest expense was $20,081 and $10,022 for June 30, 2019 and 2018, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncements

Revenue from Contracts with Customers – In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services 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 guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgements and changes in judgements, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for PCCS for the year ended June 30, 2020. Management is evaluating the effect of the amended revenue recognition guidance on the entity's consolidated financial statements.

Leases – In In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for PCCS for the year ended June 30, 2021. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on PCCS's consolidated financial statements.

Accounting for Contributions Received and Contributions Made – In June 2018, FASB issued ASU 2018-08 related to the accounting for contributions made. This update applies to both resource recipients and resource providers and assists in evaluating whether a transfer of assets is an exchange transaction or a contribution and also assists with distinguishing between conditional and unconditional contributions. Distinguishing between contributions and exchange transactions determines which guidance should be applied. For contributions, the guidance in Subtopic 958-605 should be followed, and for exchange transactions, Topic 606 should be followed. The ASU is effective for PCCS for the year ended June 30, 2020. PCCS is currently evaluating the impact this guidance will have on its financial statements.

Adoption of New Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented, resulting in no changes to net assets with donor restrictions and net assets without donor restrictions.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization's liquidity goal is to have sufficient assets available to meet operational expenditures for a 12-month period. PCCS regularly reviews the liquidity required to meet the ongoing needs for operations of the school. Various forms of funds are available which include cash and cash equivalents, grants receivable and other receivables.

For the purpose of analyzing available resources, PCCS reviews assets not covered by donor restrictions or restricted for future use. As of June 30, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	2019	2018
Financial Assets at Year-End:		
Cash and Cash Equivalents	$ 2,146,316	$ 1,692,026
Grants Receivable	53,156	44,352
Other Receivables	11,551	61,520
Total Financial Assets	2,211,023	1,797,898
Less Amounts Not Available to be Used Within One Year Due to Donor Restrictions	(6,063)	(6,063)
Financial Assets Available to Meet General Expenditures Within One Year	$ 2,204,960	$ 1,791,835

In addition to financial assets available to meet operational expenditures, PCCS operates with a balanced budget to ensure that the Organization can meet current and future obligations. PCCS believes that future revenues will be sufficient to cover expenditures without materially impacting the entity's liquidity.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment as of June 30 are summarized as follows:

	2019	2018
Land	$ 976,852	$ 976,852
Land Improvements	224,097	224,097
Building Improvements	10,203,140	10,203,140
Furniture and Fixtures	398,780	398,780
Equipment	624,823	622,936
Software	49,820	49,820
Vehicle	34,800	34,800
Construction in Progress	5,857	5,857
Total Property and Equipment	12,518,169	12,516,282
Less: Accumulated Depreciation	(4,720,849)	(4,379,880)
Property and Equipment, Net	$ 7,797,320	$ 8,136,402

Depreciation expense for the years ended June 30, 2019 and 2018 was $351,731 and $357,391, respectively.

NOTE 4 CAPITAL LEASE OBLIGATIONS

In March 2016, the Organization entered into a lease for office equipment with a cost of $24,795 under a capital lease which will expire in 2021. The liability under the capital lease is recorded at the present value of the minimum lease payments. The interest rate on the capital lease obligation is approximately 6% at June 30, 2019 and 2018 and is imputed based on the lessor's implicit rate of return. Amortization expense on equipment acquired under capital lease was $5,041 and $4,747 for the years ended June 30, 2019 and 2018, respectively. Accumulated amortization on leased equipment was $16,400 and $11,359 at June 30, 2019 and 2018, respectively.

Future minimum lease payments under the capital lease are due as follows:

Year Ending June 30,	Amount
2020	$ 5,752
2021	3,835
Total	9,587
Amount Representing Interest	(485)
Present Value of Future Minimum Lease Payments	9,102
Current Portion	(5,352)
Long-Term Portion	$ 3,750

NOTE 5 LEASE COMMITMENTS

Effective June 16, 2004, PCCS entered into a lease with Holdings for the school buildings which expires on December 31, 2028, and is paid directly to Lake Forest Bank and Trust Company in monthly installments equal to the regularly scheduled principal and interest payments required by Holdings bond payable on the property. The lease expense under this agreement is eliminated upon consolidation. See Note 6 for further discussion of the bond payable.

NOTE 6 MORTGAGE/BOND PAYABLE

In August 2011, the Village of Wadsworth, Illinois (the Village), issued $9,000,000 of Revenue Refunding Bonds (Prairie Crossing Charter School Project) Series 2011 pursuant to its powers under the Industrial Revenue Building Bond Act, 65 Illinois Compiled Statutes. The Village entered into a bond and loan agreement with the Lake Forest Bank and Trust Company and the Organization dated August 1, 2011. The bonds mature, subject to prior redemption, principal amortization, and acceleration, on September 1, 2038. The bonds are collateralized by substantially all of the Organization's assets. Under the terms of a related Loan and Covenant Agreement, the Organization is required to maintain a minimum deposit with the bank of $300,000. This requirement is met with a certificate of deposit in the amount of $306,696 and is presented as a deposit required by the loan agreement in the consolidated statements of financial position. The Organization is also required to maintain a minimum debt service coverage ratio. The Organization was in compliance with this covenant at June 30, 2019.

NOTE 6 MORTGAGE/BOND PAYABLE (CONTINUED)

The bonds bear variable interest, payable monthly, in arrears. The initial bank purchase mode matured on August 23, 2016. After the initial bank purchase mode, and subject to written agreement, the Organization may convert the bonds to a bank purchase mode renewal or to a weekly mode or a flexible mode. The interest rate on the bonds is established by a remarketing agent weekly. The agreement requires monthly principal payments on 10th day of each month.

The Organization entered into the second bank purchase mode on August 24, 2016, which ends on August 23, 2021, in relation to its outstanding bonds. The interest rate during that period represents a tax-exempt, variable rate equal to the bank purchase multiplier times the sum of the LIBOR rate plus 350 basis points. The Organization entered into an interest rate swap agreement with Lake Forest Bank and Trust Company dated September 9, 2016 and effective September 10, 2016 with a fixed rate of 3.354% for five years. The swap agreement matures on August 23, 2021.

The following summarizes the mortgage payable as of June 30, 2019:

Bonds Payable	$ 7,257,705
Less: Unamortized Debt Issuance Costs	(563,995)
Total Bonds Payable, Net of Unamortized Debt Issuance Costs	6,693,710
Less: Current Maturities	(273,663)
Total Bonds Payable, Less Current Maturities	$ 6,420,047

Future principal payments under the loan agreement are as follows:

Year Ending June 30,	Amount
2020	$ 273,663
2021	282,916
2022	292,482
2023	302,372
2024	312,596
Thereafter	5,793,676
Total	$ 7,257,705

NOTE 6 MORTGAGE/BOND PAYABLE (CONTINUED)

Future amortization of the debt issuance costs are as follows:

Year Ending June 30,	Amount
2020	$ 20,816
2021	21,578
2022	22,368
2023	23,186
2024	24,035
Thereafter	452,012
Total	$ 563,995

NOTE 7 LINE OF CREDIT

The Organization has a $500,000 line of credit which bears interest at the bank's prime rate plus 1.00%, but not less than 5.50% (6.5% and 6.0% at June 30, 2019 and 2018, respectively). The line is due on January 31, 2020. There were no amounts outstanding at June 30, 2019 and 2018. The line of credit is collateralized by a general business security agreement and includes several financial covenants.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

	2019	2018
Sustainable Schoolyard	$ 5,195	$ 5,195
Giving Tree	868	868
Total	$ 6,063	$ 6,063

NOTE 9 RETIREMENT PLANS

Teachers' Retirement System of the State of Illinois (TRS)

The Organization participates in TRS, which is a cost-sharing, multiple employer defined-benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the governor's approval. The state of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS board of trustees is responsible for the system's administration.

NOTE 9 RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the State of Illinois (TRS) (Continued)

TRS members include all active nonannuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. Active TRS members are required to contribute 9.00% of their creditable earnings. These contributions are submitted to TRS by the employer.

All TRS-covered members and employers are required to contribute to the Teachers' Health Insurance Security Fund, a separate fund in the state treasury that is not a part of this retirement plan. For the year ended June 30, 2019, TRS-covered employers contributed 0.92% of creditable earnings to the Teacher's Health Insurance Security Fund and TRS-covered members contributed at a rate of 1.24% of creditable earnings. For the year ended June 30, 2018, TRS-covered employers contributed 0.88% of creditable earnings to the Teacher's Health Insurance Security Fund and TRS-covered members contributed at a rate of 1.18% of creditable earnings.

The Organization makes four types of employer contributions directly to TRS:

2.2 Formula Contributions

For the years ended June 30, 2019 and 2018, TRS-covered employers were required to contribute 0.58% of creditable earnings as the employer share of the 2.2 formula change. The contribution for the years ended June 30, 2019 and 2018 was $10,114 and $10,192, respectively.

Federal and Trust Fund Contributions

When TRS members are paid from federal and trust funds administered by the Organization, there is a statutory requirement of the Organization to pay an additional contribution that is 9.85% and 10.10% of salaries paid from those funds for the years ended June 30, 2019 and 2018, respectively. For the years ended June 30, 2019 and 2018, the Organization paid $2,857 and $2,929 from the federal and trust funds, respectively.

Early Retirement Incentive

The Organization is required to make employer contributions to TRS for members who retired under the 1993-1995 Early Retirement Incentive. For each year of service purchased, members received an equal number of years of age. Employers contributed 20% of the highest salary used in the calculation of final average salary for each year purchased; member contributions were also required. Employer contributions could be made in a lump sum, over five years in quarterly installments, or under a different schedule approved by the TRS board of trustees. For the years ended June 30, 2019 and 2018, the Organization paid no employer contributions under the Early Retirement Incentive.

NOTE 9 RETIREMENT PLANS (CONTINUED)

Teachers' Retirement System of the State of Illinois (TRS) (Continued)

Early Retirement Option

The Organization is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option. The payments vary depending on the age and salary of the member. No member or employer contributions are required if the member has 34 years of service. The maximum employer payment of 100% of the member's highest salary used in the calculation of final average salary is required if the member is 55 years old. For the years ended June 30, 2019 and 2018, the Organization paid no employer contributions under the Early Retirement Option.

TRS financial information, an explanation of TRS's benefits, and descriptions of member, employer and state funding requirements can be found in the TRS Comprehensive Annual Financial Report. The report may be obtained by writing to the Teachers' Retirement System of the state of Illinois, PO Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253.

403(b) and 403(b)(7) Plans

The Organization has two tax deferred annuity plans pursuant to Section 403(b) and 403(b)(7) covering all employees. The plans are funded solely by employee contributions.

NOTE 10 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 10 FAIR VALUE MEASUREMENTS (CONTINUED)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy.

The fair value of the interest rate swap agreement is estimated by a third party using a model that builds a yield curve from market data for actively traded securities at various times and maturities and takes into account current interest rates and the current credit worthiness of the respective counterparties.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as of June 30, 2019:

	Total	Level 1	Level 2	Level 3
Interest Rate Swap	$ 17,766	$ -	$ 17,766	$ -

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as of June 30, 2018:

	Total	Level 1	Level 2	Level 3
Interest Rate Swap	$ 174,578	$ -	$ 174,578	$ -

NOTE 11 HEDGING ACTIVITY

During 2011, the Organization entered into an interest rate swap agreement to reduce the impact of changes in interest rates on its variable rate debt. The swap agreement had an initial notional value of $9,000,000 in connection with an outstanding bond of the same amount, described in Note 6. The agreement requires payment of a fixed rate of 3.354% and receipt of a tax-exempt, variable interest rate equal to the bank purchase multiplier, times the sum of the LIBOR rate plus 350 basis points. The Company has designated this hedge as a fair value hedge. The fair value of the hedge, the recording of which resulted in a gain (loss) of $(156,812) and $124,037 for the years ended June 30, 2019 and 2018, respectively, is recognized in the current earnings during the period of the change in fair values.

NOTE 12 SIGNIFICANT CONCENTRATIONS, COMMITMENTS, AND CONTINGENCIES

Accounting principles generally accepted in the United States of America require disclosure of information about current vulnerabilities due to contingencies and certain concentrations.

Concentrations

During the years ended June 30, 2019 and 2018, the Organization received approximately 93% and 88% of its revenues from state funding, respectively.

FDIC Limits

The Organization maintains a large portion of its cash and cash equivalents in one commercial bank. Balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to specific limits. Balances in excess of FDIC limits are uninsured.

NOTE 13 UNCERTAINTY IN INCOME TAX

The Organization is exempt from federal income taxes as provided in Section 501(c)(3) and 170(c)(2)(B) of the IRC. The Organization, having qualified for exemption under provisions of the IRC, is also exempt from state income taxes.

NOTE 14 SUBSEQUENT EVENTS

Management evaluated subsequent events through November 12, 2019, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2019, but prior to November 12, 2019 that provided additional evidence about conditions that existed at June 30, 2019, have been recognized in the consolidated financial statements for the year ended June 30, 2019. Events or transactions that provided evidence about conditions that did not exist at June 30, 2019 but arose before the consolidated financial statements were available to be issued have not been recognized in the consolidated financial statements for the year ended June 30, 2019.

PRAIRIE CROSSING CHARTER SCHOOL AND ITS SUBSIDIARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2019
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	2019				2018
	PCCS	Holdings	Eliminations	Total	Total
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	$ 2,146,316	$ -	$ -	$ 2,146,316	$ 1,692,026
Cash Restricted to Investment in Property	-	5,951	-	5,951	5,951
Grants Receivable	53,156	-	-	53,156	44,352
Other Receivables	11,551	-	-	11,551	61,520
Due from Holdings	246,009	-	(246,009)	-	-
Charter Renewal Fees	16,644	-	-	16,644	7,415
Prepaid Assets	25,735	-	-	25,735	25,636
Interest Rate Swap	-	17,766	-	17,766	174,578
Investment in PCCS Holdings, LLC	1,048,430	-	(1,048,430)	-	-
Total Current Assets	3,547,841	23,717	(1,294,439)	2,277,119	2,011,478
DEPOSIT REQUIRED BY LOAN AGREEMENT	-	306,696	-	306,696	306,696
PROPERTY AND EQUIPMENT, NET	139,584	7,657,736	-	7,797,320	8,136,402
Total Assets	$ 3,687,425	$ 7,988,149	$ (1,294,439)	$ 10,381,135	$ 10,454,576

PRAIRIE CROSSING CHARTER SCHOOL AND ITS SUBSIDIARY
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2019
WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	2019				2018
	PCCS	Holdings	Eliminations	Total	Total
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts Payable	$ 168,791	$ 246,009	$ (246,009)	$ 168,791	$ 173,733
Accrued Expenses and Other Liabilities	419,319	-	-	419,319	412,632
Current Maturities of Bond Payable	-	273,663	-	273,663	264,712
Current Maturities of Capital Lease Obligations	5,352	-	-	5,352	5,041
Unearned Revenue	30,180	-	-	30,180	134,930
Total Current Liabilities	623,642	519,672	(246,009)	897,305	991,048
LONG-TERM LIABILITIES					
Bond Payable, Less Current Maturities Above	-	6,420,047	-	6,420,047	6,673,629
Capital Lease Obligations, Less Current Maturities Above	3,750	-	-	3,750	9,102
Total Long-Term Liabilities	3,750	6,420,047	-	6,423,797	6,682,731
Total Liabilities	627,392	6,939,719	(246,009)	7,321,102	7,673,779
NET ASSETS					
Without Donor Restrictions	3,053,970	-	-	3,053,970	2,774,734
With Donor Restrictions	6,063	-	-	6,063	6,063
Members' Equity	-	1,048,430	(1,048,430)	-	-
Total Net Assets	3,060,033	1,048,430	(1,048,430)	3,060,033	2,780,797
Total Liabilities and Net Assets	$ 3,687,425	$ 7,988,149	$ (1,294,439)	$ 10,381,135	$ 10,454,576

PRAIRIE CROSSING CHARTER SCHOOL AND ITS SUBSIDIARY
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	2019				2018
	PCCS	Holdings	Eliminations	Total	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS					
Revenues, Gains (Losses), and Other Support:					
General State Aid	$ 5,463,147	$ -	$ -	$ 5,463,147	$ 5,221,946
Contributions	6,727	-	-	6,727	17,039
Fundraising	1,843	-	-	1,843	3,109
Grants:					
State Grants	136,633	-	-	136,633	127,021
Federal Special Education	128,840	-	-	128,840	129,161
Other	10,391	-	-	10,391	21,428
School and Program Fees	365,711	-	-	365,711	410,080
Rent Income	5,495	520,655	(520,655)	5,495	7,063
Net Investment Return, Appropriated to Cash and Cash Equivalents	8,115	-	-	8,115	5,248
Net Investment Return, Appropriated from Investment in PCCS Holdings, LLC	(198,450)	-	198,450	-	-
Net Investment Return, Appropriated to (from) Interest Rate Swap	-	(156,812)	-	(156,812)	124,037
Other Expense	(105,204)	-	-	(105,204)	(102,442)
Total Revenues, Gains (Losses), and Other Support	5,823,248	363,843	(322,205)	5,864,886	5,963,690
Net Assets Released from Restrictions	2,252	-	-	2,252	3,854
Total Revenues, Gains, and Other Support without Donor Restrictions	5,825,500	363,843	(322,205)	5,867,138	5,967,544
Expenses:					
Program Services	4,379,577	448,042	(520,655)	4,306,964	4,531,615
Fundraising	11,063	-	-	11,063	18,048
Management and General	1,155,624	114,251	-	1,269,875	1,093,178
Total Expenses	5,546,264	562,293	(520,655)	5,587,902	5,642,841
Increase (Decrease) in Net Assets without Donor Restrictions	279,236	(198,450)	198,450	279,236	324,703
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS					
Grants and Contributions	2,252	-	-	2,252	3,854
Net Assets Released from Restrictions	(2,252)	-	-	(2,252)	(3,854)
Increase (Decrease) in Net Assets with Donor Restrictions	-	-	-	-	-
CHANGE IN NET ASSETS	279,236	(198,450)	198,450	279,236	324,703
Net Assets - Beginning of Year	2,780,797	1,246,880	(1,246,880)	2,780,797	2,456,094
NET ASSETS - END OF YEAR	$ 3,060,033	$ 1,048,430	$ (1,048,430)	$ 3,060,033	$ 2,780,797

PRAIRIE CROSSING CHARTER SCHOOL AND ITS SUBSIDIARY
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
WITH SUMMARIZED INFORMATION FOR YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

	2019				2018
	Program Services	Fundraising	Management and General	Total	Total
PCCS					
Salaries	$ 2,481,892	$ -	$ 600,260	$ 3,082,152	$ 2,980,707
Benefits	344,511	-	48,633	393,144	381,348
Payroll Taxes	95,697	-	34,404	130,101	127,448
Subtotal	2,922,100	-	683,297	3,605,397	3,489,503
Accounting Expense	-	-	36,467	36,467	32,221
Club Expenses	113,871	-	28,944	142,815	190,791
Community Outreach	-	-	93,617	93,617	82,370
Dues	-	-	11,532	11,532	11,821
Educational Materials and Supplies	45,557	-	-	45,557	95,985
Fundraising	-	11,063	-	11,063	18,048
Grants	138,747	-	-	138,747	136,489
Hot Lunches and Field Trips	127,908	-	-	127,908	134,766
Legal Expense	2,885	-	15,641	18,526	6,148
Liability Insurance	59,772	-	14,943	74,715	69,020
Miscellaneous Expense	-	-	2,252	2,252	3,854
Other Professional Fees	16,521	-	4,130	20,651	28,682
Office Expense	26,195	-	167,263	193,458	206,126
Out of District Placement	-	-	43,009	43,009	35,279
Professional Development	51,462	-	12,866	64,328	108,100
Rent Expense	520,655	-	-	520,655	495,336
Repairs and Maintenance	73,204	-	18,303	91,507	148,165
Special Education Professional Fees	167,240	-	-	167,240	164,911
Transportation	20,018	-	-	20,018	21,535
Utilities	32,779	-	8,195	40,974	41,065
Total Expenses	4,318,914	11,063	1,140,459	5,470,436	5,520,215
Depreciation and Amortization	60,094	-	15,023	75,117	87,938
Interest Expense	569	-	142	711	1,004
Total PCCS	4,379,577	11,063	1,155,624	5,546,264	5,609,157
HOLDINGS					
Accounting Expense	-	-	2,240	2,240	2,848
Depreciation and Amortization	227,223	-	56,806	284,029	276,868
Interest Expense	220,819	-	55,205	276,024	249,304
Total Holdings	448,042	-	114,251	562,293	529,020
Total Expenses before Eliminations	4,827,619	11,063	1,269,875	6,108,557	6,138,177
Total Eliminations	(520,655)	-	-	(520,655)	(495,336)
Total Expenses	$ 4,306,964	$ 11,063	$ 1,269,875	$ 5,587,902	$ 5,642,841