

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

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AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Galapagos Rockford Charter School NFP, Inc.

Opinion

We have audited the accompanying financial statements of Galapagos Rockford Charter School NFP, Inc. (an Illinois nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Galapagos Rockford Charter School NFP, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Galapagos Rockford Charter School NFP, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Galapagos Rockford Charter School NFP, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Galapagos Rockford Charter School NFP, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Galapagos Rockford Charter School NFP, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, on our consideration of Galapagos Rockford Charter School NFP, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Galapagos Rockford Charter School NFP, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ABC Organization's internal control over financial reporting and compliance.

Grieco & Adelman LLC

Des Plaines, Illinois
October 31, 2022

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021**

ASSETS

	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 2,945,765	\$ 2,200,389
Unemployment insurance reserve	63	49,481
Funding receivables	493,086	241,706
Employee Retention Credit receivable	-	492,759
Total current assets	<u>3,438,914</u>	<u>2,984,335</u>
Property, equipment and leasehold improvements - net of accumulated depreciation	<u>3,671,044</u>	<u>3,762,085</u>
Other assets:		
Investments	<u>733,261</u>	<u>607,434</u>
Total other assets	<u>733,261</u>	<u>607,434</u>
Total assets	<u>\$ 7,843,219</u>	<u>\$ 7,353,854</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 95,809	\$ 127,504
Accrued payroll expenses	184,876	135,403
Accrued interest	6,576	7,448
Notes payable - current portion	<u>121,697</u>	<u>384,120</u>
Total current liabilities	<u>408,958</u>	<u>654,475</u>
Long-term liabilities:		
Notes payable - net of current portion	<u>1,352,038</u>	<u>1,549,857</u>
Total liabilities	<u>1,760,996</u>	<u>2,204,332</u>
Net assets:		
Without donor restrictions:		
Undesignated	<u>6,082,223</u>	<u>5,149,522</u>
Total liabilities and net assets	<u>\$ 7,843,219</u>	<u>\$ 7,353,854</u>

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.**STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021**

	Without Donor Restrictions	
	2022	2021
Revenues:		
Support:		
District funding	\$ 4,827,554	\$ 4,193,766
Fees	39,336	25,344
Federal aid	752,686	159,875
Meal funding	328,459	153,861
In-kind contributions	22,816	-
Fundraising	19,587	16,046
Total support	<u>5,990,438</u>	<u>4,548,892</u>
Other revenues:		
Other	17,149	36,632
Payroll Protection Plan loan forgiveness	-	428,740
Employee Retention Credits	236,960	887,438
Interest and dividends	60,515	13,754
Unrealized (loss) gain on investments	(163,489)	115,789
Total other revenues	<u>151,135</u>	<u>1,482,353</u>
Total revenues	<u>6,141,573</u>	<u>6,031,245</u>
Expenses:		
Program	4,303,394	3,230,580
General and administrative	823,416	821,653
Interest	82,062	98,962
Total expenses	<u>5,208,872</u>	<u>4,151,195</u>
Changes in net assets	932,701	1,880,050
Net assets, beginning of year	<u>5,149,522</u>	<u>3,269,472</u>
Net assets, end of year	<u>\$ 6,082,223</u>	<u>\$ 5,149,522</u>

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

**STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022 WITH COMPARATIVE TOTALS FOR 2021**

	2022			Totals
	Program	General and Administrative	Total Expenses	2021
Instructional materials	\$ 186,721	\$ -	\$ 186,721	\$ 151,401
Salaries, wages and benefits	2,424,755	781,315	3,206,070	2,679,769
Administrative support services	325,209	40,151	365,360	212,506
Facilities support services	398,692	-	398,692	318,533
Instructional support services	763,375	-	763,375	510,396
In-kind expense	22,816	-	22,816	-
Depreciation and amortization	181,826	1,950	183,776	179,628
Total functional expenses	<u>\$ 4,303,394</u>	<u>\$ 823,416</u>	<u>\$ 5,126,810</u>	<u>\$ 4,052,233</u>

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Changes in net assets	\$ 932,701	\$ 1,880,050
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	183,776	179,628
Unrealized loss (gain) on investments	163,489	(115,789)
Changes in operating assets and liabilities:		
Decrease in certificates of deposit	-	208,336
(Increase) in funding receivables	(251,380)	(66,678)
Decrease in other receivables	-	11,234
Decrease (increase) in Employee Retention Credit receivable	492,759	(492,759)
(Decrease) increase in accounts payable	(31,695)	73,578
Increase in accrued expenses	<u>48,601</u>	<u>29,806</u>
Net cash provided (used) by operating activities	<u>1,538,251</u>	<u>1,707,406</u>
Cash flows from investing activities:		
Purchase of property, equipment and leasehold improvements	(92,735)	(266,802)
Purchase of investments	<u>(289,316)</u>	<u>(353,810)</u>
Net cash provided (used) by investing activities	<u>(382,051)</u>	<u>(620,612)</u>
Cash flows from financing activities:		
Principal payments on notes payable	(460,242)	(117,831)
Small Business Administration loan proceeds	-	150,000
Forgiveness of the Paycheck Protection Program	-	<u>(428,500)</u>
Net cash provided (used) by financing activities	<u>(460,242)</u>	<u>(396,331)</u>
Net change in cash and cash equivalents	695,958	690,463
Cash and cash equivalents - beginning of year	<u>2,249,870</u>	<u>1,559,407</u>
Cash and cash equivalents - end of year	<u>\$ 2,945,828</u>	<u>\$ 2,249,870</u>
Supplementary information:		
Interest paid	<u>\$ 82,062</u>	<u>\$ 94,579</u>

NOTES TO FINANCIAL STATEMENTS

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

1. Nature of Organization:

Organization and Nature of Activities

Galapagos Rockford Charter School NFP, Inc. (School) is a nonprofit charter school open to all scholars living within the boundaries of Rockford District #205 currently eligible for grades kindergarten through eighth. The School's focus is on providing underserved children with the skills that will allow them to adapt and prosper in an ever-increasing global community. The School is dedicated to preparing scholars to be responsible, productive, college educated adults, capable of adapting and prospering in the challenging global economy.

2. Summary of Significant Accounting Policies:

Classification of Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The only limits on the use of net assets without donor restrictions are reserves designated by the Board for specific purposes.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed and/or when the stipulated purpose for which the resource was restricted has been fulfilled.

Accounting Policies

The School's policy is to prepare its financial statements on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (GAAP) and, accordingly, reflect all significant receivables, payables and other liabilities.

Cash and Cash Equivalents

The School considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

2. Summary of Significant Accounting Policies: (continued)

Concentration of Custodial Risk

The School maintains its cash balances in bank deposits at Byline Bank, which at times, may exceed federal insured limits. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) whose coverage is \$250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2022 and 2021, deposits in Byline Bank exceeded the federally insured limit by \$2,693,775 and \$2,019,383, respectively. Management believes the credit risk is minimal.

Concentration of Funding Revenue and Funding Receivables

At June 30, 2022 and 2021, funding receivables were \$493,086 and \$241,706, respectively. The funding receivables are comprised of amounts due from Rockford School District #205 and the Illinois State Board of Education. The amounts are determined by reviewing receipts from the District after year end to determine the program period for which the receipts are designated.

The District funding revenue represents 80.8% and 92.1% of support revenues for the fiscal year 2022 and 2021, respectively. Any significant reduction in the level of support from Rockford School District #205 would negatively impact the School's ability to fulfill its mission.

Donated Services

The School utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received:

- a) Create or enhance nonfinancial assets; or
- b) Require specialized skills which are provided by individuals possessing those skills that would typically need to be purchased if not provided by the contributed service.

The donated services do not meet the criteria for recognition as contributed services.

Contributions and Donor Restrictions

Contributions received are recorded as undesignated without donor restrictions or designated with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are generally received from fundraising events and are available for unrestricted use.

Contributions related to special events are recognized in the period that the event occurs.

Contributed Services

No amounts have been reflected in the financial statements for donated services. The School generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the School, but these services do not meet the criteria for recognition as contributed services.

In-Kind Contributions

The School recognizes contributed goods at fair value at the date of donation. For the fiscal years ended June 30, 2022 and 2021, the School recognized In-Kind contributions of \$8,573 and \$0, respectively.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

2. Summary of Significant Accounting Policies: (continued)

Revenue Recognition

The School received the majority of its funding from Rockford Public School District #205. Revenue is recognized over the term of the school year as the School provides services to scholars. Revenue is reported at the amount of consideration that the School expects to be entitled in exchange for providing academic programs. The School District determines the transaction price based on standard charges for the normal tuition rates. Revenue from auxiliary programs and scholar activities is generally recognized when services are provided to the scholars and the School does not believe it is required to provide additional services or activities.

Expense Recognition and Allocation

The cost of providing the various programs and other activities has been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated to the programs and support services benefited.

Functional expenses are classified according to the purpose for which they are incurred, namely program services and management and general. Program service expenses are the direct and indirect costs related to providing educational and community opportunities for the scholars, which is the mission of the School. Management and general expenses provide for the overall support and direction of the School, business management, finance, general recordkeeping, budgeting and informing the public about the School's stewardship.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the School's management evaluates the estimates and assumptions based on historical experience and various other factors and circumstances. The School's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Property, Equipment and Leasehold Improvements

Property, equipment and leasehold improvements are defined by the School as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated property, equipment and leasehold improvements, if any, are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend assets lives are expensed.

Major outlays for property, equipment and leasehold improvements are capitalized when purchased. Property, equipment and leasehold improvements of the School are depreciated using the straight line method over economic useful lives of: 3 years for software, 5 to 10 years for furniture and equipment, and 15 to 40 years for buildings and leasehold improvements.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

2. Summary of Significant Accounting Policies: (continued)

Property, Equipment and Leasehold Improvements (continued)

The School reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Events relating to recoverability may include significant unfavorable changes in business conditions, recurring losses, or a forecasted inability to achieve break-even operating results over an extended period. The School evaluates the recoverability of long-lived assets based upon forecasted undiscounted cash flows. Should an impairment in value be indicated, the carrying value of long-lived assets will be adjusted based on estimates of the fair value of the related assets. No impairments were reported in these financial statements.

District Funding, Federal, State and Private Aid

The School receives funding from the federal government. These funds are to be used only for the designated purpose and not to cover expenses of general operations.

Federal Title I funds are to be used for materials, supplies and technology to supplement regular instruction targeted to students from lower socio-economic environments. Funds may also be used for instructional salaries and professional development targeted to these areas.

Federal ESSER funds are to be used to address learning loss, certain building upgrades, technology, sanitation and PPE necessitated by the pandemic.

Federal IDEA funds are to be used to provide required support services for Special Education including speech, physical and occupational therapy; and staff counselors and nurses.

Income Taxes

The School is a nonprofit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the School are tax deductible to donors under Section 170 of the IRC. The School is not classified as a private foundation.

The School's Form 990, Return of Organization Exempt from Income Tax, for the fiscal years ending June 30, 2019, 2020 and 2021 are subject to examination by the Internal Revenue Service for three years after they were filed. There are no state filing requirements.

Uncertain Tax Positions

The School implemented the generally accepted accounting principle for uncertainty in income taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities.

For the years ended June 30, 2022 and 2021, the School has no uncertain tax positions that qualified for either recognition or disclosure in the financial statements. The School recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the years ended June 30, 2022 and 2021, no interest or penalties were incurred.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

2. Summary of Significant Accounting Policies: (continued)

Compensated Absences

Limitations on personal day policies include probationary periods, excessive days in succession and blocked out periods. Bereavement leave will not result in unpaid time. Non-exempt employees receive some paid holidays. Personal days do not rollover to the next school year; however, staff is compensated for up to four unused personal days at a rate of \$250 per unused day. Only full days are compensated, there is no compensation for fractional days. For the current fiscal year, the amount of unused personal days compensated amounted to \$9,750.

3. Liquidity and Availability of Resources:

The School has \$3,679,026 of financial assets as of the Statement of Financial Position date consisting of cash and investments.

The School manages liquidity needed for operations primarily through budgeted monthly cash inflows and outflows. Inflows are budgeted based on past experiences. Cash outflows are planned accordingly as to not exceed those expected inflows.

4. Fair Value Measurements:

Generally accepted accounting principles provide a framework for measuring fair value and require expanded disclosure about fair value measurements of certain assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorized the inputs as follows:

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

4. Fair Value Measurements: (continued)

The asset's 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.

The School Statements of Financial Position includes the following financial instruments that are required to be on a recurring basis measured at fair value.

Mutual funds: Valued at the net asset value (NAV) of shares held by the School at year end.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the School believes its valuation method is 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 date.

The following table represents the fair value in the School's financial statements. These fair value disclosures include information regarding the valuation of the School's investments as of June 30, 2022 and 2021:

	Level 1 Fair value <u>6/30/2022</u>	Cost <u>6/30/2022</u>	Level 1 Fair value <u>6/30/2021</u>	Cost <u>6/30/2021</u>
Equities	<u>\$ 733,261</u>	<u>\$ 988,300</u>	<u>\$ 607,434</u>	<u>\$ 509,955</u>

5. Property, Equipment and Leasehold Improvements:

The following is a summary of property, furniture and equipment, and leasehold improvements at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 60,000	\$ 60,000
Building and leasehold improvements	4,053,789	3,969,362
Playground	52,168	50,043
Furniture and equipment	191,018	184,834
Instructional equipment	81,490	81,490
Food service equipment	22,849	22,849
Computer hardware	226,746	226,746
Computer software	41,307	41,307
Parking lot	116,153	116,153
Activity bus	<u>28,255</u>	<u>28,255</u>
	4,873,775	4,781,039
Accumulated depreciation and amortization	<u>(1,202,731)</u>	<u>(1,018,954)</u>
Net property, equipment and leasehold improvements	<u>\$ 3,671,044</u>	<u>\$ 3,762,085</u>

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

6. Fund raising expenses:

There were no fundraising event costs separately allocated during the years ended June 30, 2022 and 2021. Fundraising revenues of \$19,587 and \$16,046 for 2022 and 2021, respectively, were primarily through donations from individuals and grants from other nonprofit organizations.

7. Retirement plans:

The School is enrolled in two separate retirement plans.

For credentialed staff, the School participates in the Teachers' Retirement System of the State of Illinois (TRS). TRS is a cost-sharing, multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of certified, Illinois public school employees 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.

The active member contribution rate for the years ended June 30, 2022 and 2021 was 9.5% of creditable earnings. The same contribution rate applies to members whose first contributing service is on or after January 1, 2011, the effective date of the benefit changes contained in Public Act 96-0889. These contributions, which may be paid on behalf of the employees by the employer, are submitted to TRS by the School. The contributions for years 2022 and 2021 were \$44,652 and \$51,870, respectively.

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* for the year ended June 30, 2022.

The reports may be obtained by writing to the Teachers' Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, IL 62794-9253. The most current report is also available on the TRS Web site at <http://trs.illinois.gov>.

For non-credentialed staff, the School provides a Simple IRA (defined contribution plan) through The Vanguard Group which is an individual retirement account or annuity for which employee contributions are allowed under a qualified salary reduction arrangement and meets certain vesting, participation and administrative requirements. Employees' rights to all Simple IRA account contributions must be non-forfeitable. Non-credentialed staff may contribute up to \$14,000 and \$13,500 for tax years 2022 and 2021. Participants who are age fifty or older by the end of the tax year may make additional catch-up contributions up to \$3,000 for tax years 2022 and 2021. The School will match up to 3% of salary. Enrollment in the Simple IRA is not mandatory.

The cost to the School for these plans is as follows:

	<u>2022</u>	<u>2021</u>
Defined benefit	\$ 44,652	\$ 51,870
Defined contribution	<u>13,452</u>	<u>13,720</u>
	<u>\$ 58,104</u>	<u>\$ 65,590</u>

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

8. Notes payable:

On March 4, 2015, the School secured a commitment letter from the Illinois Facility Fund (IFF) for a loan in an amount up to \$1,735,640 for the renovation of the building located at 2605 School Street. Funds from this loan were used to pay off the note payable from North Community Bank. The loan was finalized in May, 2016 with an initial principal of \$1,218,054. Monthly payments of principal and interest of \$9,872 began June 1, 2016 for a term of sixty-one months. A final payment of \$918,943 of principal and interest was due June 1, 2021.

The School during the fiscal year ended June 30, 2021 negotiated a refinance of the loan. Under the new terms, the remaining principal balance of \$914,845 will be amortized over sixty-one months at an interest rate of 5.375% starting June 1, 2021. The new amortization schedule requires sixty months payments of \$9,872 of principal and interest, and one final payment of \$520,708 of principal and interest due on June 1, 2026.

June 30, 2023	\$ 75,271
June 30, 2024	79,418
June 30, 2025	83,794
June 30, 2026	<u>599,247</u>
	<u>\$ 837,730</u>

On March 4, 2015, the School secured a commitment letter from the IFF for a loan in an amount up to \$1,450,000 for the renovation of the property located at 3051 Rotary Road. The loan was finalized in July, 2016 with an initial principal of \$698,447. Monthly payments of principal and interest of \$5,661 began August 1, 2016 for a term of sixty-one months. A final payment of \$526,557 of principal and interest was due August 1, 2021.

During the fiscal year ended June 30, 2021, the School negotiated a refinance of the loan. Under the new terms, the remaining principal balance of \$698,447 will be amortized over sixty-one months at an interest rate of 5.375% starting August 1, 2021. The new amortization schedule requires sixty months payments of \$5,661 of principal and interest, and one final payment of \$298,580 of principal and interest due on August 1, 2026.

Principal maturities for the next five years:

June 30, 2023	\$ 42,777
June 30, 2024	45,134
June 30, 2025	47,621
June 30, 2026	50,244
Thereafter	<u>301,559</u>
	<u>\$ 487,335</u>

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

8. Notes payable: (continued)

On April 29, 2020, the School received a \$428,500 loan under the Paycheck Protection Program administered by the Small Business Administration (SBA) approved partner. The SBA granted loan forgiveness on March 4, 2021.

On June 25, 2020, the School secured a commitment letter from the IFF for a loan in an amount up to \$435,000 for the renovation of the property located at 3051 Rotary Road. The IFF held the funds and distributed the funds to the contractors directly. The project was completed, and the loan was finalized in November, 2020 with an initial principal of \$358,815, and an annual interest rate of 5.5%. Monthly payments of principal and interest of \$2,932 began November 1, 2020 for a term of sixty-one months.

During the fiscal year end the School made two unscheduled principal payments on this loan. A new amortization schedule was computed to amortize the remaining principal balance of \$99,075 using the same payment amount and interest rate. The new schedule started November 1, 2021 and required monthly principal and interest payment of \$2,932 for a term of thirty-seven months.

In January, 2022, another unscheduled principal payment was made. A new amortization schedule was computed to amortize the principal balance of \$39,608 using the same payment and interest rate. This loan was paid off on June 13, 2022.

9. Small Business Administration loan:

On June 15, 2020, the School secured a loan from the Small Business Association in the amount of \$150,000. The loan was funded July 9, 2020. Interest began accruing as of the date of the loan, but was deferred. Installment payments of principal and interest of \$641 monthly will begin twelve months from the date of the promissory note. The balance of principal and interest will be payable 30 years from the date of the promissory note.

Principal maturities for the next five years:

June 30, 2023	\$ 3,649
June 30, 2024	3,751
June 30, 2025	3,855
June 30, 2026	3,963
Thereafter	<u>133,451</u>
	<u>\$ 148,669</u>

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

10. Food program:

The School is its own School Food Authority. Under this program, the School is responsible for all decisions and costs related to the School's meal program. The School receives funding for the program through the National School Lunch Program.

11. Food Pantry:

During the current fiscal year, the School partnered with Northern Illinois Food Bank to create and operate a food pantry at the Lower Academy to provide food staples and act as a hub for meal relief in the Rockford community. During the year, the School received contributions in-kind in the amount of \$8,573. The School also was able to use equipment provided by Northern Illinois Food Bank that included tables, utility carts, refrigerators, and freezers in the amount of \$14,243.

12. GRCS Alumni College Scholarship:

A new scholarship was created during the 2022 fiscal year. This scholarship is available to any GRCS scholar who graduated from Galapagos Charter School and is currently a high school senior or a college freshman planning to attend or currently attending a four-year college or university. The scholarship was approved by the GRCS Board and was funded by private donations in the amount of \$9,203. The Board also approved up to \$6,000 in funding for the scholarship for fiscal year 2022. Three scholars were awarded scholarships totaling \$8,000.

13. Unemployment insurance reserve – undesignated:

The unemployment insurance reserve is included in undesignated net assets without donor restrictions in the amount of \$63 for 2022 and \$49,481 for 2021. The Board of Directors intends for the funds to be used primarily for unemployment benefits. Starting January 1, 2013, Galapagos Rockford Charter School NFP, Inc. withdrew from the state unemployment insurance program and enrolled in a private, self-funded program through First Nonprofit Unemployment Savings Program, LLC.

The annual contributions are calculated by an underwriter based on the size of the School and experience. Contributions are held by First Nonprofit Unemployment Savings Program, LLC in an interest-bearing account. The funds held in the reserve are owned by Galapagos Rockford Charter School NFP, Inc., and can be withdrawn at any time.

Galapagos Rockford Charter School NFP, Inc. is billed quarterly for the annual contribution. Additionally, an administration fee, based on a percentage of payroll, is included in the quarterly bill.

Contributions of \$1,000 were made in the current fiscal year. Administration fees of \$6,187 and claims of \$25,509 were paid. Management believed the Unemployment insurance reserve fund was overfunded and therefore withdrew \$25,000.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

14. The CARES Act:

As of the date of these financial statements, the recent spread of coronavirus has had a significant impact on the local, national, and global economies. The extent to which these events will affect our results of operations and financial position remain uncertain.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act (2020) and the Coronavirus Response and Consolidated Appropriations Act (2021) provided fast and direct economic assistance for American workers, families, small businesses, and industries. The CARES Act implemented a variety of programs to address issues related to the onset of the COVID-19 pandemic.

The Employee Retention Credit (ERC) is a fully refundable tax credit for employers equal to 50 percent of qualified wages (including allocable qualified health plan expenses) that Eligible Employers pay their employees. This ERC applies to qualified wages paid after March 12, 2020, and before September 30, 2021. The maximum amount of qualified wages taken into account with respect to each employee for all calendar quarters is \$10,000, so that the maximum credit for an Eligible Employer for qualified wages paid to any employee is \$5,000 for payroll periods in 2020 and \$7,000 for payroll periods in 2021.

The 2020 and 2021 ERC's act as fully refundable credits against the employer portion of Social Security taxes based on the amount of qualified wages that an eligible employer has incurred. The maximum credit is based on a qualified-wage ceiling for each employee. A credit in excess of the total taxes due can be claimed. For fiscal year ended June 30, 2022, the total amount of credits received was \$618,233.

Laws and regulations concerning government programs, including the ERC established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization.

15. Recent Accounting Pronouncements:

There are no recent accounting pronouncements that materially affect the financial statements.

16. Subsequent Events:

The School has evaluated subsequent events through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued. There are no material subsequent events that required recognition or additional disclosure in these financial statements.

* * *

AUDITOR'S REPORTS

* * *

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Galapagos Rockford Charter School NFP, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Galapagos Rockford Charter School NFP, Inc. (an Illinois nonprofit organization) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 31, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Galapagos Rockford Charter School NFP, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Galapagos Rockford Charter School NFP, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Galapagos Rockford Charter School NFP, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Galapagos Rockford Charter School NFP, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Grieco & Adelman LLC

Des Plaines, Illinois
October 31, 2022

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS OF APPLICABLE LAWS AND REGULATIONS PRESCRIBED BY ADMINISTERING AGENCY

To the Board of Directors
Galapagos Rockford Charter School NFP, Inc.

We have relied upon the audit report prepared by Ostrow Reisin Berk & Abrams Ltd., Certified Public Accountants related to the compliance of Galapagos Rockford Charter School NFP, Inc. with requirements of applicable laws and regulations prescribed by the administering agency as described in the Grant of Charter and Charter School Agreement. Their report expressed an unmodified opinion.

Grieco & Adelman LLC

Des Plaines, Illinois
October 31, 2022