GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

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AUDITED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

YEARS ENDED JUNE 30, 2021 AND 2020

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

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

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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2021 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 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 Galapagos Rockford Charter School NFP, Inc.'s internal control over financial reporting and compliance.

Grieco & Adelman LLC

Des Plaines, Illinois
November 9, 2021

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS

	2021	2020
Current assets:		
Cash and cash equivalents	$ 2,200,389	$ 1,511,989
Unemployment insurance reserve	49,481	47,418
Funding receivables	241,706	175,028
Other receivables	-	11,234
Employee Retention Credit receivable	492,759	-
Total current assets	2,984,335	1,745,669
Property, equipment and leasehold improvements - net of accumulated depreciation	3,762,085	3,316,096
Other assets:		
Certificates of deposit	-	208,336
Investments	607,434	137,835
IFF loan receivable	-	358,815
Total other assets	607,434	704,986
Total assets	$ 7,353,854	$ 5,766,751

LIABILITIES AND NET ASSETS

	2021	2020
Current liabilities:		
Accounts payable	$ 127,504	$ 53,926
Accrued payroll expenses	135,403	106,134
Accrued interest	7,448	6,911
Notes payable - current portion	384,120	1,025,578
Total current liabilities	654,475	1,192,549
Long-term liabilities:		
Notes payable - net of current portion	1,549,857	1,304,730
Total liabilities	2,204,332	2,497,279
Net assets:		
Without donor restrictions:		
Undesignated	5,149,522	3,269,472
Total liabilities and net assets	$ 7,353,854	$ 5,766,751

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2021 AND 2020

	Without Donor Restrictions	
	2021	2020
Revenues:		
Support:		
District funding	$ 4,303,633	$ 3,911,442
Fees	25,344	31,583
Federal aid	50,008	195,000
Meal funding	153,861	222,610
Fundraising	16,046	15,638
Total support	4,548,892	4,376,273
Other revenues:		
Other	36,632	16,534
EIDL Grant	-	10,000
Payroll Protection Plan loan forgiveness	428,740	-
Employee Retention Credits	887,438	-
Food service refund	-	71,616
Interest and dividends	13,754	23,027
Unrealized gain (loss) on investments	115,789	(14,208)
Total other revenues	1,482,353	106,969
Total revenues	6,031,245	4,483,242
Expenses:		
Program	3,230,580	3,218,511
General and administrative	821,653	833,990
Interest	98,962	85,436
Total expenses	4,151,195	4,137,937
Changes in net assets	1,880,050	345,305
Net assets, beginning of year	3,269,472	2,924,167
Net assets, end of year	$ 5,149,522	$ 3,269,472

See Accompanying Notes to the Financial Statements.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021 WITH COMPARATIVE TOTALS FOR 2020

	2021			
	Program	General and Administrative	Total Expenses	Totals 2020
Instructional materials	$ 151,401		$ 151,401	$ 188,070
Salaries, wages and benefits	1,888,851	790,918	2,679,769	2,597,036
Administrative support services	183,721	28,785	212,506	239,077
Facilities support services	318,533		318,533	288,719
Instructional support services	510,396		510,396	593,916
Depreciation and amortization	177,678	1,950	179,628	145,683
Total functional expenses	$ 3,230,580	$ 821,653	$ 4,052,233	$ 4,052,501

See Accompanying Notes to the Financial Statements.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Changes in net assets	$ 1,880,050	$ 345,305
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	179,628	145,683
Unrealized (gain) loss on investments	(115,789)	14,208
Changes in operating assets and liabilities:		
Decrease in certificates of deposit	208,336	124,361
(Increase) decrease in funding receivables	(66,678)	69,179
(Increase) in other receivables	11,234	(894)
(Increase) in Employee Retention Credit receivable	(492,759)	-
Decrease in prepaid expenses	-	19,957
Decrease in pension overpayment receivable	-	4,821
Increase (decrease) in accounts payable	73,578	(83,596)
Increase in accrued expenses	29,806	20,274
Net cash provided by operating activities	1,707,406	659,298
Cash flows from investing activities:		
Purchase of property, equipment and leasehold improvements	(266,802)	(223,476)
Purchase of investments	(353,810)	(33,282)
Net cash used in investing activities	(620,612)	(256,758)
Cash flows from financing activities:		
Principal payments on notes payable	(117,831)	(100,505)
SBA Loan proceeds	150,000	-
(Forgiveness) Proceeds from Paycheck Protection Program	(428,500)	428,500
Net cash (used) provided by financing activities	(396,331)	327,995
Net change in cash and cash equivalents	690,463	730,535
Cash and cash equivalents - beginning of year	1,559,407	828,872
Cash and cash equivalents - end of year	$ 2,249,870	$ 1,559,407

Supplementary information:

	2021	2020
Interest paid	$ 94,579	$ 85,886

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NOTES TO FINANCIAL STATEMENTS

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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 stresses the acquisition of core knowledge, while exposing children to challenging and higher order thinking activities. The School provides children with a head start on collegiate opportunities.

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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

   Cash and Cash Equivalents

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

   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, 2021 and 2020, deposits in Byline Bank exceeded the federally insured limit by $2,019,383 and $1,580,939, respectively. Management believes the credit risk is minimal.

2. Summary of Significant Accounting Policies: (continued)

Concentration of Funding Revenue and Funding Receivables

At June 30, 2021 and 2020, funding receivables were $241,706 and $175,028, 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 90.41% and 89.37% of support revenues for the fiscal year 2021 and 2020, 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.

Certificates of Deposit

The School had three separate certificates of deposit ranging in initial deposits of $25,000 to $100,000 each. All three certificates were surrendered during the current year.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the Statement of Financial Position. Investment income realized and unrealized gains are reported as increases in net assets without donor restrictions. Realized and unrealized losses are reported as decreases in net assets without donor restrictions.

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.

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 student activities is generally recognized when services are provided to the students 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 (Capital Assets)

Capital assets are defined by the School as assets with an initial, individual cost of more that $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 capital assets, 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 capital assets and improvements are capitalized when purchased. Capital assets 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.

2. Summary of Significant Accounting Policies: (continued)

Property, Equipment and Leasehold Improvements (Capital Assets): (continued)

The following is a summary of property, furniture and equipment, and leasehold improvements at June 30, 2021 and 2020:

	2021	2020
Land	$ 60,000	$ 60,000
Construction in progress	-	26,000
Building and leasehold improvements	3,969,362	3,439,041
Playground	50,043	48,526
Furniture and equipment	184,834	139,421
Instructional equipment	81,490	30,946
Food service equipment	22,849	22,849
Computer hardware	226,746	202,924
Computer software	41,307	41,307
Parking lot	116,153	116,153
Activity bus	28,255	28,255
	4,781,039	4,155,422
Accumulated depreciation and amortization	(1,018,954)	(839,326)
Net property, equipment and leasehold improvements	$ 3,762,085	$ 3,316,096

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, 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.

2. Summary of Significant Accounting Policies: (continued)

District Funding, Federal, State and Private Aid: (continued)

The School has received grants from the Illinois State Board of Education. Starting with its first operational year, the School receives per capita scholarship funding from Rockford Public School District #205. Grants from the following private foundations were received in the current year:

Zisson Foundation	$5,000
The GEN Youth	$2,000

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, 2018, 2019 and 2020 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, 2021 and 2020, 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, 2021 and 2020, no interest or penalties were incurred.

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.

3. Liquidity and Availability of Resources:

The School has $2,857,304 of financial assets as of the Statement of Financial Position date consisting of cash, certificates of deposit 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.

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, 2021 and 2020:

	Level 1 Fair value 6/30/2021	Cost 6/30/2021	Level 1 Fair value 6/30/2020	Cost 6/30/2020
Equities	$ 607,434	$ 509,955	$ 137,835	$ 156,146

5. Fund raising expenses:

There were no fundraising event costs separately allocated during the years ended June 30, 2021 and 2020. Fundraising revenues of $42,702 and $15,638 for 2021 and 2020, respectively, were primarily through donations from individuals and grants from other nonprofit organizations.

6. 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 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.

The active member contribution rate for the years ended June 30, 2021 and 2020 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 2021 and 2020 were $51,870 and $53,729, 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, 2021.

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 $13,500 for tax years 2021 and 2020. 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 2021 and 2020. 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:

	2021	2020
Defined benefit	$ 53,870	$ 53,729
Defined contribution	13,720	14,539
	$ 67,590	$ 68,268

7. 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 form 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.

During the fiscal year, the School 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, 2022	$	71,341
June 30, 2023		75,271
June 30, 2024		79,418
June 30, 2025		83,794
June 30, 2026		599,247
	$	909,071

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, 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, 2022	$	40,544
June 30, 2023		42,777
June 30, 2024		45,134
June 30, 2025		47,621
June 30, 2026		50,244
Thereafter		301,559
	$	527,879

7. 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.

June 30, 2022	$	16,433
June 30, 2023		17,359
June 30, 2024		18,339
June 30, 2025		19,373
June 30, 2026		276,847
	$	348,351

After 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 starts November 1, 2021 and requires monthly principal and interest payment of $2,932 for a term of thirty-seven months.

Principal maturities for the next five years under the new amortization schedule:

June 30, 2022	$	269,418
June 30, 2023		31,630
June 30, 2024		33,414
June 30, 2025		13,889
	$	348,351

8. 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. 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, 2022	$	2,817
June 30, 2023		2,983
June 30, 2024		3,148
June 30, 2025		3,314
June 30, 2026		3,479
Thereafter		132,935
	$	148,676

9. 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.

10. Unemployment insurance reserve - undesignated:

The unemployment insurance reserve is included in undesignated net assets without donor restrictions in the amount of $49,481 for 2021 and $47,418 for 2020. 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 $1,943 were made in the current fiscal year. Administration fees of $5,737 and claims of $0 were paid.

11. 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, 2021, the total amount of credits claimed was $887,438. Of that amount, $492,759 is reported as a receivable at year end.

11. The CARES Act: (continued)

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.

12. Change in Accounting Principles:

During the fiscal year ended June 30, 2021 the School implemented the following accounting Standards:

Accounting Standards Update No. 2018-08, Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update should assist entities in 1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958 Not for Profit Entities or as exchange (reciprocal) transactions subject to other guidance and 2) determining whether a contribution is conditional. The amendments in this update should be applied on a modified prospective basis. Retrospective application is permitted beginning after June 30, 2018. Adoption of this standard has been implemented.

Accounting Standards Update No. 2018-13 Fair Value Measurement (Topic 820): The Board is issuing the amendments in this update as part of the disclosure framework project. The disclosure framework project's objective and primary focus are to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of the information required by generally accepted accounting principles (GAAP) that is most important to users of each entity's financial statements.

The amendments in this update apply to all entities that are required, under existing GAAP, to make disclosures about recurring or nonrecurring fair value measurements. Certain of the disclosures that are required by the amendments in this update are not required for nonpublic entities.

The amendments in this update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statement, including the consideration of costs and benefits.

The amendments in this update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted upon issuance of this update. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this update and delay adoption of the additional disclosures until their effective date.

13. Recent Accounting Pronouncements:

Accounting Standards Update No. 2016-02 Leases (Topic 842): The FASB is issuing this update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. To meet that objective, the FASB is amending the *FASB Accounting Standards Codification* and creating Topic 842, Leases. This update, along with IFRS 16, *Leases*, are the results of the FASB's and the International Accounting Standards Board's (IASB's) efforts to meet that objective and improve financial reporting.

The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, *Elements of Financial Statements*, and, therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases.

For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term.

The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2021. Early application of the amendment has not been adopted.

14. 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.

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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, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2021.

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.

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
November 9, 2021

Grieco & Adelman LLC

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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
November 9, 2021