

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

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**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2024

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

YEAR ENDED JUNE 30, 2024

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AUDITOR INFORMATION SHEET

Re: Galapagos Rockford Charter School NFP, Inc.
Year Ended June 30, 2024

AUDITOR INFORMATION

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Galapagos Rockford Charter School NFP, Inc. (an Illinois nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year 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, 2024, and the changes in its net assets and its cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated, November 15, 2024 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 Galapagos Rockford Charter School NFP, Inc.'s internal control over financial reporting and compliance.

Grieco & Adelman LLC

Des Plaines, Illinois
November 15, 2024

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,775,790
Certificate of deposits	1,278,394
Unemployment insurance reserve	14,780
Funding receivables	1,055,307
Other receivables	14,623
Total current assets	<u>4,138,894</u>
Property, equipment and leasehold improvements - net of accumulated depreciation	<u>3,938,754</u>
Other assets:	
Finance lease right-of-use asset	17,755
Investments	1,135,157
Total other assets	<u>1,152,912</u>
Total assets	<u>\$ 9,230,560</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 205,931
Accrued payroll expenses	96,820
Accrued interest	4,885
Finance lease liability - current portion	3,232
Deferred revenue	14,623
Notes payable - current portion	142,660
Total current liabilities	<u>468,151</u>
Long-term liabilities:	
Finance lease liability- net of current portion	14,466
Notes payable - net of current portion	947,665
Total long term liabilities	<u>962,131</u>
Total liabilities	<u>1,430,282</u>
Net assets:	
Without donor restrictions:	
Undesignated	7,800,278
Total liabilities and net assets	<u>\$ 9,230,560</u>

See Accompanying Notes to the Financial Statements.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions
Revenues:	
Support:	
District funding	\$ 5,005,890
Fees	59,276
Federal aid	1,685,164
Meal funding	416,309
Fundraising	31,012
Total support	7,197,651
Other revenues:	
Other	15,643
Interest and dividends	168,749
Unrealized gain (loss) on investments	80,408
Total other revenues	264,800
Total revenues	7,462,451
Expenses:	
Program	5,341,548
General and administrative	892,253
Interest	58,216
Total expenses	6,292,017
Change in net assets	1,170,434
Net assets, beginning of year	6,629,844
Net assets, end of year	\$ 7,800,278

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024**

	<u>Program</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Instructional materials	\$ 267,339	\$ -	\$ 267,339
Salaries, wages and benefits	2,946,007	838,118	3,784,125
Administrative support services	490,575	52,185	542,760
Facilities support services	321,113	-	321,113
Instructional support services	1,091,147	-	1,091,147
Depreciation and amortization	<u>225,367</u>	<u>1,950</u>	<u>227,317</u>
Total functional expenses	<u>\$ 5,341,548</u>	<u>\$ 892,253</u>	<u>\$ 6,233,801</u>

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024

Cash flows from operating activities:	
Change in net assets	\$ 1,170,434
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	227,317
Unrealized (gain) on investments	(80,408)
Changes in operating assets and liabilities:	
(Increase) in certificates of deposit	(1,278,394)
Decrease in funding receivables	298,621
(Increase) in other receivables	(14,623)
Decrease in finance lease right-of-use asset	3,006
(Decrease) in accounts payable	(6,767)
Increase in accrued expenses	10,331
(Decrease) in finance lease liability	(3,063)
Net cash provided (used) by operating activities	<u>326,454</u>
Cash flows from investing activities:	
Purchase of property, equipment and leasehold improvements	(185,549)
Purchase of investments	(156,311)
Net cash provided (used) by investing activities	<u>(341,860)</u>
Cash flows from financing activities:	
Principal payments on notes payable	(135,277)
Net cash provided (used) by financing activities	<u>(135,277)</u>
Net change in cash and cash equivalents	(150,683)
Cash and cash equivalents - beginning of year	<u>1,941,253</u>
Cash and cash equivalents - end of year	<u>\$ 1,790,570</u>
Supplementary information:	
Interest paid	<u>\$ 58,216</u>

NOTES TO FINANCIAL STATEMENTS

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

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 those 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.

Certificate of Deposits

Certificate of deposits totaled \$1,278,394 at June 30, 2024. Initial maturities when purchased ranged from seven to eleven months, with penalties for early withdrawal. At June 30, 2024, interest rates ranged from 4.42% to 5.34% with interest paid on a quarterly or semi-annual basis.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

2. Summary of Significant Accounting Policies: (continued)

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.

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, 2024, deposits in Byline Bank exceeded the federally insured limits by \$2,769,699. Management believes the credit risk is minimal.

Concentration of Funding Revenue and Funding Receivables

At June 30, 2024, funding receivables was \$1,055,307. 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 69.5% of support revenues for the fiscal year 2024. 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.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

2. Summary of Significant Accounting Policies: (continued)

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 year ended June 30, 2024, the School did not recognize any In-Kind contributions.

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.

Functional Expenses 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.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

2. Summary of Significant Accounting Policies: (continued)

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.

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 can only be used for activities that supplement current programs and not supplant, targeted to at risk students. 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, 2021, 2022 and 2023 are subject to examination by the Internal Revenue Service for three years after they were filed. There are no state filing requirements.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

2. Summary of Significant Accounting Policies: (continued)

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 year ended June 30, 2024, 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 year ended June 30, 2024, 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. 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 \$13,500.

3. Liquidity and Availability of Resources:

The School has \$4,189,341 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.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

4. Fair Value Measurements: (continued)

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 assets 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's Statement 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, 2024.

	<u>Level 1 Fair value</u>	<u>Cost</u>
Equities	<u>\$ 1,135,157</u>	<u>\$ 1,168,217</u>

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

5. Property, Equipment and Leasehold Improvements:

The following is a summary of property, furniture and equipment, and leasehold improvements at June 30, 2024:

Land	\$ 60,000
Building and leasehold improvements	4,478,069
Playground	76,973
Furniture and equipment	217,785
Instructional equipment	87,119
Food service equipment	22,849
Computer hardware	249,175
Computer software	41,307
Parking lot	116,153
Activity bus	<u>211,250</u>
	5,560,680
Accumulated depreciation and amortization	<u>(1,621,926)</u>
Net property, equipment and leasehold improvements	<u>\$ 3,938,754</u>

6. Fund raising expenses:

There were no fundraising event costs separately allocated during the year ended June 30, 2024. Fundraising revenues for 2024 were \$31,012 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 year ended June 30, 2024 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 the year 2024 was \$61,860.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

7. Retirement plans: (continued)

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, 2024.

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 \$16,000 for 2024. Participants who are age fifty or older by the end of the tax year may make additional catch-up contributions up to \$3,500 for tax year 2024. 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:

Defined benefit	\$	61,860
Defined contribution		<u>20,484</u>
	\$	<u><u>82,344</u></u>

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 School during the fiscal year ended June 30, 2023 renegotiated a refinance of the loan. Under the new terms, the remaining principal balance of \$738,087 will be amortized over forty-four months at an interest rate of 5.375% starting November 1, 2022. The new amortization schedule requires forty-four monthly payments of \$9,872 of principal and interest, and one final payment of \$429,410 of principal and interest due on June 1, 2026.

June 30, 2025	\$	88,312
June 30, 2026		<u>512,716</u>
	\$	<u><u>601,028</u></u>

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

8. Notes payable: (continued)

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.

During the fiscal year ended June 30, 2023 the School negotiated a refinance of the loan. Under the new terms, the remaining principal balance of \$398,211 will be amortized over thirty-nine months at an interest rate of 5.375%. The new amortization schedule requires thirty-nine payments of \$5,661 of principal and interest, and one final payment of \$239,060 of principal and interest due on August 1, 2026.

Principal maturities for the next five years:

June 30, 2025	\$ 50,540
June 30, 2026	53,325
June 30, 2027	<u>242,568</u>
	<u>\$ 346,433</u>

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, 2025	\$ 3,808
June 30, 2026	3,914
June 30, 2027	4,023
June 30, 2028	4,135
Thereafter	<u>126,984</u>
	<u>\$ 142,864</u>

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

10. Leases:

The School entered into a lease to purchase the production of power from a solar panel system under a cancelable finance lease agreement. The School determines if a contract is or contains a lease at contract inception. Finance leases right-of-use (ROU) asset and lease liability are recorded on the date of lease commencement based on the present value of the lease payment over the lease term. Short-term leases (leases with an initial term of 12 months or less) are expensed on a straight line basis over the lease term. The measurement of ROU asset and lease liability requires the School to estimate and utilize appropriate discount rates. As the rate implicit in the lease is rarely known, the School has adopted the practical expedient which provides for the use of an applicable risk-free rate. The discount rate use for the School's finance lease was 5.375% at inception.

The School recognizes lease expense including the effects of escalating lease payments and incentives, on a straight line basis over the lease term. Total finance lease expense is included in operating expenses and amounted to \$4,029 for the year ended June 30, 2024. The lease was placed in service in June of 2023.

The School's lease has a remaining term of 60 months and contains an option to renew for an additional 5 years. The renewal option has not been considered when assessing the value of the ROU asset because the School is not reasonably certain that it will exercise its option to renew the lease.

The School's lease does not contain any material residual value guarantees or restrictive covenants. The School's lease does have a bargain purchase option at the end of the initial term for \$1 which has been considered in assessing the value of the ROU.

The total below represents lease payment and maturities of lease liabilities:

<u>Year Ending</u>	<u>Minimum Lease Payments</u>	<u>Impact of Discounting</u>	<u>Present Value of Lease Liabilities</u>
June 30, 2025	\$ 4,104	\$ 872	\$ 3,232
June 30, 2026	4,104	694	3,410
June 30, 2027	4,104	507	3,597
June 30, 2028	4,104	308	3,796
Thereafter	3,762	99	3,663
	<u>\$ 20,178</u>	<u>\$ 2,480</u>	<u>\$ 17,698</u>

11. 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.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

12. Board Designated - GRCS Alumni College Scholarship:

GRCS created an Alumni College Scholarship during the fiscal year ended June 30, 2022. This scholarship is a competitive scholarship 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 scholarships approved by the GRCS Board totals \$29,500, through the fiscal year ended June 30, 2024 using various sources of funds originating outside the scope of the school operations. Scholarships disbursed during the fiscal year ended June 30, 2024 were \$3,020. Some of the scholarships have yet to be disbursed and therefore not recognized in the current period.

13. Unemployment insurance reserve - undesignated:

The unemployment insurance reserve is included in undesignated net assets without donor restrictions in the amount of \$14,780 for 2024. 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 \$17,521 were made in the current fiscal year. Administration fees of \$7,966 and claims of \$12,632 were paid.

14. Recent Accounting Pronouncements:

There are no new pronouncements effecting Galapagos Rockford Charter School for the year ended June 30, 2024.

15. 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.

SUPPLEMENTARY INFORMATION

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024**

Federal Grantor	Pass-Through Grantor	Program Title	Federal ALN	Program Grant Number	Expenditures
Department of Education	Illinois State Board of Education	Title 1 - Low income	84.010	2024-4300	\$ 452,179
Department of Education	Illinois State Board of Education	ESSER II - Elementary and Secondary School Emergency Relief Fund	84.425D	2024-4998-E2	116,235
Department of Education	Illinois State Board of Education	American Rescue Plan	84.425U	2024-4998-E3	596,404
Department of Education	Illinois State Board of Education	IDEA Part B	84.027	2024-4620	125,092
Department of Agriculture	Illinois State Board of Education	National Breakfast Program	10.553	2024-4220	155,537
Department of Agriculture	Illinois State Board of Education	National Lunch Program	10.555	2024-4210	251,387
Department of Agriculture	Illinois State Board of Education	Fresh Fruits and Vegetable Program	10.582	2024	4,316
Total Federal Awards Expended					\$ 1,701,150

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

**NOTES TO THE SCHEDULES OF FEDERAL EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal activity of Galapagos Rockford Charter School NFP, Inc. for the year ended June 30, 2024 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirement of Uniform Guidance, Audits of States, and Local Governments and Non-Profit Organizations. Therefore, the amounts presented in these schedules may differ from amounts presented in or used in the preparation of the basic financial statements. Because this Schedule presents only a selected portion of the operations of the School, it is not intended to, and does not represent, the financial position, changes in net assets, or cash flows from the School.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

EXPENDITURES:

Expenditures reported on the Schedules are reported on the accrual basis of accounting.

PASS-THROUGH ENTITIES:

Pass through entity identifying numbers are presented on the Schedule where available.

NOTE 3 - 10% DE MINIMIS INDIRECT COST RATE

The School has elected to use the 10% de minimis indirect cost rate as permitted by 2 CFR Section 200.414.

NOTE 4 - NONCASH TRANSACTIONS

No noncash transactions.

NOTE 5 - SUBRECIPIENT RELATIONSHIPS

The School did not remit any funds to subrecipients.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Galapagos Rockford Charter School NFP, INC.'s. were prepared in accordance with GAAP.
2. There were no material weaknesses disclosed during the audit of the financial statements. No significant deficiencies related to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of Galapagos Rockford Charter School NFP, Inc. were disclosed during the audit.
4. There were no material weaknesses or significant deficiencies during the audit of the major federal awards programs.
5. The auditor's report on compliance for the major federal award program of Galapagos Rockford Charter School, NFP, Inc. expresses an unmodified opinion on the major federal awards program.
6. Audit findings required to be reported in accordance with 2 CFR 200.516(a) are reported in this Schedule.
7. The program tested ALN number 84.425 Elementary and Secondary Emergency Relief Fund.
8. The threshold for distinguishing Types A and B program was \$750,000.
9. Auditee qualified as a high risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

None

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS

Finding No. 2023-001: Noncompliance with Federal Filing Requirements

Condition: The School did not submit its audit report to the Federal Audit Clearinghouse within the required time frame.

Criteria: The School is required to file the audit reports with the Federal Audit Clearinghouse within the earlier of 30 calendar days after receipt of the auditor's report or nine months after the end of the awardee's fiscal year end.

Cause: The School's management was not aware of the deadline.

Effect: Noncompliance with the federal reporting requirements potentially affecting the eligibility for federal funding or future audits.

Recommendations: Management should implement procedures to ensure timely filing of all required reports with the Federal Audit Clearinghouse in the future.

Management's Response: Galapagos Rockford Charter School NFP, Inc. agrees with the finding and the recommended procedures have been implemented.

GALAPAGOS ROCKFORD CHARTER SCHOOL NFP, INC.
2605 SCHOOL STREET
ROCKFORD, ILLINOIS 61101

Corrective Action Plan

June 30, 2024

Galapagos Rockford Charter School NFP, Inc. respectfully submits the following corrective action plan for the year ended June 20, 2024.

Name and address of public accounting firm:

Grieco & Adelman LLC
2340 S River Road, Suite 311
Des Plaines, IL 60018

Audit Period: June 30, 2024

The findings from the June 30, 2024 Schedule of Findings and Questioned Costs are discussed below:

Finding No.2023-001: Noncompliance with Federal Filing Requirements

Action Taken: Timely filing will be made for the fiscal year ended June 30, 2024

Sincerely yours,



Michael Lane

Chief Executive Officer

SINGLE AUDIT REPORTS

Grieco & Adelman LLC

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V. JAMES GRIECO, CPA
ANN C. ADELMAN, CPA

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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.
Rockford, Illinois

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, 2024, 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 November 15, 2024.

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
November 15, 2024

Grieco & Adelman LLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Galapagos Rockford Charter School NFP, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Galapagos Rockford Charter School NFP, Inc.'s major federal programs for the year ended June 30, 2024. Galapagos Rockford Charter School NFP, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Galapagos Rockford Charter School NFP, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Galapagos Rockford Charter School NFP, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Galapagos Rockford Charter School NFP, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Galapagos Rockford Charter School NFP, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Galapagos Rockford Charter School NFP, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Galapagos Rockford Charter School NFP, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Galapagos Rockford Charter School NFP, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Galapagos Rockford Charter School NFP, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Grieco & Adelman LLC

Des Plaines, Illinois
November 15, 2024

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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.
Rockford, Illinois

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 15, 2024