

NASHVILLE COLLEGIATE PREP

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2023

And Reports of Independent Auditor

NASHVILLE COLLEGIATE PREP
TABLE OF CONTENTS

ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF	1
REPORT OF INDEPENDENT AUDITOR.....	2-4
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	5-8
FINANCIAL STATEMENTS	
Statement of Net Position	9
Statement of Activities	10
Balance Sheet	11
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	12
Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Notes to the Financial Statements.....	15-30
REQUIRED SUPPLEMENTARY	
Schedule of School’s Proportionate Share of Net Pension Liability (Asset) – Teacher Legacy Pension Plan of TCRS	31
Schedule of School’s Contributions – Teacher Legacy Pension Plans of TCRS.....	32
Schedule of School’s Proportionate Share of Net Pension Liability (Asset) – Teacher Hybrid Retirement Plan of TCRS.....	33
Schedule of School’s Contributions – Teacher Hybrid Retirement Plans of TCRS	34
INTERNAL CONTROL AND COMPLIANCE REPORT	
Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35-36

NASHVILLE COLLEGIATE PREP
ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF

JUNE 30, 2023

Board of Directors

Dr. Dan Boone
Thomas H. Lee
Dr. Sharon Smith
Rebecca Dinda
Steve Cherrico

Board Chair
Secretary
Director
Treasurer
Parent Representative

Executive Staff

Dr. Eve Carney

Executive Vice President

Report of Independent Auditor

To the Board of Directors
Nashville Collegiate Prep
Nashville, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of Nashville Collegiate Prep (the "School") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the School as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe 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 the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility 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 opinions. 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 and *Government 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 and *Government 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 the School'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 the School'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Roster of Board of Directors and Executive Staff but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2024, on our consideration of the School’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 the School’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 the School’s internal control over financial reporting and compliance.

Cherry Bekaert LLP

Nashville, Tennessee
February 29, 2024

NASHVILLE COLLEGIATE PREP MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

Our discussion and analysis of Nashville Collegiate Prep (the "School") annual financial performance provides an overview of the School's financial activities for the year ended June 30, 2023. This section should be read in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the School exceeded its liabilities and deferred inflows by \$1,875,955 at June 30, 2023.
- Net position increased by \$1,254,701 during the year ended June 30, 2023.
- Outlays for new capital assets totaled \$229,436 during the year ended June 30, 2023.
- Government wide revenues totaled \$7,433,367 in 2023; federal pass-through funds represented 9% of this amount, district funds accounted for 87%, and the remaining 4% was from other sources.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of five (5) sections: *the report of independent auditor, Management's Discussion and Analysis, basic financial statements, required supplementary information, and report of independent auditor 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*. The financial statements include notes to explain the information in the financial statements and to provide more detailed data. The School is a special purpose entity, funded primarily by district funding. The financial statements have been prepared in the same manner as general purpose government financial statements. The following required financial statements provide both short-term and long-term information about the School's overall financial status.

Reporting the School as a Whole

The Statement of Net Position and Statement of Activities:

In general, users of these financial statements want to know if the School is better off or worse off as a result of the year's activities. The statement of net position and statement of activities report information about the School as a whole and about the School's activities in a manner that helps to answer that question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting. Under the accrual basis, all of the current year's revenue and expenses are taken into consideration regardless of when cash is received or paid. The statements start on page 9.

The statement of net position reports the School's net position (total assets plus deferred outflows less total liabilities and deferred inflows). The School's net position balance at year-end represents available resources for future growth. The statement of activities reports the change in net position as a result of activity during the year. Private sector entities have a similar report titled statement of operations, which reports net income. The statement of activities provides the user a tool to assist in determining the direction of the School's financial health during the year. Users will want to consider non-financial factors as well as the financial data in arriving at a conclusion regarding the overall health of the School.

**NASHVILLE COLLEGIATE PREP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2023

Reporting the School's Funds

Fund Financial Statements:

The School's fund financial statements include the balance sheet and the statement of revenues, expenditures, and changes in fund balances of governmental funds. These financial statements provide detailed information about the School's most significant funds, not the School as a whole. Funds are established by the School to help manage money for particular purposes and compliance with various grant provisions.

The School's fund is categorized as a governmental fund. Governmental funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending in future periods. Fund financial statements are reported using an accounting method called "modified accrual" accounting, which measures cash and other financial assets that can readily be converted to cash. This basis of accounting is different from the accrual basis used in the government-wide financial statements to report on the School as a whole. The relationship between governmental activities, as reported in the statement of net position, and the statement of activities, and governmental funds, as reported in the balance sheet and the statement of revenues, expenditures, and changes in fund balances, is reconciled in the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The School's assets and deferred outflows exceeded its liabilities and deferred inflows at the close of the 2023 fiscal year, resulting in net position of \$1,875,955. The School's net position includes \$778,045 of cash.

A summary of the School's net position as of June 30 is as follows:

	<u>2023</u>	<u>2022</u>
Assets:		
Current and other assets	\$ 2,032,406	\$ 1,465,735
Capital assets, net	11,456,232	12,055,587
Total Assets	<u>13,488,638</u>	<u>13,521,322</u>
Deferred Outflows of Resources:	<u>176,226</u>	<u>-</u>
Liabilities:		
Current liabilities	198,348	1,131,270
Long-term obligations	11,433,296	11,768,798
Total Liabilities	<u>11,631,644</u>	<u>12,900,068</u>
Deferred Inflows of Resources:	<u>157,265</u>	<u>-</u>
Net Position:		
Net investment in capital assets	22,936	286,789
Restricted	40,692	-
Unrestricted	1,812,327	334,465
Total Net Position	<u>\$ 1,875,955</u>	<u>\$ 621,254</u>

**NASHVILLE COLLEGIATE PREP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2023

Changes in Net Position

The School's total net position increased by \$1,254,701 during the 2023 fiscal year. The increase in the School's net position indicates the School had more incoming revenue than outgoing expenses during the year. Fiscal year 2023 represents the second full year of operations with enrollment of 429 students and Basic Education Program ("BEP") funding of \$15,024 per student. Total revenue generated from district funding, government grants, student fees, lease, and other income were \$7,433,367 during the 2023 fiscal year.

A summary of the School's revenue and expenses is as follows for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Program Revenues:		
Grants and contributions	\$ 680,573	\$ 970,452
General Revenues:		
District funding	6,445,293	4,610,307
Student services	105,367	64,917
Other income	202,134	152,759
Total Revenue	<u>7,433,367</u>	<u>5,798,435</u>
Operating Expenses:		
Personnel	2,669,202	2,425,184
General expenses	2,680,673	2,119,106
Depreciation and amortization	828,791	753,397
Total Expenses	<u>6,178,666</u>	<u>5,297,687</u>
Change in Net Position	<u>\$ 1,254,701</u>	<u>\$ 500,748</u>

FINANCIAL ANALYSIS OF THE SCHOOL'S FUND

The School's fund, as presented on the balance sheet, reported a general fund balance of \$1,797,168 at June 30, 2023. The School reports one general fund representing its operations. The School has no other major funds. Due to the different basis of accounting, there is a difference between the amounts reported under the School's fund and the amounts reported in the organization wide financial statements. For the year ended June 30, 2023, the difference consists of capital assets, net pension asset, compensated absences, and lease liabilities, which are not reported in the School's fund.

NASHVILLE COLLEGIATE PREP MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

SCHOOL ACTIVITIES

The School is a public charter school for families, focused on providing an elementary and college prep education to students from culturally diverse communities and socioeconomic backgrounds. The core values of the School reside in the School's focus on teaching and supporting the whole child, building a decision-driven data culture, and embracing the power of Collective Teacher Efficacy.

The School believes great schools enroll families, not just students. The School places extraordinary investments in School-family connections, meaningful use of technology, and robust teacher collaboration that learns from real-time feedback and data. We are confident that through teamwork, we can cultivate a school community that attends to student's social-emotional and academic needs.

The School design includes teaching the whole child and places students in a community classroom model that allows personalized attention and extensive teacher collaboration. The School values individualized learning at both the academic and social emotional levels. This is represented in our "Success" academic period and our SEL block. The School provides wrap-around support through summer and winter learning camps and afternoon school clubs to provide the intense support needed to enrich every child.

The School is demographically diverse, including African American, Latino/Hispanic, Arabic, Kurdish, Haitian, Creole, Somali, Asian, and Caucasian individuals. A majority of students are on free/reduced price lunch.

The School focuses on our strengths and opportunities for improvement. We get smarter through hard work, taking risks, and learning from failure; we value the small, persistent steps that it takes to be great; we know that greatness in anything is the result of continual, intentional planning and practice over long periods of time. All challenges met by the School present a new opportunity for our team to work together and improve. This kind of culture is one that students, parents, and the community recognize as authentic and focused on continuous improvement.

STUDENT ENROLLMENT FACTORS AND NEXT YEAR'S BUDGET (FORECAST)

Enrollment – Enrollment for the 2023 – 2024 year is forecasted to be approximately 618 students and includes grades K-5. This is an increase from the 2022 – 2023 year of approximately 189 students. *Revenues*: State and federal and other revenues are forecasted at approximately \$11,000,000. *Expenses*: Expenses are forecasted to approximate \$8,900,000. This results in an operating surplus for the 2023 – 2024 year. Annual operating surpluses are expected to increase as enrollment increases.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

If you have questions about this report or need additional financial information, contact, Dr. Eve Carney, Executive Vice President. The School is located at 1638 Bell Road, Nashville, Tennessee 37211. Dr. Carney can be reached by email: eve@nobleeducationinitiative.com.

NASHVILLE COLLEGIATE PREP
STATEMENT OF NET POSITION

JUNE 30, 2023

ASSETS

Cash and cash equivalents	\$ 778,045
Accounts receivable	1,119,399
Prepaid expenses	18,311
Deposits	35,345
Capital assets, net	11,456,232
Restricted cash - TCRS Stabilization Trust	40,692
Net pension asset	40,614
Total Assets	<u>13,488,638</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	<u>176,226</u>
---------------------------------------	----------------

LIABILITIES

Accounts payable	12,962
Compensated absences	3,724
Accrued expenses	181,662
Lease obligations	
Amounts due within one year	358,876
Amounts due in more than one year	11,074,420
Total Liabilities	<u>11,631,644</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	<u>157,265</u>
--------------------------------------	----------------

NET POSITION

Net investment in capital assets	22,936
Restricted for pension	40,692
Unrestricted	1,812,327
Total Net Position	<u>\$ 1,875,955</u>

The accompanying notes to the financial statements are an integral part of these statements.

NASHVILLE COLLEGIATE PREP
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	<u>Total</u>	<u>Student Instruction and Services</u>	<u>Administration</u>
Expenses:			
Salaries, wages, and benefits	\$ 2,669,202	\$ 2,000,004	\$ 669,198
Interest expenses	353,347	335,680	17,667
Occupancy cost	429,584	408,105	21,479
Transportation	139,687	139,687	-
Contracted services	743,308	104,063	639,245
Direct student expenses	428,173	428,173	-
Depreciation and amortization	828,791	787,351	41,440
Technology	56,550	53,723	2,827
General administrative	473,196	141,975	331,221
Travel and entertainment	402	402	-
Staff development	56,426	56,426	-
Total Expenses	<u>6,178,666</u>	<u>4,455,589</u>	<u>1,723,077</u>
Program Revenues:			
Program-specific operating grants and contributions	680,573	680,573	-
Net Program Expenses	<u>5,498,093</u>	<u>\$ 3,775,016</u>	<u>\$ 1,723,077</u>
General Revenues:			
District funding	6,445,293		
Student services	105,367		
Other income	202,134		
Total General Revenues	<u>6,752,794</u>		
Change in net position	1,254,701		
Net position, beginning of year	621,254		
Net position, end of year	<u>\$ 1,875,955</u>		

The accompanying notes to the financial statements are an integral part of these statements.

**NASHVILLE COLLEGIATE PREP
BALANCE SHEET**

JUNE 30, 2023

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 778,045
Accounts receivable	1,119,399
Deposits	35,345
Prepaid expenses	18,311
Restricted cash - TCRS Stabilization Trust	<u>40,692</u>
Total Assets	<u><u>\$ 1,991,792</u></u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 12,962
Accrued expenses	<u>181,662</u>
Total Liabilities	<u>194,624</u>
Fund Balances:	
Nonspendable	18,311
Restricted	40,692
Unassigned	<u>1,738,165</u>
Total Fund Balances	<u>1,797,168</u>
Total Liabilities and Fund Balances	<u><u>\$ 1,991,792</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

NASHVILLE COLLEGIATE PREP
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION
OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2023

Total governmental fund balances	\$ 1,797,168
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund balance sheet.	11,456,232
Net pension asset is not a current financial asset and is, therefore, not reported in the governmental fund balance sheet.	40,614
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:	
Lease obligations	(11,433,296)
Compensated absences	(3,724)
Amounts reported as deferred outlaws and inflows of resources will be amortized and recognized as components of expense in future years:	
Deferred outflows of resources related to pensions	176,226
Deferred inflows of resources related to pensions	(157,265)
Net position of governmental activities	<u>\$ 1,875,955</u>

The accompanying notes to the financial statements are an integral part of these statements.

NASHVILLE COLLEGIATE PREP**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS***YEAR ENDED JUNE 30, 2023*

	Total General Fund
Revenues:	
Federal grants	\$ 680,573
District funding	6,445,293
Student services	105,367
Other income	202,134
Total Revenues	<u>7,433,367</u>
Expenditures:	
Current:	
Student instruction and services	3,409,616
Administration	1,642,763
Capital outlay	229,436
Debt Service:	
Principal	335,502
Interest	353,347
Total Expenditures	<u>5,970,664</u>
Change in fund balances	1,462,703
Fund balances, beginning of year	<u>334,465</u>
Fund balances, end of year	<u><u>\$ 1,797,168</u></u>

The accompanying notes to the financial statements are an integral part of these statements.

NASHVILLE COLLEGIATE PREP

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES**

YEAR ENDED JUNE 30, 2023

Net change in fund balances - total governmental funds	\$ 1,462,703
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays reported as expenditures in governmental funds are shown as capital assets in the statement of net position	229,436
Depreciation and amortization expense on governmental capital assets is included only in the governmental activities in the statement of activities	(828,791)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Accrued compensated absences	3,724
Pension expense	52,127
The repayment of debt is treated as an expenditure in the governmental fund, but the repayments reduce long-term liabilities in the statement of net position, so the expenses do not appear in the statement of activities:	335,502
Change in net position of governmental activities	<u>\$ 1,254,701</u>

The accompanying notes to the financial statements are an integral part of these statements.

NASHVILLE COLLEGIATE PREP

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1—Summary of significant accounting policies

ReThink Forward, Inc. is a Florida not-for-profit established in 2008. Pursuant to the Tennessee Public Charter School Commission Charter Agreement, ReThink Forward, Inc. has been approved to establish and operate a public charter school, Nashville Collegiate Prep (the "School"). The School began classes in August 2021 serving grades K-4. The School expanded to serve grades K-5 during the 2022-2023 academic year.

Basis of Accounting – The School is considered a special purpose governmental entity that is engaged in governmental activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared in the same manner as general purpose government financial statements.

Basic Financial Statements – The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major fund). The School's primary activities are all considered to be governmental activities and are classified as such in the government-wide and fund financial statements.

The government-wide financial statements of the School have been prepared on the accrual basis of accounting and the economic resources measurement focus. Under the accrual basis, revenue is recognized when earned and expenses are recognized when incurred.

The fund financial statements are presented on the modified accrual basis of accounting and the current financial resources measurement focus. Revenue under the modified accrual basis is recognized when measurable and available and expenditures are recognized when the related liability is incurred. The School considers revenue to be available if it is received within one year of the end of the current fiscal period.

Government-Wide Financial Statements

The government-wide financial statements focus on the sustainability of the School as an entity and the change in the School's net position resulting from the current-year's activities.

In the government-wide statement of net position, activities are reported on the full accrual basis, and economic resource focus, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The statement of net position presents the financial condition of the School at year-end.

Governmental financial reporting standards require the classification of net position into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by outstanding balances (if any) of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets. When both restricted and unrestricted assets are available for use, it is the School's policy to utilize restricted assets first, then unrestricted assets as needed.

NASHVILLE COLLEGIATE PREP

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1—Summary of significant accounting policies (continued)

The government-wide statement of activities reports both the gross and net cost of the School's functions. The functions are also supported by general revenue (general revenue is primarily made up of district funding, student services, and other income). The statement of activities reduces gross expenses by related function revenues, grants, and miscellaneous contributions. Program revenue must be directly associated with the function. The net costs by function are normally covered by general revenue. The School allocated indirect cost among functions.

Fund Financial Statements

The financial transactions of the School are reported in the general fund in the fund financial statements. The general fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

The emphasis on fund financial statements is on the major fund. Nonmajor funds by category are summarized in a single column. Governmental accounting reporting standards set forth minimum criteria for the determination of major funds. The School's major fund represents the operations of the general fund. The general fund accounts for all financial resources of the School, except those required to be accounted for in another fund.

The funds' focus is upon the determination of financial resources, their balance, sources, and use, rather than upon net income. The School follows guidance that classifies fund balances as: nonspendable, restricted, committed, assigned, or unassigned based on the level of constraints on the fund balances. When an expenditure is incurred in which both restricted and unrestricted funds are available for use, it is the School's policy to spend restricted funds first, then unrestricted funds. When an expenditure has been incurred for purposes in which multiple categories of unrestricted funds are available, it is the School's policy to spend funds in the following order: committed, then assigned, and lastly, unassigned funds. The classifications of fund balances are defined as follows:

Nonspendable – This classification consists of fund balances that cannot be spent because they are either not in spendable form, for example, noncash amounts that are not expected to be converted to cash, or the funds are legally or contractually required to be maintained intact.

Restricted – This classification consists of fund balances with external constraints on use imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Committed – This classification consists of fund balances that can only be used for specific purposes established by formal action of the School's Board of Directors using its highest level of decision making authority. Such commitments should include contractual obligations of fund assets. Fund balance commitments can only be removed by the same process of the same body employed to previously commit those amounts. The School reported no committed fund balance as of June 30, 2023.

Assigned – Assigned fund balances are intended to be used for specific purposes but are neither restricted nor committed. The School gives the authority to assign amounts for specific purposes to the School's controller and personnel under the supervision of the controller tasked with financial recording responsibilities. The School reported no assigned fund balance as of June 30, 2023.

Unassigned – This classification consists of all fund balances in the general fund that are not reported as nonspendable, restricted, committed, or assigned.

NASHVILLE COLLEGIATE PREP

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1—Summary of significant accounting policies (continued)

Functional Allocation of Expenses – The costs of providing various programs and other services have been reported on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the student instruction and services and administration, based on estimates made by management.

Cash and Cash Equivalents – The School considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents.

Accounts Receivable – Accounts receivable represent amounts due from grants or funding which have been earned but not received. All receivables are reported at estimated collectible amounts. The receivables balance as of June 30, 2023 totaled \$1,119,399. Management has determined all receivable balances are collectible and, therefore, no allowance has been recorded as June 30, 2023.

Capital Assets – Property and equipment are recorded at cost less accumulated depreciation, if purchased, or the estimated acquisition value on the date received, if donated. The cost of routine maintenance and repairs is expensed as incurred. Expenditures which materially extend the economic lives, change capacities, or improve the efficiency of the related assets are capitalized. Upon sale or retirement, the cost and related accumulated depreciation is removed from the respective accounts, and the resulting gain or loss, if any, is included in the statement of activities. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years, or over the term of the lease for leasehold improvements, if less. The School follows the practice of capitalizing all expenditures for property and equipment items over \$500.

Right-to-use Assets and Lease Obligations – The School leases its building under a lease agreement. Leases are included in right-to-use assets as property and equipment and lease obligations on the statement of net position. A right-to-use asset represents the School's right to use an underlying asset for the lease term. Lease obligations represent the School's liability to make lease payments arising from the lease agreement. Right-to-use assets and lease obligations are recognized based on the present value of the lease payments over the lease term, where the initial term exceeds 12 months. Right-to-use assets are amortized using a straight-line basis over the shorter of the lease term or useful life of the underlying asset.

Grants – The School received federal financial assistance through state agencies. The expenditure of funds received from state agencies generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material, adverse effect on the overall financial position of the School as of June 30, 2023.

Income Taxes – The School is a not-for-profit organization that is exempt from federal income taxes under the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and is similarly exempt from state income taxes.

Pensions – The School participates in the following the defined benefit pension plan:

Certified Employees – Tennessee Consolidated Retirement System (collectively, the "TCRS").

- Teacher's Hybrid Retirement Plan
- Teacher's Legacy Retirement Plan

NASHVILLE COLLEGIATE PREP
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1—Summary of significant accounting policies (continued)

For purposes of measuring the applicable net pension asset and liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expenses, the information about the fiduciary net position of the pension plans, and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the pension plans. Investments are reported at fair value.

Estimates and Uncertainties – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Comparison Statement – The School is not required to adopt a legally binding budget; therefore, no budgetary comparison statement of the School’s funds has been presented.

Adoption of Accounting Pronouncement – The School implemented Government Accounting Standards Board Statement 96, *Subscription-Based Information Technology Arrangements* (“SBITA”) effective July 1, 2022. The requirements of this Statement provide guidance on the accounting and financial reporting for SBITAs for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, included in implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Upon review, the School concluded that SBITAs are immaterial and do not warrant disclosure.

Note 2—Capital assets

Capital assets consist of the following for the year ended June 30, 2023:

	June 30, 2022	Additions	Disposals	June 30, 2023
Right-to-use asset - building	\$ 12,055,904	\$ -	\$ -	\$ 12,055,904
Furniture and fixtures	323,070	44,569	-	367,639
Vehicle	-	41,450	-	41,450
Computer hardware and software	430,011	143,417	-	573,428
	12,808,985	229,436	-	13,038,421
Less accumulated depreciation and amortization	(753,398)	(828,791)	-	(1,582,189)
	<u>\$ 12,055,587</u>	<u>\$ (599,355)</u>	<u>\$ -</u>	<u>\$ 11,456,232</u>

Depreciation and amortization expense totaled \$828,791 for the year ended June 30, 2023.

NASHVILLE COLLEGIATE PREP
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 3—Long-term obligations

The following is a summary of the changes in the School’s indebtedness during the year ended June 30, 2023.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2023</u>	<u>Current Portion</u>
Leases payable	\$ 11,768,798	\$ -	\$ 335,502	\$ 11,433,296	\$ 358,876
Compensated absences	-	3,724	-	3,724	3,724
Total long-term liabilities	<u>\$ 11,768,798</u>	<u>\$ 3,724</u>	<u>\$ 335,502</u>	<u>\$ 11,437,020</u>	<u>\$ 362,600</u>

Note 4—Federal funds

The School receives pass-through funding from the National School Lunch Program through the Tennessee Department of Agriculture. National School Lunch Program revenue totaled \$141,138 for the year ended June 30, 2023.

The School receives pass-through funding from various grants through the Tennessee Charter School Commission. The School Wide Pool revenues totaled \$300,314 for the year ended June 30, 2023. Coronavirus Aid, Relief, and Economic Security Act revenue totaled \$238,683 for the year ended June 30, 2023. Other direct federal funding totaled \$438 for the year ended June 30, 2023.

Total grants receivable as of June 30, 2023 is \$390,944.

Note 5—Concentrations

The School received approximately 87% of its funding for operations from the Tennessee Charter Commission based on the state of Tennessee’s Basic Education Program (“BEP”) for the year ended June 30, 2023. BEP funding is designated to the School based on student attendance. Gross BEP funding for the year ended June 30, 2023 was \$6,445,293

Note 6—Retirement plans

Teacher Hybrid Retirement Plan

General Information about the Pension Plan

Plan Description – The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>. Teachers employed by the School with membership in the TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing, multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014 but will continue providing benefits to existing members and retirees. The Teacher Hybrid Retirement Plan became effective July 1, 2014 for teachers employed by Local Education Agencies (“LEA”) after June 30, 2014. The Teacher Hybrid Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

NASHVILLE COLLEGIATE PREP
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 6—Retirement plans (continued)

Benefits Provided – Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Hybrid Retirement Plan are eligible to retire with an unreduced benefit at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments ("COLA") after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index ("CPI") during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Hybrid Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions – Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5% of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4% of covered payroll, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Hybrid Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the School for the year ended June 30, 2023 to the Teacher Hybrid Retirement Plan were \$43,012 which is 2.87% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets) – At June 30, 2023, the School reported an asset of \$19,834 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial value as of that date. The School's proportion of the net pension asset was based on the School's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2022, the School's proportion was 0.065476%. The proportion measured as of June 30, 2021 was 0%.

Pension Expense – For the year ended June 30, 2023, the School recognized a pension expense of \$24,395.

Actuarial Assumptions – The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.25%
Salary increases:	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return:	6.75%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment:	2.125%

NASHVILLE COLLEGIATE PREP
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 6—Retirement plans (continued)

Mortality rates were based on actual experience including an adjustment for some anticipated improvement using scale MP-2021.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25%.

The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class is summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the three factors described above.

Discount Rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NASHVILLE COLLEGIATE PREP

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 6—Retirement plans (continued)

Teacher Legacy Pension Plan of TCRS

General Information about the Pension Plan

Plan Description – The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>. Teachers employed by the School with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing, multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014 but will continue providing benefits to existing members and retirees. The Teacher Hybrid Retirement Plan became effective July 1, 2014 for teachers employed by LEAs after June 30, 2014. The Teacher Hybrid Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37.

Benefits Provided – Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 if vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic COLA after retirement. COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the CPI during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions – Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5% of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the School for the year ended June 30, 2023 to the Teacher Legacy Pension Plan were \$5,782 which is 8.69% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets) – At June 30, 2023, the School reported an asset of \$20,780 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial value as of that date. The School's proportion of the net pension asset was based on the School's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2022, the School's proportion was 0.001694%. The proportion measured as of June 30, 2022 was 0%.

Pension Expense – For the year ended June 30, 2023, the School recognized pension benefit of \$6,958.

NASHVILLE COLLEGIATE PREP
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 6—Retirement plans (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	2.25%
Salary increases:	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return:	6.75%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment:	2.125%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement using scale MP-2021.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the three factors described above.

NASHVILLE COLLEGIATE PREP
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 6—Retirement plans (continued)

Discount Rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Assets

The School reports the following net pension assets as of June 30, 2023:

Net pension assets:	
TCRS Legacy Plan	\$ 20,780
TCRS Retirement (Hybrid) Plan	19,834
Total net pension asset	<u>\$ 40,614</u>

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the School’s proportionate share of the net pension asset. For the TCRS Legacy and Hybrid plans, this is calculated using the discount rate of 6.75%. In addition, the School’s proportionate share of the net pension asset is calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>1% Decrease 5.75%</u>	<u>Current Discount Rate 6.75%</u>	<u>1% increase 7.75%</u>
The School’s proportionate share of the net pension liability (asset):			
TCRS Plans:			
Legacy	\$ 41,157	\$ (20,780)	\$ (72,369)
Hybrid	104,119	(19,834)	(110,358)
	<u>\$ 145,276</u>	<u>\$ (40,614)</u>	<u>\$ (182,727)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plans’ fiduciary net position is available in separately issued TCRS financial reports.

NASHVILLE COLLEGIATE PREP
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 6—Retirement plans (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience:		
TCRS Plans:		
Legacy	\$ 3,418	\$ 3,511
Hybrid	1,085	12,051
Net difference between projected and actual earnings on pension plan investments:		
TCRS Plans:		
Legacy	47,693	47,338
Hybrid	38,984	32,732
Change in assumptions:		
TCRS Plans:		
Legacy	13,017	-
Hybrid	23,235	-
Changes in proportion of net pension liability (asset):		
TCRS Plans:		
Legacy	-	21,358
Hybrid	-	40,275
LEAs' contributions subsequent to the measurement date of June 30, 2022:		
TCRS Plans:		
Legacy	5,782	-
Hybrid	43,012	-
	<u>\$ 176,226</u>	<u>\$ 157,265</u>

NASHVILLE COLLEGIATE PREP
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 6—Retirement plans (continued)

The School’s employer contributions for TCRS of \$48,794, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension asset in the year ended June 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,

2024	\$ (8,238)
2025	(6,365)
2026	(14,886)
2027	17,711
2028	(2,488)
Thereafter	<u>(15,567)</u>
	<u>\$ (29,833)</u>

TCRS Stabilization Trust

Legal Provisions – The School is a member of the TCRS Stabilization Reserve Trust. The School has placed funds into the irrevocable trust as authorized by statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member’s funds are restricted for the payment of retirement benefits of that member’s employees. Trust funds are not subject to the claims of general creditors of the School.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The School may not impose any restrictions on investments placed by the trust on their behalf.

Investment Balances – Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (“TRGT”). The TRGT is not registered with the Securities and Exchange Commission as an investment company. The state of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool’s underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

NASHVILLE COLLEGIATE PREP
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 6—Retirement plans (continued)

Investments are reported at fair value or amortized cost which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2023, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.

Level 2 – Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market, and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.

Level 3 – Valuations derived from valuation techniques in which significant inputs are unobservable.

Investments where fair value is measured using the net asset value (“NAV”) per share have no readily determinable fair value and NAV has been used as a practical expedient to estimate fair value in a manner consistent with Financial Accounting Standards Board principles for investment companies.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgement and as such management of the TRGT developed a fair value committee that worked in conjunction with the plan’s custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes so to be represented in the table below.

Short-term securities generally include investments in money market-type securities reported at amortized cost.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

U.S. Treasury Bills, Bonds, Notes, and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

NASHVILLE COLLEGIATE PREP
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 6—Retirement plans (continued)

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute, or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

Investments in private mutual funds, traditional private equity funds, strategic lending funds, and real estate funds that report using U.S. GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-U.S. GAAP standards, the investment was valued using the same method, but was classified in Level 3.

At June 30, 2023, the School had the following investments held by the trust on its behalf.

<u>Investment</u>	<u>Weighted Average Maturity (days)</u>	<u>Maturities</u>	<u>Fair Value</u>
Investments at fair value:			
U.S. equity	N/A	N/A	\$ 12,615
Real estate	N/A	N/A	4,069
Short-term securities	N/A	N/A	407
Developed market international equity	N/A	N/A	5,697
Emerging market international equity	N/A	N/A	1,628
Private equity and strategic lending	N/A	N/A	8,138
U.S. fixed income	N/A	N/A	8,138
			<u>\$ 40,692</u>

<u>Investment by Fair Value</u>	<u>6/30/2023</u>	<u>Fair Value Measurements Using</u>			<u>NAV</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	
U.S. equity	\$ 12,615	\$ 12,615	\$ -	\$ -	\$ -
Developed market international equity	5,697	5,697	-	-	-
Emerging market international equity	1,628	1,628	-	-	-
U.S. fixed income	8,138	-	8,138	-	-
Real estate	4,069	-	-	4,069	-
Short-term securities	407	-	407	-	-
Private equity and strategic lending	8,138	-	-	-	8,138
	<u>\$ 40,692</u>	<u>\$ 19,940</u>	<u>\$ 8,545</u>	<u>\$ 4,069</u>	<u>\$ 8,138</u>

NASHVILLE COLLEGIATE PREP
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 6—Retirement plans (continued)

Risks and Uncertainties – The trust’s investments include various types of investment funds, which in turn invest in any combination of stock, bonds, and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School does not have the ability to limit the credit ratings of individual investments made by the trust.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the School’s investment in a single issuer. The School does not have the ability to limit the trust on the amount that may be invested in any one user.

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the School to pay retirement benefits of the School employees.

For further information concerning the School’s investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at https://treasury.tn.gov/Portals/0/Documents/Retirement/CAFR%20Reports/2023/2023TCRSReport_Full%20Report.pdf.

Note 7—Leases obligations

The School entered into a long term lease agreement for its building commencing on August 1, 2021. The lease contract expires in 2041. The right-to-use asset is recorded in capital assets as a right to use – building as noted in Note 2.

The School has used the implicit interest rate to calculate the present value of lease payments. The School includes lease extensions and termination options in the lease term, if after considering relevant economic factors, it is reasonably certain the School will exercise the option.

The following represents the future minimum lease payments required under the lease arrangement as of:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 358,876	\$ 343,747	\$ 702,623
2025	385,134	331,541	716,675
2026	411,548	319,461	731,009
2027	439,067	306,562	745,629
2028	466,931	293,611	760,542
2029-2033	2,810,902	1,226,146	4,037,048
2034-2038	3,724,830	732,395	4,457,225
2039-2041	2,836,008	140,142	2,976,150
	<u>\$ 11,433,296</u>	<u>\$ 3,693,605</u>	<u>\$ 15,126,901</u>

NASHVILLE COLLEGIATE PREP
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023

Note 8—Risk management

As of June 30, 2023, the School had cash and cash equivalents subject to a risk of loss.

Cash and Cash Equivalents – Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School participates in a deposit placement agreement where the custodial bank endeavors to place deposits at other financial institutions through a depository network. Each of the depository institutions within the network is insured by the Federal Deposit Insurance Corporation ("FDIC") up to the maximum depository insurance amount of \$250,000. Deposits at individual depository institutions will not exceed FDIC limits. Accordingly, the School had no uninsured cash balances on June 30, 2023.

Insurance – The School is exposed to various risks of loss similar to a commercial business, such as general liability, errors and omissions, and other situations. The School purchases commercial insurance for the significant risks of loss. Settled claims have not exceeded the insurance coverage limits during the past three fiscal years.

Note 9—Commitments and contingencies

From time to time, the School is involved in routine legal matters that arise in the ordinary course of business. There was no pending, significant legal proceedings to which the School is a party for which management believes the ultimate outcome would have a material, adverse effect on the School's financial position.

REQUIRED SUPPLEMENTARY INFORMATION

NASHVILLE COLLEGIATE PREP

SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) TEACHER LEGACY PENSION PLANS OF TCRS

YEAR ENDED JUNE 30, 2023

	<u>2022</u>
Proportionate Share Percentage of Collective Net Pension Liability (Asset)	0.001694%
Proportionate Share of TCRS Collective Net Pension Liability (Asset)	\$ (20,780)
Covered Payroll	\$ 55,542
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	-37.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	104.42%

Schedule is intended to show information for 10 years. Information for years prior to 2022 is not readily available, therefore, it is not presented in the schedule above. Additional years will be included as they become available.

NASHVILLE COLLEGIATE PREP
SCHEDULE OF SCHOOL'S CONTRIBUTIONS
TEACHER LEGACY RETIREMENT PLAN OF TCRS

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Contractually Required Contribution	\$ 5,782	\$ 5,743
Contributions in Relation to the Contractually Determined Contribution	<u>5,782</u>	<u>5,743</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 66,536	\$ 55,542
Contributions as a Percentage of Covered Payroll	8.69%	10.34%

Schedule is intended to show information for 10 years. Information for years prior to 2022 is not readily available, therefore, it is not presented in the schedule above. Additional years will be included as they become available.

NASHVILLE COLLEGIATE PREP
SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
TEACHER HYBRID RETIREMENT PLAN OF TCRS

JUNE 30, 2023

	<u>2022</u>
Proportionate Share Percentage of Collective Net Pension Liability (Asset)	0.065476%
Proportionate Share of TCRS Collective Net Pension Liability (Asset)	\$ (19,834)
Covered Payroll	\$ 1,118,137
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	-1.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	104.55%

Schedule is intended to show information for 10 years. Information for years prior to 2022 is not readily available, therefore, it is not presented in the schedule above. Additional years will be included as they become available.

NASHVILLE COLLEGIATE PREP
SCHEDULE OF SCHOOL'S CONTRIBUTIONS
TEACHER HYBRID RETIREMENT PLAN OF TCRS

JUNE 30, 2023 AND 2022

Teacher Hybrid	<u>2023</u>	<u>2022</u>
Contractually Required Contribution	\$ 43,012	\$ 22,475
Contributions in Relation to the Contractually Determined Contribution	<u>43,012</u>	<u>22,475</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,498,676	\$ 1,118,137
Contributions as a Percentage of Covered Payroll	2.87%	2.01%

Schedule is intended to show information for 10 years. Information for years prior to 2022 is not readily available, therefore, it is not presented in the schedule above. Additional years will be included as they become available.

The statute governing the plan provides for a minimum employer contribution rate of 4% and for contributions in excess of the actuarially determined contribution rate to be deposited into a stabilization reserve. The remaining part of the 4% required contribution (i.e., 1.13% in 2023) was made to the Pension Stabilization Reserve Trust.

INTERNAL CONTROL AND COMPLIANCE REPORT

Report of Independent Auditor 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
Nashville Collegiate Prep
Nashville, Tennessee

We have audited, in accordance with the 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 the governmental activities and the major fund of Nashville Collegiate Prep (the “School”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements, and have issued our report thereon dated February 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’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 entity’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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School’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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Nashville, Tennessee
February 29, 2024