

NASHVILLE COLLEGIATE PREP

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2022

And Reports of Independent Auditor

NASHVILLE COLLEGIATE PREP
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NASHVILLE COLLEGIATE PREP
ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF

JUNE 30, 2022

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

Tamara Abbott

Executive Director

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 each major fund of Nashville Collegiate Prep (the "School") as of and for the year ended June 30, 2022, 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 each major fund of the School as of June 30, 2022, 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 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 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year 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 be presented to supplement the basic financial statements. Such information, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance 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 also not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 and state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 May 24, 2023, 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
May 24, 2023

NASHVILLE COLLEGIATE PREP MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

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, 2022. This section should be read in conjunction with the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the School exceeded its liabilities by \$621,254 at June 30, 2022.
- Net position increased by \$500,748 during the year ended June 30, 2022.
- Outlays for new capital assets totaled \$12,432,108 during the year ended June 30, 2022, of which approximately \$12.1 million relates to the recognition of a right to use asset and lease liability with the implementation of Governmental Accounting Standards Board ("GASB") Statement 87, *Leases*.
- Total 2022 government wide revenues of \$5,798,435 were comprised of federal pass-through funds – 17%, district funds – 79%, and other – 4%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of a series of financial statements, notes to those statements, required supplementary information, and other information. The statements are organized so the reader can understand required other information and the School as a whole and then proceed to a detailed look at specific financial activities of the School.

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 and liabilities 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). Private sector entities would report retained earnings. 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, 2022

Reporting the School's Funds

Fund Financial Statements:

The School's fund financial statements, the balance sheet, and the statement of revenues, expenditures, and changes in fund balances of governmental funds, begin on page 11. They 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 funds are categorized as "governmental funds". 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 on pages 12 and 14.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The School's assets exceeded its liabilities at the close of the 2022 fiscal year, resulting in net position of \$621,254. The School's net position includes \$387,212 of cash. The School also implemented GASB 87 during fiscal year 2022 resulting in a recognition of a right to use asset and lease liability of approximately \$12.1 million.

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

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and cash equivalents	\$ 387,212	\$ 68,875
Accounts receivable	983,058	366,904
Prepaid expenses	60,120	-
Property and equipment, net	12,055,587	376,877
Deposits	<u>35,345</u>	<u>3,750</u>
Total Assets	<u>13,521,322</u>	<u>816,406</u>
Liabilities:		
Accounts payable	690,567	85,138
Accrued expenses	440,703	610,762
Capital lease	<u>11,768,798</u>	<u>-</u>
Total Liabilities	<u>12,900,068</u>	<u>695,900</u>
Net Position:		
Net investment in capital assets	286,789	376,877
Unrestricted	<u>334,465</u>	<u>(256,371)</u>
Total Net Position	<u>\$ 621,254</u>	<u>\$ 120,506</u>

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

JUNE 30, 2022

Changes in Net Position

The School's total net position increased by \$500,748 during the 2022 fiscal year. The increase in the School's net position indicates the School had more incoming revenue than outgoing expenses during the year. The School began preparing for its first year of operations during fiscal 2021 which resulted in limited activity. Fiscal 2022 represents the first full year of operations with enrollment of 308 students and BEP funding of \$14,953 per student. Total revenue generated from district funding, government grants, student fees, lease and other income were \$5,798,435 during the 2022 fiscal year.

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

	<u>2022</u>	<u>2021</u>
Federal grants	\$ 970,452	\$ 366,904
District funding	4,610,307	-
Student fees	64,917	-
Lease and other income	152,759	-
Total Revenue	<u>5,798,435</u>	<u>366,904</u>
Salaries, wages, and benefits	2,425,184	84,412
Interest expenses	332,963	-
Occupancy cost	350,090	51,918
Transportation	126,555	-
Contracted services	779,692	-
Direct student expenses	193,134	21,593
Depreciation and amortization	753,397	-
Technology	5,417	-
General administrative	295,808	88,475
Travel and entertainment	1,448	-
Staff development	33,999	-
Total Expenses	<u>5,297,687</u>	<u>246,398</u>
Change in Net Position	<u>\$ 500,748</u>	<u>\$ 120,506</u>

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The School's funds, as presented on the balance sheet on page 11, reported a general fund balance of \$334,465 at June 30, 2022. The School reports as 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 funds and the amounts reported as organization wide. For the year ended June 30, 2022, the difference consists of capital assets and lease liabilities which are not reported in the School's funds.

NASHVILLE COLLEGIATE PREP MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

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 2022 - 2023 year is forecasted to be approximately 432 students and includes grades K-5. This is an increase from the 2021 - 2022 year of approximately 124 students. *Revenues:* State and federal and other revenues are forecasted at approximately \$7,500,000. *Expenses:* Expenses are forecasted to approximate \$6,132,000. This results in an operating surplus for the 2022 - 2023 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, Tamara Abbott, Executive Director of the School. The School is located at 1638 Bell Road, Nashville, Tennessee 37211. Ms. Abbott can be reached by telephone at (615) 810-8370 ext. 5055 or by email: tamara@nobleeducationinitiative.com.

NASHVILLE COLLEGIATE PREP
STATEMENT OF NET POSITION

JUNE 30, 2022

ASSETS

Cash and cash equivalents	\$	387,212
Accounts receivable		983,058
Prepaid expenses		60,120
Property and equipment, net		12,055,587
Deposits		<u>35,345</u>
Total Assets		<u><u>13,521,322</u></u>

LIABILITIES

Accounts payable		690,567
Accrued expenses		440,703
Lease obligations		<u>11,768,798</u>
Total Liabilities		<u><u>12,900,068</u></u>

NET POSITION

Net investment in capital assets		286,789
Unrestricted		<u>334,465</u>
	\$	<u><u>621,254</u></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, 2022

	<u>Total</u>	<u>Student Instruction and Services</u>	<u>Administration</u>
Expenses:			
Salaries, wages, and benefits	\$ 2,425,184	\$ 1,818,888	\$ 606,296
Interest expenses	332,963	316,315	16,648
Occupancy cost	350,090	332,586	17,504
Transportation	126,555	126,555	-
Contracted services	779,692	109,156	670,536
Direct student expenses	193,134	193,134	-
Depreciation and amortization	753,397	715,727	37,670
Technology	5,417	5,147	270
General administrative	295,808	87,792	208,016
Travel and entertainment	1,448	1,448	-
Staff development	33,999	33,999	-
Total Expenses	<u>5,297,687</u>	<u>3,740,747</u>	<u>1,556,940</u>
Program Revenues:			
Program-specific operating grants and contributions	<u>970,452</u>	<u>970,452</u>	<u>-</u>
Net Program Expenses	<u>\$ 4,327,235</u>	<u>\$ 2,770,295</u>	<u>\$ 1,556,940</u>
General Revenues:			
District funding	4,610,307		
Student services	64,917		
Lease and other income	<u>152,759</u>		
Total General Revenues	<u>4,827,983</u>		
Change in net position	500,748		
Net position, beginning of year	<u>120,506</u>		
Net position, end of year	<u>\$ 621,254</u>		

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

**NASHVILLE COLLEGIATE PREP
BALANCE SHEET**

JUNE 30, 2022

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 387,212
Accounts receivable	983,058
Deposits	35,345
Prepaid expenses	<u>60,120</u>
Total Assets	<u>\$ 1,465,735</u>
 LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 690,567
Accrued expenses	<u>440,703</u>
Total Liabilities	<u>1,131,270</u>
Fund Balances:	
Nonspendable	95,465
Unassigned	<u>239,000</u>
Total Fund Balances	<u>334,465</u>
Total Liabilities and Fund Balances	<u>\$ 1,465,735</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, 2022

Total governmental fund balances	\$ 334,465
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund balance sheet.	12,055,587
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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 liabilities	<u>(11,768,798)</u>
Net position of governmental activities	<u>\$ 621,254</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, 2022

Revenues:

Program:

Federal grants	\$ 970,452
District funding	4,610,307

General:

Student services	64,917
Lease and other income	152,759

Total Revenues	<u>5,798,435</u>
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Expenditures:

Current:

Student instruction and services	3,208,446
Administration	1,335,843
Capital outlay	12,432,108
Principal	287,106

Total Expenditures	<u>17,263,503</u>
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Other Financing Sources:

Leases issued	<u>12,055,904</u>
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Total Other Financing Sources	<u>12,055,904</u>
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Change in fund balances	590,836
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Fund balances, beginning of year	<u>(256,371)</u>
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Fund balances, end of year	<u>\$ 334,465</u>
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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, 2022

Net change in fund balances - total governmental funds	\$ 590,836
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**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.	12,432,108
Depreciation and amortization expense on governmental capital assets is included only in the governmental activities in the statement of activities.	(753,398)
Issuance of lease liability recognized as other financing sources in the fund statements.	(12,055,904)
Repayment of debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position, so the expenses do not appear in the statement of activities:	<u>287,106</u>
Change in net position of governmental activities	<u><u>\$ 500,748</u></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, 2022

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 funds). 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. 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. Revenue under the modified accrual basis is recognized when measurable and available and expenditures are recognized when the related liability is incurred.

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 a full accrual, economic resource basis, 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, 2022

Note 1—Summary of significant accounting policies (continued)

Government-Wide Financial Statements (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, federal subrecipient grants, other grants, and miscellaneous contributions to the general funds). 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 individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenses.

The emphasis on fund financial statements is on the major funds. 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 funds represent the operations as one 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, 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.

Assigned – This classification consists of all fund balances that are not in the general fund or classified as nonspendable, restricted, or committed. In addition, general fund balances the School intends to use for specific purposes are also classified as assigned. The School gives the authority to assign amounts to specific purposes to the School's controller and personnel under the supervision of the controller tasked with financial recording responsibilities.

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, 2022

Note 1—Summary of significant accounting policies (continued)

Fund Financial Statements (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. As of June 30, 2022, the School's cash and cash equivalents were deposited in one financial institution. The School may at times maintain deposit balances in excess of federally insured limits with certain financial institutions. There was an uninsured balance of \$151,517 as of June 30, 2022 (see Note 7).

Capital Assets – Property and equipment are recorded at acquisition cost less accumulated depreciation, if purchased, or the estimated fair 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, 2022.

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 Hybrid Retirement Plan

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.

NASHVILLE COLLEGIATE PREP
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 1—Summary of significant accounting policies (continued)

Fund Financial Statements (continued)

Estimates and Uncertainties – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 Governmental Accounting Standards Board (“GASB”) Statement 87, *Leases*, effective July 1, 2021. The primary objective of this statement is to enhance the relevance and consistency of information about governments’ leasing activities. Under the new guidance, a lease is defined as “a contract that conveys control of the right to use another entity’s nonfinancial asset for a period of time in an exchange or exchange-like transaction”.

Governmental lessees will report a liability for the present value of lease payments over the lease term. The liability is offset with an intangible asset representing the right to use an underlying asset. Governments will amortize the intangible asset over the shorter of the asset’s useful life or the lease term and the liability will be reduced by lease payments offset by interest expense. In the governmental funds, lessees will report an expenditure and an offsetting other financing source in the period the lease is initially recognized at an amount equal to the present value of the lease liability. Subsequent lease payments should be budgeted and accounted for as debt service principal and interest expense using the modified accrual basis of accounting.

Note 2—Property and equipment

Capital assets consist of the following for the year ended June 30, 2022:

	June 30, 2021	Additions	Disposals	June 30, 2022
Right-to-use asset - building	\$ -	\$ 12,055,904	\$ -	\$ 12,055,904
Furniture and fixtures	-	323,070	-	323,070
Computer hardware and software	376,877	53,134	-	430,011
	376,877	12,432,108	-	12,808,985
Less accumulated depreciation and amortization	-	(753,398)	-	(753,398)
	<u>\$ 376,877</u>	<u>\$ 11,678,710</u>	<u>\$ -</u>	<u>\$ 12,055,587</u>

Depreciation and amortization expense totaled \$753,398 for the year ended June 30, 2022.

NASHVILLE COLLEGIATE PREP

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 3—Federal funds

The School received direct federal funds totaling \$231,966 for the Charter School Program from the U.S. Department of Education.

The School receives pass-through funding from the National School Lunch Program through the Tennessee Department of Agriculture. National School Lunch Program revenue totaled \$230,905 for the year ended June 30, 2022.

The School receives pass-through funding from various grants through the Tennessee Charter School Commission. The School Wide Pool revenues totaled \$119,375 for the year ended June 30, 2022. Individuals with Disabilities Education Act revenue totaled \$5,610 for the year ended June 30, 2022. Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) revenue totaled \$299,748 for the year ended June 30, 2022. Other direct federal funding totaled \$82,848 for the year ended June 30, 2022.

Total grants receivable outstanding as of June 30, 2022 is \$95,137.

Note 4—Concentrations

The School received approximately 79% 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, 2022. BEP funding is designated to the School based on student attendance. Gross BEP funding for the year ended June 30, 2022 was \$4,610,307.

Note 5—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 LEAs after June 30, 2014. The Teacher Hybrid Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The School has not recorded a pension liability (asset) or deferred inflows (outflows) as of the measurement date June 30, 2021, the latest actuarial reported completed by the plan.

NASHVILLE COLLEGIATE PREP

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 5—Retirement plans (continued)

Teacher Hybrid Retirement Plan (continued)

General Information about the Pension Plan (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 COLAs 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 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.

The School has no pension liability (asset) or deferred outflow or inflows of resources to report as of the measurement date June 30, 2021. Contributions to the pension plan during fiscal year 2022 subsequent to the measurement date were not considered material to the financial statements.

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. Contributions to the Stabilization Trust during fiscal year 2022 were not considered material to the financial statements.

NASHVILLE COLLEGIATE PREP
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 6—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>
2023	\$ 335,497	\$ 353,348	\$ 688,845
2024	358,876	343,737	702,613
2025	385,134	331,541	716,675
2026	411,548	319,461	731,009
2027	439,067	306,562	745,629
2028-2032	2,648,154	1,309,736	3,957,890
2033-2037	3,527,409	842,420	4,369,829
2038-2041	3,663,113	240,138	3,903,251
	<u>\$ 11,768,798</u>	<u>\$ 4,046,943</u>	<u>\$ 15,815,741</u>

Note 7—Risk of loss

As of June 30, 2022, 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 does not have a policy for custodial credit risk. As of June 30, 2022, the School has not experienced any loss in the depository account and considers this to be a normal business risk. Uninsured balances total \$151,517 as June 30, 2022.

Category 1 includes cash and cash equivalent balances that are uncollateralized. Category 2 includes bank balances that are collateralized with securities held by the pledging financial institution. Category 3 includes bank balances that are collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor’s (School’s) name:

June 30, 2022		
Custodial Credit Risk Category		
1	2	3
<u>\$ 151,517</u>	<u>\$ -</u>	<u>\$ -</u>

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.

NASHVILLE COLLEGIATE PREP
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2022

Note 8—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.

Note 9—Subsequent events

The School evaluated subsequent events through May 24, 2023, when these financial statements were available to be issued.

SUPPLEMENTARY AND OTHER INFORMATION

NASHVILLE COLLEGIATE PREP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

YEAR ENDED JUNE 30, 2022

Federal Grantor/State Grantor/ Program Title/Pass-through Grantor	Federal Assistance Listing #	Contract Number	Expenditures
FEDERAL AWARDS			
U.S. Department of Education:			
Charter Schools	84.282	None	\$ 231,966
Title I: Grants to Local Educational Agencies (Passed through School Wide Pool)	84.010A	None	77,366
Title II: Grants to Local Educational Agencies (Passed through School Wide Pool)	84.367A	None	8,695
Title III: Grants to Local Educational Agencies (Passed through School Wide Pool)	84.365A	None	5,412
Title IV: Grants to Local Educational Agencies (Passed through School Wide Pool)	84.424A	None	5,947
Individuals with Disabilities Education Act (Passed through School Wide Pool)	84.027A	None	21,955
Education Stabilization Funds - American Rescue Plan - Elementary and Secondary School Emergency Relief (Passed through Tennessee Public Charter School Commission)	84.425U	None	299,748
Education Stabilization Funds - American Rescue Plan - Elementary and Secondary School Emergency Relief (Passed through Tennessee Department of Education)	84.425U	None	82,848
Special Education (IDEA) Grants to States (Passed through Tennessee Public Charter School Commission)	84.425U	None	5,610
Total U.S. Department of Education			739,547
U.S. Department of Agriculture:			
National School Lunch Program (Passed through Tennessee Department of Agriculture)	10.553-CL	None	230,905
Total U.S. Department of Agriculture			230,905
Total Federal Awards			\$ 970,452
STATE FINANCIAL ASSISTANCE			
State of Tennessee Department of Education:			
Facilities Grant	n/a	None	\$ 16,999
Total State Financial Assistance			16,999
Total Federal Awards and State Financial Assistance			\$ 987,451

NASHVILLE COLLEGIATE PREP
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
STATE FINANCIAL ASSISTANCE

JUNE 30, 2022

Note 1—Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the federal and state grant activity of Nashville Collegiate Prep (the "School"). The information in this Schedule is presented in accordance with the requirements of the state of Tennessee Department of Audit, Audit Manual. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position or changes in net position.

Note 2—Summary of significant accounting policies

Basis of Accounting – Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the provisions of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-Through to Subrecipients – The School had not passed through any funding to subrecipients during the year ended June 30, 2022.

Note 3—Indirect cost allocation

The School has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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 each major fund of Nashville Collegiate Prep (the "School"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated May 24, 2023.

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 opinion 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 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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Nashville, Tennessee
May 24, 2023

Report of Independent Auditor on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Nashville Collegiate Prep
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Nashville Collegiate Prep' (the "School") 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 the School's major federal programs for the year ended June 30, 2022. The School'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, the School 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, 2022.

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 the School and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School'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 the School'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 the School'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 the School'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 the School'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 the School'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 the School'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.

Cherry Bekasert LLP

Nashville, Tennessee
May 24, 2023

NASHVILLE COLLEGIATE PREP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

Section I—Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the consolidated financial statements were prepared in accordance with U.S. GAAP

Unmodified

Internal control over the financial statements:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ yes X None reported

Noncompliance material to financial statements reported? ___ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ yes X None reported

Noncompliance material to federal awards? ___ yes X no

Type of auditor’s report issued on compliance to major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___ yes X no

Identification of major federal programs:

Assistance Listing Number

84.425U

Name of Federal Program or Cluster

Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

The School was determined to not be a low-risk auditee ___ yes X no

Section II—Findings – Financial Statement Audit

None

Section III—Findings and Questioned Costs – Major Federal Award Programs Audit

None

NASHVILLE COLLEGIATE PREP
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2022

None.