VALOR COLLEGIATE ACADEMIES

BASIC FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2023

And Reports of Independent Auditor

For the Following Charter Schools:

Valor Collegiate Flagship
Valor Collegiate Voyager

Cherry Bekaert LLP
Your Guide Forward

VALOR COLLEGIATE ACADEMIES
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VALOR COLLEGIATE ACADEMIES
ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF

AS OF JUNE 30, 2023

Board of Directors

Brandi Kellett	Board Chair
Sylvia Flowers	Board Secretary
Matt Nicholson	Board Treasurer
Cristina Munoz	Board Member
Rascoe Dean	Board Member
Justin Testerman	Board Member
Kevin Huffman	Board Member
Samar Ali	Board Member
Malika Anderson	Board Member
Ben Baden	Board Member
Bob Hannon	Board Member
Michael Harmon	Board Member
Leslie Johnson	Board Member

Executive Staff

Todd Dickson	Chief Executive Officer
Thomas Branch	Chief Operating Officer

Cherry Bekaert LLP
Your Guide Forward

Report of Independent Auditor

To the Board of Directors
Valor Collegiate Academies
Nashville, Tennessee

Report on the audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of the charter schools comprised of Valor Collegiate Flagship and Valor Collegiate Voyager (collectively, the "Organization"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Organization'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 general fund of the Organization 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 Organization 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 Organization'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 Organization'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 Organization'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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organizations' basic financial statements. The accompanying supplementary information, as listed in the table of contents and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 supplementary information and the schedule of expenditures of federal awards and state financial assistance are 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 February 1, 2024 on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Nashville, Tennessee
February 1, 2024

Our discussion and analysis of Valor Collegiate Flagship's ("Flagship") and Valor Collegiate Voyager's ("Voyager") (collectively, the "Organization") annual financial performance provides an overview of the Organization'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 resources of the Organization exceeded its liabilities and deferred inflows of resources by $19,666,744.
- Net position increased $1,518,809 during the year.
- Outlays for new capital assets totaled $4,460,617.
- Total revenues of $35,249,973 were comprised of District Funds – 80%, Federal and State Grants – 12%, and Private Contributions/Other Income – 8% for the year ended June 30, 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Reporting the Organization as a Whole

The statement of net position and statement of activities:

In general, users of these financial statements want to know if the Organization is better off or worse off as a result of the year's activities. The statement of net position and the statement of activities report information about the Organization as a whole and about the Organization'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 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 Organization's net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources). The Organization'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. The statement of activities provides the user a tool to assist in determining the direction of the Organization'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 Organization.

Reporting the Organization's Funds

Fund Financial Statements:

The Organization'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 Organization's most significant fund. Funds are established by the Organization to help manage money for particular purposes and maintain compliance with various grant provisions.

The Organization'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 years. Fund financial statements are reported using an accounting basis 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 Organization 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 are reconciled in the basic financial statements on pages 11 through 14.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The Organization's assets and deferred outflows of resources exceeded the Organization's liabilities and deferred inflows of resources at the close of the year, resulting in net position of $19,666,744.

As of June 30, 2023, the Organization had invested $36,288,003 in capital assets. This investment includes buildings and improvements, instructional and support furniture, instructional computers for teachers, student computer labs, and maintenance equipment for instructional purposes. The Organization has no current plans to make any additional capital asset investments in the 2023-2024 school year, other than the remaining renovation projects already under construction. Valor has reached their full capacity for enrollment and is continuing to find innovative ways to share our best practices with schools across the country.

The Organization has purchased its facilities through the issuance of long-term debt. The Organization had $32,554,235 of outstanding debt at June 30, 2023.

Additional information on capital assets is located in the notes to the financial statements.

Changes in Net Position

	2023	2022
Current assets	$ 15,165,509	$ 13,385,031
Restricted assets	385,002	388,839
Capital assets, net	36,288,003	33,429,132
Net pension assets	921,567	4,015,089
TCRS Stabilization Reserve Trust	625,620	492,123
Total assets	53,385,701	51,710,214
Deferred outflows of resources	3,258,088	2,490,789
Current liabilities	2,472,256	1,600,300
Net pension liability	1,271,008	-
Long-term debt	32,554,235	29,579,700
Total liabilities	36,297,499	31,180,000
Deferred inflows of resources	679,546	4,873,068
Net position:		
Net investment in capital assets	4,118,770	4,238,271
Restricted	1,095,474	4,896,051
Unrestricted	14,452,500	9,013,613
Total net position	$ 19,666,744	$ 18,147,935

The Organization's total net position increased $1,518,809 during the year ended June 30, 2023. The increase in the Organization's net position indicates the Organization had more incoming revenues than outgoing expenses during the year. There was an increase of $858-thousand, or 3%, in district funding compared to an increase of 2% in enrollment during fiscal year 2023. The additional increase relates to an increase in per pupil funding, and strong student retention. There also was an approximate $210-thousand, or 5%, decrease in federal and state revenues primarily related to CARES Act and ARPA related grants.

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

	2023	2022
Revenues:		
District funding	$ 28,259,783	$ 27,401,833
Contributions	759,577	1,192,821
Federal and state funding	4,136,441	4,346,862
Other	2,094,172	743,846
	35,249,973	33,685,362
Expenses:		
Salaries, wages, and benefits	22,240,802	18,937,489
Contracted services	4,315,923	3,869,474
Interest expense	1,430,325	1,481,673
Supplies and materials	2,716,983	2,621,499
Depreciation	1,595,599	1,497,573
Equipment and maintenance	579,638	557,855
Insurance	222,725	178,164
Other	629,169	420,712
	33,731,164	29,564,439
Change in net position	$ 1,518,809	$ 4,120,923

FINANCIAL ANALYSIS OF THE ORGANIZATION'S FUNDS

The Organization's funds, as presented on the balance sheet on page 11 reported a fund balance of $11,564,083. The Organization is reported as one General Fund representing all operations of the Organization. Due to the different basis of accounting, there is a difference between the amounts reported under the Organization's funds and the amounts reported as school wide. For the June 30, 2023 year-end, the difference consists of capital assets, net pension assets/liabilities, long-term debt, deferred inflows of resources, and deferred outflows of resources which are not reported in the Organization's General Fund.

ORGANIZATION ACTIVITIES

The Organization exists to prepare a diverse student population for success in college and to empower to live inspired, purposeful lives. It offers a rigorous, college preparatory program in which students of all previous preparation levels will find success. Significant time and resources are invested into programs that develop scholars' social-emotional skills, character strengths, and physical health.

The Organization believes that its diversity makes it strong; that it enrolls families, not just scholars; that everyone deserves the opportunity to fulfill their potential and captain their destinies; that its humanity is found through relationships with others; that greatness comes from having a growth mindset and that effort, more than talent, matters in the end; that social justice is everyone's responsibility; that excellence is a habit developed through perfect practice; that great schools are fueled by joy; that everything can be done with kindness; and that it takes valor to be the best you can be.

WHAT MAKES VALOR UNIQUE?

High-quality academics, with results among the top in the state. Since inception, Valor has ranked in the top 5% for academic achievement AND growth across the state (nine years in a row). There are very few schools across the state (less than 1%) who are top 5% in both achievement and growth. The Tennessee Department of Educatin has a new A-F School Accountability system to measure school performance. Valor's three schools are among the five MNPS schools and the only charter school network in the state of Tennessee to have earned the highest possible score (5 out of 5) on all four indicators: Academic Achievement, Academic Growth, Growth of Highest-Need Students, College & Career Readiness. Valor College Prep's (the high school) ACT composite score is in the 99th percentile among open-enrollment high schools in Tennessee.

Designed to support scholars' academic, social, and emotional growth. Our school is built around our Compass model – a human development model that is grounded in the foundational elements of what it means to be human. "Working the Compass" means growing in body, heart, mind, and spirit in pursuit of excellence in every dimension. Scholars belong to Prides – small, intentionally diverse, single-gendered groups – where a mentor teacher guides them through self-directed Compass Phase work that helps them develop their own Inner Compass.

An economically and culturally diverse learning environment. Valor was founded upon the belief that having a truly diverse community of families and learners in a thoughtfully designed model allows for everyone to have a higher quality and more meaningful experience. Our current scholar population is approximately 26% white, 7% Middle Eastern, 26% Hispanic and Latino, 16% African American, 8% Asian, 13% Kurdish, and 4% other, with approximately half of our scholars coming from lower income and half from middle income homes.

Valor envisions a world where all children have equitable access to an education that prepares them to live inspired and purposeful lives. We strongly believe that engaging students – and the community that supports them – in comprehensive human development, including attending to their character development, is essential to their, and our collective success. Learn more at https://valorcollegiate.org.

STUDENT ENROLLMENT FACTORS AND NEXT YEAR'S BUDGET

Fiscal year 2024 enrollment is projected to be slightly over 1,900 students across the network. The Organization anticipates a decrease in total state per pupil funding, as a result of the implementation of the new state funding formula. The Organization doesn't anticipate any significant student or faculty growth, as it has now reached full enrollment capacity.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our students' parents, Davidson County taxpayers, donors, creditors, authorities over grant funding, and agencies tasked with oversight of Metropolitan Nashville Public Schools with a general overview of the Organization's finances and to demonstrate the Organization's accountability of the money it receives. If you have questions about this report or need additional financial information, contact the Organization's Chief Operating Officer, Thomas Branch, at Valor Collegiate Academies, 4527 Nolensville Pike, Nashville, TN 37211, by telephone at (615) 823-7982, or email at tbranch@valorcollegiate.org.

VALOR COLLEGIATE ACADEMIES
STATEMENT OF NET POSITION

JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 11,905,094
Cash held by others	916,465
Accounts receivable	2,277,031
Prepaid expenses	66,919
Restricted cash and cash equivalents	385,002
Capital assets, net	36,288,003
Net pension assets	921,567
TCRS Stabilization Reserve Trust	625,620
Total Assets	53,385,701
Deferred Outflows of Resources:	
Deferred outflows related to pension	3,258,088
LIABILITIES AND NET POSITION	
Accounts payable	1,222,723
Accrued expenses	1,249,533
Long-term debt, due within one year	494,550
Long-term debt, due in more than one year	32,059,685
Net pension liability	1,271,008
Total Liabilities	36,297,499
Deferred Inflows of Resources:	
Deferred inflows related to pension	679,546
Net Position:	
Net investment in capital assets	4,118,770
Restricted for:	
Pensions	625,620
Carngie Grant	84,852
Other purposes	385,002
Unrestricted	14,452,500
Total Net Position	$ 19,666,744

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

VALOR COLLEGIATE ACADEMIES
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

		Functions		
	Total	Student Instruction and Services	Administration	Fundraising
Expenses:				
Salaries, wages, and benefits	$ 22,240,802	$ 20,718,880	$ 1,542,839	$ (20,917)
Contracted services	4,315,923	2,950,962	1,364,961	-
Interest expense	1,430,325	1,429,938	387	-
Supplies and materials	2,716,983	2,490,339	226,644	-
Depreciation	1,595,599	1,497,570	98,029	-
Equipment and maintenance	579,638	576,007	3,631	-
Insurance	222,725	48,516	174,176	33
Other	629,169	385,550	230,133	13,486
Total Expenses	33,731,164	30,097,762	3,640,800	(7,398)
Program Revenues:				
Program specific operating grants and contributions	2,833,579	2,833,579	-	-
Capital grants and contributions	1,302,862	1,302,862	-	-
Charges for services	1,825,460	1,825,460	-	-
Net Program Expenses	27,769,263	$ 24,135,861	$ 3,640,800	$ (7,398)
General Revenues:				
District funding	28,259,783			
Contributions	759,577			
Other income	268,712			
Total General Revenues	29,288,072			
Change in net position	1,518,809			
Net position, beginning of year	18,147,935			
Net position, end of year	$ 19,666,744			

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

VALOR COLLEGIATE ACADEMIES
BALANCE SHEET

JUNE 30, 2023

	General Fund
ASSETS	
Assets:	
Cash and cash equivalents	$ 11,905,094
Cash held by others	916,465
Accounts receivable	2,277,031
Prepaid expenses	66,919
Restricted cash	385,002
TCRS Stabilization Reserve Trust	625,620
Total Assets	$ 16,176,131
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities:	
Accounts payable	$ 1,222,723
Accrued expenses	1,249,533
Total Liabilities	2,472,256
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues	2,139,792
Fund Balances:	
Nonspendable	66,919
Restricted for:	
Pensions	625,620
Carnegie grant	84,852
Capital projects	385,002
Total Restricted Fund Balance	1,095,474
Unassigned	10,401,690
Total Fund Balances	11,564,083
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 16,176,131

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

VALOR COLLEGIATE ACADEMIES
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2023

Total Governmental Fund Balances	$ 11,564,083
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.	36,288,003
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	2,139,792
Net pension assets and liabilities are not current financial resources and are; therefore, not reported in the governmental fund balance sheet.	
Net pension assets	921,567
Net pension liabilities	(1,271,008)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:	
Deferred outflows of resources related to pensions	3,258,088
Deferred inflows of resources related to pensions	(679,546)
Long-term debt reported in governmental activities is not reported in the governmental fund balance sheet.	(32,554,235)
Net Position of Governmental Activities	$ 19,666,744

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

VALOR COLLEGIATE ACADEMIES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2023

	General Fund
Federal and state grants	$ 2,592,607
Charges for services	1,570,040
School activity fund revenue	255,420
Contributions	759,577
District funding	28,259,783
Other income	268,712
Total Revenues	33,706,139
Expenditures:	
Current:	
Student instruction and services	26,349,321
School activity fund expenditures	1,051,071
Administration	3,842,765
Fundraising	52,231
Debt Service:	
Principal	29,939,267
Interest	1,430,325
Capital outlays	4,460,617
Total Expenditures	67,125,597
Other Financing Sources:	
Issuance of debt	32,913,802
Change in fund balances	(505,656)
Fund balances, beginning of year	12,069,739
Fund balances, end of year	$ 11,564,083

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

VALOR COLLEGIATE ACADEMIES
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	$	(505,656)
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.		4,460,617
Depreciation expense on governmental capital assets is included only in the governmental activities in the statement of activities.		(1,595,599)
Long-term debt proceeds provide current financial resources to the governmental funds, but issuance of debt increases long-term obligations for governmental activities.		(32,913,802)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund. Change of unavailable revenue		1,537,691
Principal payments on long-term debt is reported as an expenditure in governmental funds, but the payments reduce long-term liabilities in the statement of net position.		29,939,267
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:		
Pension expense		596,291
Change in Net Position of Governmental Activities	$	1,518,809

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

Note 1—Reporting entity

These financial statements present the charter schools managed by Valor Collegiate Academies, a Charter Management Organization. For Tennessee reporting purposes, a Charter School Management Organization is defined as a nonprofit entity that operates multiple charter schools at least one of which is in Tennessee. The charter schools included in the accompanying financial statements are Valor Collegiate Flagship ("Flagship") and Valor Collegiate Voyager ("Voyager") (collectively, the "Organization").

Note 2—Summary of significant accounting policies

The significant accounting policies and procedures followed by the Organization are as follows:

Organization – Valor Collegiate Academies currently operates two charter schools within Davidson County, Tennessee: Voyager, which operates Voyager Academy (grades 5-8) and Flagship, which operates Flagship Middle School (grades 5-8) and Valor College Prep (grades 9-12). Pursuant to Section 6(1)(a) of the Tennessee Public Charter School Act of 2002 (the "Act"), each school has been approved as a public charter school. Pursuant to the Act, public charter schools are part of the state's public education program offering an alternative means within the public school system for accomplishing necessary outcomes of education.

Valor Collegiate Academies entered into a Charter School Agreement with the Metropolitan Nashville Board of Education effective July 1, 2014, to operate Flagship as a charter school in Nashville, Tennessee. The school began classes in August 2014 and currently enrolls students in grades five through eight. Per Flagship's charter agreement, enrollment in the school is open to any student within the Metropolitan Nashville Public Schools ("MNPS") System who resides in Davidson County.

Valor Collegiate Academies entered into a Charter School Agreement with the Metropolitan Nashville Board of Education effective January 16, 2015, to operate Voyager as a charter school in Nashville, Tennessee. The school began classes in August 2015 and currently enrolls students in grades five through eight. Per Voyager's charter agreement, enrollment in the school is open to any student within the MNPS System who resides in Davidson County. As noted above, Valor Collegiate Academies operates Valor Collegiate Prep, which began classes in August 2018 Per the charter agreement, enrollment in the school is open to any student within the MNPS System who resides in Davidson County.

Basis of Accounting – As required by the state of Tennessee *Audit Manual*, issued by the Tennessee Comptroller of the Treasury, the Organization accounts for its financial transactions in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as applied to governmental agencies. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Organization, in accordance with governmental accounting standards, 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 governments.

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

Note 2—Summary of significant accounting policies (continued)

Government-Wide Financial Statements – The government-wide financial statements focus on the sustainability of the Organization as an entity and the change in the Organization's net position resulting from the current year's activities.

In the government-wide statement of net position, activities are reported on the accrual basis of accounting and the economic resource focus, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

The statement of net position presents the financial condition of the Organization at year-end. Governmental accounting 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 investments in capital assets. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.
>
> *Restricted* – This component of net position consists of constraints placed on net assets 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. Restricted net position totaled $1,095,474 at June 30, 2023, and consists of restricted cash and the Tennessee Consolidated Retirement System ("TCRS") Stabilization Reserve Trust.
>
> *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 Organization's policy to utilize restricted assets first, then unrestricted assets as needed.

The government-wide statement of activities reports both the gross and net cost of the Organization's functions. The functions are also supported by general government revenues (general revenues are primarily made up of district Basic Education Program funding and donations to the general fund). The statement of activities reduces gross expenses by related function revenues, operating, and capital grants. Program revenues must be directly associated with the function. The net costs by function are normally covered by general revenue. The Organization allocated indirect cost between functions.

Fund Financial Statements – The financial transactions of the Organization are reported in an individual fund in the fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, deferred outflows and deferred inflows, revenues, expenditures, and other financing sources and uses.

The emphasis on fund financial statements is on the major fund. Governmental accounting standards set forth minimum criteria for the determination of major funds. The Organization's major fund represents the operations of the individual schools in aggregate which has been reported as a general fund. This fund accounts for all financial resources of the Organization, except those required to be accounted for in another fund. All the Organization's financial resources were accounted for in this general fund as of June 30, 2023.

Note 2—Summary of significant accounting policies (continued)

The Organization's general fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Organization considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred.

The governmental funds' focus is upon the determination of financial resources, their balance, sources, and use, rather than upon net income. The Organization follows governmental accounting standards that classify governmental 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 Organization'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 Organization'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 Organization's Board of Directors, its highest level of decision-making authority. Fund balance commitments can only be removed by the same process of the same body employed to previously commit those amounts. As of June 30, 2023 the Organization reported no committed fund balance.

Assigned – This classification consists of all fund balances that are intended to be used for specific purposes but are neither restricted nor committed. Assigned amounts include those that have been set aside for a specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. The Organization gives the authority to assign amounts to specific purposes to the Organization's Founder and CEO and personnel under the supervision of the Founder and CEO tasked with financial recording responsibilities. As of June 30, 2023 the Organization reported no assigned fund balance.

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

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 programs, general and administrative, and fundraising, based on estimates made by management.

Cash and Cash Equivalents – The Organization 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, 2023, the Organization's cash and cash equivalents were deposited in two financial institutions.

Cash Held by Others – The consists of cash held in escrow by an escrow agent, pending payment for incurred expenditures.

Note 2—Summary of significant accounting policies (continued)

Restricted assets, fund balance and net position consist of amounts held in the pension stabilization trust by the TCRS for the benefit of the Organization's Teacher Retirement Plan. The purpose of this trust is to accumulate funds to provide stabilization (smoothing) of retirement costs to the school system in times of fluctuating investment returns and market downturns. These funds are held and invested by TCRS pursuant to an irrevocable agreement and may only be used for the benefit of the Organization to fund retirement benefits upon approval of the TCRS Board of Directors. To date, the Organization has not withdrawn any funds from the trust to pay pension cost. Trust documents provide that the funds are not subject to the claims of general creditors of the Organization. See Note 7 for description of further restrictions.

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. Receivables balance as of June 30, 2023 totaled $2,277,031. Management has determined all receivable balances are collectible and, therefore, no allowance has been recorded as of June 30, 2023.

Capital Assets – Property and equipment are recorded at cost, if purchased, or the 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 are 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 thirty-nine years, or over the term of the lease for leasehold improvements, if less. The Organization follows the practice of capitalizing all expenditures for property and equipment items with a cost of over $5,000, and an estimated useful life of greater than one year.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future year and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Organization reports the following deferred outflow of resources related to the pensions: Contributions made subsequent to the pension measurement date, difference between expected and actual experience, difference between projected and actual investment earnings, and changes in proportionate share of the net pension (asset) liability.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future year and so will not be recognized as an inflow of resources (revenue) until that time. The Organization also reports the following deferred inflow of resources related to pensions: differences between expected and actual experience and differences between projected and actual investment earnings.

Grants – The Organization received federal financial assistance through state agencies. The expenditure of funds received under these programs 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 Organization. However, in the opinion of management, any such disallowed claims will not have a material, adverse effect on the overall financial position of the Organization as of June 30, 2023.

Income Taxes – The Organization is a not-for-profit school 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.

Note 2—Summary of significant accounting policies (continued)

Pensions – The Organization participates in the following three defined benefit pension plans:

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

- Teacher Legacy Pension Plan
- Teacher Retirement Plan

Non-Certified Employees – Metropolitan Government of Nashville and Davidson County, Tennessee ("Metropolitan Government")

- Metro Pension Plan of the Metropolitan Employees Benefit Trust (the "Metro Plan")

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

Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

Budgetary Comparison Statement – The Organization is not required to adopt a legally binding budget; therefore, no budgetary comparison statement of the General Fund has been presented.

Subsequent Events – The Organization entered into a new loan agreement for $32,298,198 on September 2, 2022, which consolidated the Organization's outstanding debt. The loan agreement requires minimum monthly payments of $173,360 beginning October 1, 2022 and ending September 1, 2052 and has a fixed interest rate of 5.00%.

Note 3—Capital assets

Capital assets consist of the following:

	June 30, 2022	Additions	Deletions	Transfers	June 30, 2023
Buildings and improvements	$ 34,472,261	$ 1,885,500	$ -	$ 2,159,998	$ 38,517,759
Furniture and fixtures	837,880	25,020	-	-	862,900
Computer equipment	1,693,814	343,095	-	-	2,036,909
Land	3,695,000	-	-	-	3,695,000
Construction in progress	203,879	2,151,352	(6,147)	(2,159,998)	189,086
Autos and trucks	44,450	55,650	-	-	100,100
	40,947,284	4,460,617	(6,147)	-	45,401,754
Accumulated depreciation	(7,518,152)	(1,595,599)	-	-	(9,113,751)
Capital assets, net	$ 33,429,132	$ 2,865,018	$ (6,147)	$ -	$ 36,288,003

Depreciation expense was charged to functions as follows:

Governmental activities:	
Student instruction and services	$ 1,497,570
Administration	98,029
	$ 1,595,599

Note 4—Long-term debt

In February 2015, the Organization entered into a loan agreement with Self-Help New Markets XIV, LLC for the purchase of certain real estate. The agreement is secured by a first priority lien on the Organization's real estate and other personal property related to Flagship. Additionally, the agreement contains restrictive covenants. At June 30, 2023, management believes they are in compliance with these covenants. The note required monthly interest payments at 4.43% through August 2015. Commencing on September 1, 2015, the note requires monthly principal and interest payments of $22,540 with any remaining principal and accrued interest due on December 1, 2022. This loan was paid off during the fiscal year ended June 30, 2023.

In February 2016, the Organization entered into a loan agreement with Self-Help Ventures Fund for the purchase of certain real estate and construction of property. The agreement is secured by a first priority lien on the Organization's real estate and other personal property related to Voyager. Additionally, the agreement contains restrictive covenants. At June 30, 2023, management believes they are in compliance with these covenants. The funds were placed in a disbursement account by the lender and released as requested for payment of construction progress. The loan is composed of two tranches, Tranche A and Tranche B. Tranche A represents the portion of the loan equal to $6,300,000 and Tranche B represents the remainder of the loan, up to the maximum loan amount of $10,080,000. The note required monthly interest payments at 4.00% and 6.26% for Tranche A and Tranche B, respectively, through February 2017. Commencing March 1, 2017, the note required monthly principal and interest payments of $58,434 with any remaining principal and accrued and unpaid interest due on January 1, 2023. This loan was paid off during the fiscal year ended June 30, 2023.

Note 4—Long-term debt (continued)

In October 2017, the Organization entered into a loan agreement with Self-Help New Markets XIV, LLC ("SHNM") and Self-Help Credit Union ("SHCU") for the construction of property. The agreement is secured by a first priority lien on the premises and first priority perfected lien on all personal property of the Organization related to Valor College Prep. Additionally, the agreement contains restrictive covenants. At June 30, 2023, management believes they are in compliance with these covenants. The funds were placed in a disbursement account by the lender and released as requested for payment of construction progress. The loan is composed of advances, Loan A and Loan B. Loan A represents the portion of the loan equal to $1,275,000 and is advanced from SHNM. Loan B represents the remaining portion of the loan up to $9,880,000 and is advanced from SHCU. The note required monthly interest payments at 4.35% and 5.85% for Loan A and Loan B, respectively, through November 2018. Commencing December 1, 2018, the note required monthly principal and interest payments based upon an amortization schedule of 25 years with any remaining principal and accrued and unpaid interest due on February 1, 2023. This loan was paid off during the fiscal year ended June 30, 2023.

In October 2017, the Organization entered into a loan agreement with Charter School Growth Fund Facility Fund III LLC for the development of a new public school facility. The note ranks junior to all of the Organization's deposit accounts, senior debt obligations, amounts owed to general trade creditors, and all other unconditional, unsecured, senior and subordinated debt obligations. Additionally, the agreement contains restrictive covenants. At June 30, 2023, management believes they are in compliance with these covenants. The note requires a principal payment of $1,500,000 plus all unpaid accrued interest at 2.75% on October 31, 2020 with the remaining balance and accrued unpaid interest due on February 1, 2023. This loan was paid off during the fiscal year ended June 30, 2023.

In September 2019, the Organization entered into a loan agreement with SHCU for the purchase of real property. The agreement is secured by a first priority lien on the premises. The note requires monthly interest payments at 4.50% through September 2020. Commencing on October 1, 2020, the note requires monthly principal and interest payments based on an amortization schedule of 20 years with any remaining principal and accrued and unpaid interest due on December 1, 2022. This loan was paid off during the fiscal year ended June 30, 2023.

In October 2020, the Organization entered into a loan agreement with Pinnacle Bank. Under terms of the loan, the Organization received $1,600,000. Commencing on November 15, 2020, the note requires monthly interest payments of 4.00% with any remaining principal and accrued and unpaid interest due on November 25, 2022. This loan was paid off during the fiscal year ended June 30, 2023.

In May 2021, the Organization entered into a loan agreement with Pinnacle Bank. Under terms of the loan, the Organization received $1,876,323. Commencing on June 27, 2021, the note requires monthly interest payments of 4.00% with any remaining principal and accrued and unpaid interest due on November 25, 2022. This loan was paid off during the fiscal year ended June 30, 2023.

In September 2022, the Organization entered into a loan with Equitable Facilities Fund. Under the terms of the loan, the Organization received $32,298,198, which consolidated the Organization's outstanding debt. The loan agreement requires minimum monthly payments of $173,360 beginning October 1, 2022, and ending September 1, 2052 and has a fixed interest rate of 5.00%. This loan is secured by the gross revenues of the Organization.

Note 4—Long-term debt (continued)

Long-term debt activity for the year ended June 30, 2023 is as follows:

	June 30, 2023	Additions	Reductions	June 30, 2023	Current
Charter School Growth Fund	$ 1,500,000	$ -	$ 1,500,000	$ -	$ -
Self-Help New Markets XIV, LLC	15,794,200	-	15,794,200	-	-
Self-Help Ventures Fund	8,809,177	-	8,809,177	-	-
Pinnacle Bank Loans	3,476,323	-	3,476,323	-	-
Equitable Facilities Fund	-	32,298,198	359,567	31,938,631	494,550
Plus unamortized cost:					
Bond premium	-	615,604	-	615,604	-
	$ 29,579,700	$ 32,913,802	$ 29,939,267	$ 32,554,235	$ 494,550

Future principal payments on this new note are as follows:

Years Ending June 30,	Principal	Interest	Total
2024	$ 494,550	$ 1,585,767	$ 2,080,317
2025	519,854	1,560,462	2,080,316
2026	546,454	1,533,863	2,080,317
2027	574,414	1,505,903	2,080,317
2028	603,805	1,476,512	2,080,317
2029 - 2033	3,515,303	6,886,282	10,401,585
2034 - 2038	4,511,502	5,890,082	10,401,584
2039 - 2043	5,790,014	4,611,569	10,401,583
2044 - 2048	7,430,843	2,970,739	10,401,582
2049 - 2053	7,951,892	891,177	8,843,069
	$ 31,938,631	$ 28,912,356	$ 60,850,987

Note 5—Concentrations

The Organization received 80% of its funding for operations from MNPS based on the state of Tennessee's Basic Education Program ("BEP"). BEP funding is designated to schools based on student attendance. Gross BEP funding for the year ended June 30, 2023 was $28,259,783.

Note 6—Retirement plans

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 Organization with membership in the TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a defined benefit, cost sharing multiple employer pension plan administered by the TCRS.

Note 6—Retirement plans (continued)

<u>Teacher Legacy Pension Plan of TCRS</u> (continued)

The Teacher Legacy Pension Plan closed to new membership on June 30, 2014 but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies ("LEA") after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

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 years average compensation and the member's 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 cost of living adjustments ("COLA") after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July 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 ½%. A 1% COLA is granted if the CPI change is between ½% 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. 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 Organization for the year ended June 30, 2023 to the Teacher Legacy Pension Plan were $175,756, 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.

<u>Pension Assets, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

Pension Assets – At June 30, 2023, the Organization reported an asset of $783,877 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 Organization's proportion of the net pension asset was based on the Organization'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 Organization's proportion was 0.063917%. The proportion measured as of June 30, 2021 was 0.058599%.

Pension Expense – For the year ended June 30, 2023, the Organization recognized pension benefit of $205,815.

Note 6—Retirement plans (continued)

Teacher Legacy Pension Plan of TCRS (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2023, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 128,945	$ 132,451
Changes in assumptions	491,061	-
Net difference between projected and actual earnings on pension plan investments	13,404	-
Changes in proportion of net pension liability (asset)	-	101,556
LEAs contributions subsequent to the measurement date of June 30, 2022	175,756	-
	$ 809,166	$ 234,007

The Organization's employer contributions of $175,756, 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 ending 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	$ 35,477
2025	109,153
2026	(158,957)
2027	413,730
	$ 399,403

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

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
COLA	2.125%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

Note 6—Retirement plans (continued)

Teacher Legacy Pension Plan of TCRS (continued)

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 table on the following page.

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 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 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.

Note 6—Retirement plans (continued)

Teacher Legacy Pension Plan of TCRS (continued)

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate – The following table presents the Organization's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75%, as well as what the Organization's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Proportionate share of the net pension liability (asset)	$ 1,552,590	$ (783,877)	$ (2,729,998)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan – At June 30, 2023, the Organization reported no payable for outstanding amounts of contributions to the pension plan required at the year ended June 30, 2023.

Teacher Retirement 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 Organization with memberships in 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. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

Note 6—Retirement plans (continued)

<u>Teacher Retirement Plan of TCRS</u> (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 Retirement Plan are eligible to retire 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 the 2nd of July 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 ½%. A 1% COLA is granted if the CPI change is between ½% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, 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%, except for in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement 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 for the year ended June 30, 2023, to the Teacher Retirement Plan were $244,981, 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 Assets – At June 30, 2023, the Organization reported an asset of $137,690 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 Organization's proportion of the net pension asset was based on the Organization'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 Organization's proportion was 0.454536%. The proportion measured as of June 30, 2021 was 0.420136%.

Pension Expense – For the year ended June 30, 2023, the Organization recognized pension benefit of $57,898.

Note 6—Retirement plans (continued)

Teacher Retirement Plan of TCRS (continued)

Pension Assets, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2023, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,529	$ 83,656
Net difference between projected and actual earnings on pension plan investments	43,401	-
Changes in assumptions	161,297	-
Changes in proportion of net pension liability (asset)	-	80,218
to the measurement date of June 30, 2022	244,981	-
	$ 457,208	$ 163,874

The Organization's employer contributions of $244,981 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 ending 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 in the following table.

Years Ending June 30,	
2024	$ (5,236)
2025	(4,794)
2026	(11,925)
2027	63,668
2028	(422)
Thereafter	7,061
	$ 48,353

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Note 6—Retirement plans (continued)

<u>Teacher Retirement Plan of TCRS</u> (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
COLA	2.125%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

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 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 factors described above.

Note 6—Retirement plans (continued)

Teacher Retirement Plan of TCRS (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.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the Organization's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75% as well as what the Organization's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Proportionate share of the net pension liability (asset)	$ 722,795	$ (137,690)	$ (766,109)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan – At June 30, 2023, the Organization reported no payable for outstanding amounts of contributions to the pension plan required at the year ended June 30, 2023.

Defined Contribution Portion of the Plan – A portion of the Teacher Retirement Plan is a defined contribution plan administered by Great-West Life & Annuity Insurance Company. Under the defined contribution portion of this plan, employees can contribute 2.00% of their salary, which employees can opt out of if they choose, and the Organization is required to contribute 5.00% of active member's annual payroll. For the year ended June 30, 2023, employer contributions totaled $426,797, which is 5.00% of covered payroll. Employees are immediately vested in the plan.

Metro Plan

General Information about the Pension Plan

Plan Description – The Metro Plan is established under the authority of the Metropolitan Charter, Article XIII and effective April 1, 1963. Approval of the Metropolitan Council is required to establish and amend benefit provisions. Article XIII also required that the pension plan be actuarially sound. Administrative costs of the plan are financed through plan assets. The plan is managed by the Metropolitan Employee Benefit Board, an independent board created by the Metropolitan Charter. The board is composed of 10 members as follows: Finance Director, Human Resources Director, three members appointed by the Mayor, and five members selected by the employees and retirees of the Metropolitan Government. Additional information about the Metro Plan can be found in the publicly available annual comprehensive financial report of the Metropolitan Government. That report may be obtained at www.nashville.gov.

Note 6—Retirement plans (continued)

Metro Plan (continued)

Benefits Provided – As of July 1, 1995, Division B of the Metro Plan was established for all non-certified employees of the Metropolitan Nashville Public Schools, including charter schools and all other Metro Government employees. Employees with an effective hire date of July 1, 1995, or later are only eligible to participate in Division B of the Metro Plan.

Normal retirement for employees participating in the Metro Plan occurs at the unreduced retirement age which is the earlier of (a) the date when the employee's age plus the completed years of credited service equals 85, but not before age 60; or (b) the date when the employee reaches age 65 and completes five years of credited employee service. The lifetime monthly benefit is calculated as 1/12 of the sum of 1.75% of average earnings based upon the previous 60 consecutive months of credit service which product the highest earnings. Benefits fully vest on completing 10 years of service for employees and nonvested employees hired or rehired on or after January 1, 2013. An early retirement option, with reduced benefits, is available for retired employees if the termination occurs prior to the eligibility under normal retirement but after age 50 and after the completion of 10 years of credited employee service.

All assets of the Metropolitan Employees' Benefit Trust Fund may legally be used to pay benefits to any plan members or beneficiaries.

Contributions – The funding policy is to provide for periodic contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. All funding is provided under an actuarially recommended employee contribution rate of 14.81% for the non-certified employees of the Metropolitan Nashville Public Schools, including charter schools, and all other Metropolitan Government employees. Employer contributions for the year ended June 30, 2023 to the Metro Plan were $800,548 which is 14.81% of covered payroll.

Pension Liabilities (Assets), Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Pension Liabilities – At June 30, 2023, the Organization reported a liability of $1,271,008 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial value as of July 1, 2022. The Organization's proportion of the net pension liability was based on the Organization's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2023, the Organization's proportion was 0.811056%. The proportion measured as of June 30, 2022 was 0.611093%.

Pension Expense – For the year ended June 30, 2023, the Organization recognized pension expense of $332,577.

Note 6—Retirement plans (continued)

Metro Plan (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2023, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 409,106	$ -
Net difference between projected and actual earnings on pension plan investments	846,075	-
Changes in assumptions	736,533	281,665
	$ 1,991,714	$ 281,665

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,	
2023	$ (134,510)
2024	(250,943)
2025	1,176,037
2026	694,182
2027	155,422
Thereafter	69,861
	$ 1,710,049

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2022. Actuarial assumptions are summarized below:

Inflation	2.50%
Salary increases	4.00%
Investment rate of return	7.00%, net of pension plan investment expenses, including inflation
COLA	1.25%

Mortality rates are based on the 115% RP-2014 Blue Collar Mortality Table (projected to 2023 using Scale MP-17) and the 130% RP-2014 Disability Mortality, as determined by the period actuarial experience study. The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period 2017 to 2022.

Note 6—Retirement plans (continued)

<u>Metro Plan</u> (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class from historical returns and consensus expectations of future returns. These ranges 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. Best estimates of arithmetic real rates of return for each major asset class included in the Metro Plan's target asset allocation are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Range
U.S. equity	5.10%	20-30%
International equity	5.30%	8-18%
Private equity	7.90%	0-15%
Cash equivalents	0.00%	0-5%
Equity hedge	7.90%	0%
Real estate	4.90%	0-15%
Fixed income	2.30%	15-25%
Fixed income alternatives	2.70%	0-21%

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. Based on the Metro Plan assumptions and funding policy, the fiduciary net position for the plan was projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate – The following table presents the Organization's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00% as well as what the Organization's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Proportionate share of the net pension liability (asset)	$ 5,339,976	$ 1,271,008	$ (2,141,145)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in a separately issued Metropolitan Government financial report.

Payable to the Pension Plan – At June 30, 2023, the Organization reported no payable for outstanding amounts of contributions to the pension plan required at the year ended June 30, 2023.

Note 6—Retirement plans (continued)

TCRS Stabilization Trust

Legal Provisions – The Organization is a member of the TCRS Stabilization Reserve Trust. The school department 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 Organization.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The Organization may not impose any restrictions on investments placed by the trust on their behalf. It is the intent of the plan trustees to allocate these funds in the future to offset pension costs.

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.

Investments are reported at 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 in nongovernmental entities that do not have readily determinable fair value are estimated by using the net asset value ("NAV") per share. Such investments have been determined to be calculated consistent with the Financial Accounting Standards Board's measurement principles for investment companies.

Note 6—Retirement plans (continued)

<u>TCRS Stabilization Trust</u> (continued)

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 as represented in the table on the following page.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

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.

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.

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 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.

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

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at fair value:			
U.S. equity	N/A	N/A	$ 193,941
Developed Market International Equity	N/A	N/A	87,587
Emerging Market International Equity	N/A	N/A	25,025
U.S. fixed income	N/A	N/A	125,124
Real estate	N/A	N/A	125,125
Short-term securities	N/A	N/A	6,256
Investments at amortized cost using NAV:			
Private Equity and Strategic Lending	N/A	N/A	62,562
			$ 625,620

Note 6—Retirement plans (continued)

<u>TCRS Stabilization Trust</u> (continued)

		Fair Value Measurements Using			Amortized Cost
Investment by Fair Value Level	Fair Value June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
U.S. equity	$ 193,941	$ 193,941	$ -	$ -	$ -
Developed Market International Equity	87,587	87,587	-	-	-
Emerging Market International Equity	25,025	25,025	-	-	-
U.S. fixed income	125,124	-	125,124	-	-
Real estate	125,125	-	-	125,125	-
Short-term securities	6,256	-	6,256	-	-
Private Equity and Strategic Lending	62,562	-	-	-	62,562
	$ 625,620	$ 306,553	$ 131,380	$ 125,125	$ 62,562

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 Organization 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 Organization 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 Organization's investment in a single issuer. The Organization does not have the ability to limit the investments of the trust Trust as a means of managing exposure to loss resulting to the concentration of credit risk.

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 Organization 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 Organization to pay retirement benefits of the Organization's employees.

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

Note 7—Restricted cash, fund balance, and net position

In addition to the TCRS Stabilization Reserve Trust Fund, the Organization has other restricted cash totaling $385,002 at June 30, 2023, related to proceeds received under the Organization's notes payable to be used exclusively for ongoing construction and renovations of the Organization's schools. All amounts are considered restricted fund balance and net position.

Note 8—Risk of loss

Cash and Cash Equivalents – Custodial credit risk is the risk that in the event of bank failure, the Organization's deposits may not be returned to it. The Organization does not have a policy for custodial credit risk; however, it does limit deposits to those instruments allowed by applicable state laws. As of June 30,2023, the Organization has not experienced any loss in the depository account and considers this to be a normal business risk.

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

REQUIRED SUPPLEMENTARY INFORMATION

VALOR COLLEGIATE ACADEMIES
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) – TEACHER LEGACY PENSION PLAN OF TCRS

FOR THE EIGHT FISCAL YEARS

	2015	2016	2017	2018	2019	2020	2021	2022
Valor Collegiate Academy's proportion of the net pension liability (asset)	0.005938%	0.014077%	0.026887%	0.035944%	0.043120%	0.049834%	0.058599%	0.063917%
Valor Collegiate Academy's proportionate share of the net pension liability (asset)	$ 2,433	$ 87,972	$ (8,799)	$ (126,483)	$ (455,607)	$ (380,021)	$ (2,527,516)	$ (783,877)
Valor Collegiate Academy's covered payroll	$ 222,306	$ 508,144	$ 950,458	$ 1,204,092	$ 1,485,847	$ 1,658,608	$ 1,923,320	$ 2,103,456
Valor Collegiate Academy's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	1.09%	17.31%	(0.93%)	(10.50%)	(30.66%)	(22.91%)	(131.41%)	(37.27%)
Plan fiduciary net position as a percentage of the total pension liability	99.81%	97.14%	100.14%	101.49%	104.28%	103.09%	116.13%	104.42%

* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to the previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

VALOR COLLEGIATE ACADEMIES
SCHEDULE OF CONTRIBUTIONS –
TEACHER LEGACY PENSION PLAN OF TCRS

FOR THE NINE FISCAL YEARS

	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required	$ 20,096	$ 45,936	$ 85,922	$ 114,284	$ 155,419	$ 176,310	$ 197,525	$ 216,656	$ 175,756
Contribution in relation to the contractually required contribution	20,096	45,936	85,922	114,284	155,419	176,310	197,525	216,656	175,756
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Valor Collegiate Academy's covered payroll	$ 222,306	$ 508,144	$ 950,458	$ 1,204,092	$ 1,485,847	$ 1,658,608	$ 1,923,320	2,103,456	2,022,509
Contributions as a percentage of Valor Collegiate Academy's covered payroll	9.04%	9.04%	9.04%	9.49%	10.46%	10.63%	10.27%	10.30%	8.69%

* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to the previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

Changes of assumptions . In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

VALOR COLLEGIATE ACADEMIES
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION ASSET –
TEACHER RETIREMENT PLAN OF TCRS

FOR THE SEVEN FISCAL YEARS

	2016	2017	2018	2019	2020	2021	2022
Valor Collegiate Academy's proportion of the net pension asset	0.215182%	0.226226%	0.285716%	0.373073%	0.385902%	0.420136%	0.454536%
Valor Collegiate Academy's proportionate share of the net pension asset	$ (22,401)	$ (59,685)	$ (129,580)	$ (210,595)	$ (219,440)	$ (455,096)	$ (137,690)
Valor Collegiate Academy's covered payroll	$ 946,813	$ 1,484,814	$ 2,551,349	$ 3,947,873	$ 4,869,523	$ 6,088,325	$ 7,762,125
Valor Collegiate Academy's proportionate share of the net pension asset as a percentage of its covered payroll	(2.37%)	(4.02%)	(5.08%)	(5.33%)	(4.51%)	(7.47%)	(1.77%)
Plan fiduciary net position as a percentage of the total pension liability	121.88%	126.81%	126.97%	123.07%	116.52%	121.53%	104.55%

* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to the previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

VALOR COLLEGIATE ACADEMIES
SCHEDULE OF CONTRIBUTIONS –
TEACHER RETIREMENT PLAN OF TCRS

FOR THE EIGHT FISCAL YEARS

	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required	$ 23,701	$ 59,392	$ 40,717	$ 76,589	$ 98,856	$ 123,593	$ 156,019	$ 244,981
Contribution in relation to the contractually required contribution	37,872	59,392	99,873	76,589	98,856	123,593	156,019	244,981
Contribution deficiency (excess)	$ (14,172)	$ -	$ (59,156)	$ -	$ -	$ -	$ -	$ -
Valor Collegiate Academy's covered payroll	$ 946,813	$ 1,484,814	$ 2,551,349	$ 3,947,873	$ 4,869,523	$ 6,088,325	$ 7,762,125	$ 8,535,923
Contributions as a percentage of Valor Collegiate Academy's covered payroll (Note A)	4.00%	4.00%	3.91%	1.94%	2.03%	2.03%	2.01%	2.87%

* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to the previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

Note A: 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.

VALOR COLLEGIATE ACADEMIES

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) – METRO PLAN

FOR THE EIGHT FISCAL YEARS

	2016	2017	2018	2019	2020	2021	2022	2023
Valor Collegiate Academy's proportion of the net pension liability (asset)	0.001984%	0.396137%	0.319322%	0.304783%	0.331511%	0.412984%	0.611093%	0.811056%
Valor Collegiate Academy's proportionate share of the net pension liability (asset)	$ 93,043	$ 161,799	$ 260,591	$ 373,435	$ 718,719	$ (2,254,910)	$ (1,032,478)	$ 1,271,008
Valor Collegiate Academy's covered payroll	$ 888,614	$ 1,457,164	$ 1,023,971	$ 1,619,028	$ 1,954,554	$ 2,333,558	$ 4,396,768	$ 5,405,456
Valor Collegiate Academy's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	10.47%	11.10%	25.45%	23.07%	36.77%	-96.63%	-23.48%	23.51%
Plan fiduciary net position as a percentage of the total pension liability	92.39%	98.64%	97.45%	96.37%	93.79%	115.75%	104.35%	96.20%

* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to the previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

VALOR COLLEGIATE ACADEMIES
SCHEDULE OF CONTRIBUTIONS –
METRO PLAN

FOR THE EIGHT FISCAL YEARS

	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required	$ 137,824	$ 179,814	$ 126,358	$ 199,788	$ 241,193	$ 304,296	$ 593,124	$ 800,548
Contribution in relation to the contractually required contribution	137,824	179,814	126,358	199,788	241,193	304,296	593,124	800,548
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Valor Collegiate Academy's covered payroll	$ 888,614	$ 1,457,164	$ 1,023,971	$ 1,619,028	$ 1,954,562	$ 2,333,558	$ 4,396,768	$ 5,405,456
Contributions as a percentage of Valor Collegiate Academy's covered payroll	15.510%	12.340%	12.340%	12.340%	12.340%	13.040%	13.490%	14.810%

* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to the previously supplied data from the TCRS GASB 68 website for prior year's data, if needed.

SUPPLEMENTARY INFORMATION

VALOR COLLEGIATE ACADEMIES
COMBINING BALANCE SHEET

JUNE 30, 2023

	Valor Collegiate Flagship	Valor Collegiate Voyager	Eliminations	Total General Fund
ASSETS				
Cash and cash equivalents	$ 8,754,311	$ 3,150,783	$ -	$ 11,905,094
Cash held by others	673,915	242,550	-	916,465
Accounts receivable	1,674,396	602,635	-	2,277,031
Due from other funds	-	480,462	(480,462)	-
Prepaid expenses	49,208	17,711	-	66,919
Restricted cash	283,108	101,894	-	385,002
TCRS Stabilization Reserve Trust	460,044	165,576	-	625,620
Total Assets	$ 11,894,982	$ 4,761,611	$ (480,462)	$ 16,176,131
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 899,119	$ 323,604	$ -	$ 1,222,723
Accrued expenses	918,834	330,699	-	1,249,533
Due to other funds	480,462	-	(480,462)	-
Total Liabilities	2,298,415	654,303	(480,462)	2,472,256
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	1,573,478	566,314	-	2,139,792
Fund Balances:				
Nonspendable	49,208	17,711	-	66,919
Restricted for:				
Pensions	460,044	165,576	-	625,620
Carnegie grant	84,852	-	-	84,852
Capital projects	283,108	101,894	-	385,002
Total Restricted Fund Balance	828,004	267,470	-	1,095,474
Unassigned	7,145,877	3,255,813	-	10,401,690
Total Fund Balances	8,023,089	3,540,994	-	11,564,083
Total Liabilities and Fund Balances	$ 11,894,982	$ 4,761,611	$ (480,462)	$ 16,176,131

VALOR COLLEGIATE ACADEMIES
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

JUNE 30, 2023

	Valor Collegiate Flagship	Valor Collegiate Voyager	Total General Fund
Federal and state grants	$ 1,491,751	$ 1,100,856	$ 2,592,607
Charges for services	1,175,494	394,546	1,570,040
School activity fund revenue	191,169	64,251	255,420
Contributions	558,732	200,845	759,577
District funding	20,806,023	7,453,760	28,259,783
Other income	197,595	71,117	268,712
Total Revenues	24,420,764	9,285,375	33,706,139
Expenditures:			
Current:			
Student instruction and services	17,632,967	8,716,354	26,349,321
School activity fund expenditures	860,167	190,904	1,051,071
Administration	2,238,126	1,604,639	3,842,765
Fundraising	20,640	31,591	52,231
Debt Service:			
Principal	19,983,439	9,955,828	29,939,267
Interest	1,045,867	384,458	1,430,325
Capital outlays	3,119,508	1,341,109	4,460,617
Total Expenditures	44,900,714	22,224,883	67,125,597
Other Financing Sources:			
Issuance of debt	20,065,920	12,847,882	32,913,802
Change in fund balances	(414,030)	(91,626)	(505,656)
Fund balances, beginning of year	8,437,119	3,632,620	12,069,739
Fund balances, end of year	$ 8,023,089	$ 3,540,994	$ 11,564,083

VALOR COLLEGIATE ACADEMIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/State Grantor/ Program Title/Pass-through Grantor	Federal Assistance Listing Number	Contract Number	Expenditures
FEDERAL AWARDS			
U.S. Department of Education:			
Supporting Effective Instruction State Grant (Passed through Metro Nashville Public Schools)	84.367	N/A	$ 70,984
COVID-19: ESSER 2.0 Federal Funds	84.425	N/A	1,415,997
Special Education Cluster			
Special Education Grants to States (Passed through State of Tennessee Department of Education)	84.027	N/A	934,445
Total Special Education Cluster			934,445
Total U.S. Department of Education			2,421,426
U.S. Department of Agriculture:			
Child Nutrition Cluster:			
National School Lunch Program (Passed through State of Tennessee Department of Education)	10.555	N/A	72,812
School Breakfast Program (Passed through State of Tennessee Department of Education)	10.553	N/A	349,938
Total Child Nutrition Cluster			422,750
Total U.S. Department of Agriculture			422,750
Total Federal Awards			$ 2,844,176

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Valor Collegiate Academies under programs of the federal government for the year ended June 30, 2023 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the 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”). Because the Schedule presents only a selected portion of the operations of Valor Collegiate Academies, it is not intended to and does not present the financial position, changes in net position, or cash flows of Valor Collegiate Academies.

Note 2—Indirect cost allocation

Valor Collegiate Academies did not elect to use the 10% de minimis cost rate allowed under the Uniform Guidance.

Note 3—Subrecipients

Valor Collegiate Academies did not pass through any funding to subrecipients during fiscal year ended June 30, 2023.

OTHER INFORMATION

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
Valor Collegiate Academies
Nashville, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the charter schools comprised of Valor Collegiate Flagship and Valor Collegiate Voyager (collectively, "the Organization"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated February 1, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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 Organization'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 1, 2024

Cherry Bekaert LLP
Your Guide Forward

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

To the Board of Directors
Valor Collegiate Academies
Nashville, Tennessee

Report on Compliance for the Major Federal Program

Opinion on Each Major Federal Program

We have audited Valor Collegiate Flagship's and Valor Collegiate Voyager's (collectively, "the Organization"), 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 the Organization's major federal program for the year ended June 30, 2023. The Organization's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the 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 Organization 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 Organization'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 Organization'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 Organization'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 Organization's compliance with the requirements of the 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 Organization'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 Organization'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 Organization'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 Bekaert LLP

Nashville, Tennessee
February 1, 2024

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial Statements were prepared in accordance with U.S. GAAP:	*Unmodified*
Internal control over financial reporting:	
• 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 noted?	____ yes __X__ no

Federal Awards

Internal control over major federal program:	
• 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 for the major federal program:	*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:

Federal Assistance Listing Number	Name of Federal Program or Cluster
84.425	COVID-19: Education Stabilization Fund

The threshold for distinguishing Types A and B programs:	$750,000
Auditee qualified as low-risk auditee?	__X__ yes ____ no

Section II—Findings Relating to the Financial Statement Audit

None.

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

None.

None.