

**NASHVILLE CLASSICAL CHARTER SCHOOL**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

# NASHVILLE CLASSICAL CHARTER SCHOOL

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NASHVILLE CLASSICAL CHARTER SCHOOL  
INTRODUCTORY SECTION  
ORGANIZATION STRUCTURE  
FOR THE YEAR ENDED JUNE 30, 2023

Nashville Classical Charter School (the “School”) was established in 2013. The organization is currently operating one school and serves grades kindergarten through 8th grade. The location of the school is 2000 Greenwood Avenue, Nashville, TN 37206.

The Board of Directors for the fiscal year ended June 30, 2023, was comprised of the following members:

Governing Board	
Name	Title
David Wells Jr.	Chair
Christian Paro	Vice Chair
Andrew Maxwell	Secretary
Elizabeth Brundige	Treasurer
Laura Encalade	Member
Mark Cate	Member
Javier Solano	Member
Mischa Rowland	Member
Devin Carty	Member
Winston Justice	Member
Tim Schulte	Member

Administration	
Name	Position
Charles Friedman	Executive Director, Ex Officio
Nida Rab	Sr. Director of Finance and Compliance
Matt Dempsey	Sr. Director of Operations



## Independent Auditor's Report

To the Board of Directors  
Nashville Classical Charter School  
Nashville, Tennessee

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

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

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

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.



### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of net pension liability (asset), and schedule of employer contributions, 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 School's basic financial statements. The accompanying schedule of changes in lease obligations, schedule of lease requirements by year, and the schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee, as listed in the table of contents are presented for purposes of additional analysis and are 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of changes in lease obligations, schedule of lease requirements by year, 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.



To the Board of Directors  
Nashville Classical Charter School

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section 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 January 19, 2024, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Nashville, Tennessee  
January 19, 2024

NASHVILLE CLASSICAL CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023

As management of the Nashville Classical Charter School (the "School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the School's basic financial statements, which begin immediately following this analysis.

These financial statements consist of a series of financial statements prepared in accordance with the Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – Management Discussion and Analysis for State and Local Governments*.

### FINANCIAL HIGHLIGHTS

- The School's ending net position was \$8,135,746.
- The change in net position for the year was an increase of \$1,749,601.
- The School had an excess of revenues over expenditures in the General Fund in the amount of \$434,046 in the current year compared to an excess of revenues over expenditures of \$1,070,033 in the previous year.
- The School had \$1,445,713 in additions to capital assets.
- For the fiscal year ended June 30, 2023, total revenues of \$12,745,485 were comprised of District funding – 62%, federal pass-through funds – 19%, and contributions and other local funds – 19%.

### OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements.

#### Basic Financial statements

The basic financial statements include school-wide financial statements and fund statements. The two sets of statements are tied together by reconciliations showing how they differ.

The School as a whole is reported in the school-wide statements and uses accounting methods similar to those used by companies in the private sector.

More detailed information about the School's most significant funds – not the School as a whole is provided in the fund financial statements. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs.



NASHVILLE CLASSICAL CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued  
YEAR ENDED JUNE 30, 2023

The *Statement of Net Position*, a school-wide statement, presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities*, a school-wide statement, presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Balance Sheet* for governmental funds presents financial information by fund type showing money left at year-end available for spending.

The *Statement of Revenues, Expenditure, and Changes in Fund Balances* for all governmental fund types focuses on how money flows into and out of the various funds.

The *Notes to the Basic Financial Statements* and this Discussion and Analysis support these financial statements.

In addition to the Basic Financial Statements and notes, this report also presents Other Information, Required Supplementary Information and Supplementary Information.

Statement of Net Position

To begin our analysis, a summary of the School's Statement of Net Position is presented in Table 1 on the following page for the current year and the prior year.

Net position may serve over time, as a useful indicator of a government's financial position. In the case of the School, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,135,746 as of June 30, 2023.

The School's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**NASHVILLE CLASSICAL CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued  
YEAR ENDED JUNE 30, 2023**

**TABLE 1  
Condensed Statement of Net Position**

	2023	2022	\$ Change	% Change
<b>ASSETS</b>				
Current and other assets	\$ 6,342,488	\$ 6,664,704	\$ (322,216)	-4.8%
Capital assets, net of depreciation	1,750,050	1,095,550	654,500	59.7%
<b>TOTAL ASSETS</b>	<b>8,092,538</b>	<b>7,760,254</b>	<b>332,284</b>	<b>4.3%</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related costs	773,288	679,935	93,353	13.7%
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>773,288</b>	<b>679,935</b>	<b>93,353</b>	<b>13.7%</b>
<b>LIABILITIES</b>				
Current liabilities	186,697	631,791	(445,094)	-70.4%
Long-term liabilities	249,302	180,190	69,112	38.4%
<b>TOTAL LIABILITIES</b>	<b>435,999</b>	<b>811,981</b>	<b>(375,982)</b>	<b>-46.3%</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension related costs	294,081	1,242,063	(947,982)	-76.3%
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>294,081</b>	<b>1,242,063</b>	<b>(947,982)</b>	<b>-76.3%</b>
<b>NET POSITION</b>				
Net investment in capital assets	1,569,860	374,650	1,195,210	319.0%
Restricted	690,800	1,448,166	(757,366)	-52.3%
Unrestricted	5,875,086	4,563,329	1,311,757	28.7%
<b>TOTAL NET POSITION</b>	<b>\$ 8,135,746</b>	<b>\$ 6,386,145</b>	<b>\$ 1,749,601</b>	<b>27.4%</b>

**Statement of Activities**

The School's total revenues for the fiscal year ended June 30, 2023, increased by \$1,897,880 over June 30, 2022 revenues. The increase was due to the addition of a Charter School Startup Grant for approximately \$542,000 and a Charter School Facilities Grant for approximately \$845,000, as well as increased contributions of approximately \$445,000.

The School's total expenses increased by \$1,738,175 over June 30, 2022 expenses. The change in net position was an increase of \$159,705 compared to the prior year. The increase in expenses was primarily due to increased compensation costs.

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2023 and 2022:

**TABLE 2**

	2023	2022	\$ Change	% Change
<b>REVENUES</b>				
District funding	\$ 7,890,098	\$ 7,776,794	\$ 113,304	1.5%
Federal and state revenues	2,414,990	1,179,800	1,235,190	104.7%
Contributions and grants	2,305,993	1,860,901	445,092	23.9%
Other revenues	134,404	30,110	104,294	346.4%
<b>Total revenue</b>	<b>12,745,485</b>	<b>10,847,605</b>	<b>1,897,880</b>	<b>17.5%</b>
<b>EXPENSES</b>				
Student instruction and services	8,330,868	6,109,211	2,221,657	36.4%
General and administrative	2,665,016	3,148,498	(483,482)	-15.4%
<b>Total expenses</b>	<b>10,995,884</b>	<b>9,257,709</b>	<b>1,738,175</b>	<b>18.8%</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 1,749,601</b>	<b>\$ 1,589,896</b>	<b>\$ 159,705</b>	<b>10.0%</b>

NASHVILLE CLASSICAL CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued  
YEAR ENDED JUNE 30, 2023

Capital Assets

During the 2022-2023 school year the School acquired \$1,445,714 in additions to capital assets.

**TABLE 3**  
**Changes in Capital Assets**

	2023	2022	\$ Change	% Change
Construction in progress	\$ 1,139,923	\$ 114,765	\$ 1,025,158	893%
Computer equipment	429,476	241,157	188,319	78%
Furniture and fixtures	211,786	169,172	42,614	25%
Building Improvements	592,797	592,797	-	0%
Leasehold Improvements	883,421	677,450	205,971	30%
Right-to-use lease assets	1,255,608	1,255,608	-	0%
Less: accumulated depreciation and amortization	(2,762,961)	(1,955,399)	(807,562)	41%
Total capital assets, net	<u>\$ 1,750,050</u>	<u>\$ 1,095,550</u>	<u>\$ 654,500</u>	60%

Long-Term Debt

During the 2022-2023 school year the School made payments of \$557,090 on lease liabilities. The lease on the School's building expired at June 30, 2023 and was renewed on July 1, 2023.

**TABLE 4**  
**Changes in Long-Term Debt**

	2023	2022	\$ Change	% Change
Lease liabilities	\$ 180,190	\$ 737,280	\$ (557,090)	-75.6%
Total long-term debt	<u>\$ 180,190</u>	<u>\$ 737,280</u>	<u>\$ (557,090)</u>	

**FACTORS BEARING ON THE SCHOOL'S FUTURE**

The School's outlook for future years is mostly tied to steady enrollment and per pupil funding, which has increased exponentially in the last two years. The future of the organization looks bright, and cost/expenditures continue to scale appropriately.

**CONTACTING THE SCHOOL**

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 Metro Nashville Public Schools with a general overview of the school's finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Founder and Executive Director, Charlie Friedman, by mail at 2000 Greenwood Avenue, Nashville, Tennessee, 37206, by email: Cfriedman@nashvilleclassical.org, or by telephone at (615) 538-5841.

NASHVILLE CLASSICAL CHARTER SCHOOL  
STATEMENT OF NET POSITION  
JUNE 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 4,855,790
Prepays	298,678
Capital assets, net	1,750,050
Investments	497,220
Net pension asset	420,967
Restricted asset:	
TCRS Stabilization Reserve Trust	<u>269,833</u>
Total assets	<u>8,092,538</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	<u>773,288</u>
LIABILITIES	
Accounts payable and accrued expenses	134,272
Right-to-use lease liability, due within one year	52,425
Right-to-use lease liability, due in more than one year	127,765
Net pension liability	<u>121,537</u>
Total liabilities	<u>435,999</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	<u>294,081</u>
NET POSITION	
Net investment in capital assets	1,569,860
Restricted:	
TCRS Stabilization Reserve Trust	269,833
Net pension asset	420,967
Unrestricted	<u>5,875,086</u>
Total net position	<u><u>\$ 8,135,746</u></u>

See accompanying notes to financial statements.

NASHVILLE CLASSICAL CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2023

GOVERNMENTAL ACTIVITIES:	Total	Functions	
		Student Instruction and Services	Administration
EXPENSES			
Employee compensation	\$ 6,920,421	\$ 5,536,337	\$ 1,384,084
Staff development	45,447	45,447	-
Instruction	549,157	549,157	-
Transportation	373,340	373,340	-
Occupancy	138,376	138,376	-
Professional services and fees	2,104,981	799,893	1,305,088
Finance and accounting	80,756	80,756	-
Interest	(24,156)	-	(24,156)
Depreciation and amortization	807,562	807,562	-
Total expenses	10,995,884	8,330,868	2,665,016
PROGRAM REVENUES			
Operating grants and contributions	1,468,229	1,468,229	-
Capital grants and contributions	946,761	946,761	-
Net program expenses	8,580,894	\$ 5,915,878	\$ 2,665,016
GENERAL REVENUES			
District funding	7,890,098		
Contributions	2,305,993		
Other income	134,404		
Total general revenues	10,330,495		
CHANGE IN NET POSITION	1,749,601		
NET POSITION, June 30, 2022	6,386,145		
NET POSITION, June 30, 2023	\$ 8,135,746		

See accompanying notes to financial statements.

NASHVILLE CLASSICAL CHARTER SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023

	General Fund
ASSETS	
Cash and cash equivalents	\$ 4,855,790
Prepays	298,678
Investments	497,220
Restricted asset:	
TCRS Stabilization Reserve Trust	269,833
Total assets	<u>\$ 5,921,521</u>
LIABILITIES	
Accounts payable	\$ 76,706
Accrued liabilities	57,566
Total liabilities	<u>134,272</u>
FUND BALANCES	
Nonspendable	298,678
Restricted:	
TCRS Stabilization Reserve Trust	269,833
Internal School Funds	-
Unassigned	5,218,738
Total fund balances	<u>5,787,249</u>
Total liabilities and fund balances	<u>\$ 5,921,521</u>

See accompanying notes to financial statements.

NASHVILLE CLASSICAL CHARTER SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS - CONTINUED  
JUNE 30, 2023

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION  
OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION:

Total governmental fund balances	\$ 5,787,249
Capital assets not reported in the governmental funds balance sheet	1,750,050
Pension amounts not reported in the governmental funds balance sheet:	
Net pension asset	420,967
Net pension liability	(121,537)
Deferred outflows of resources for pensions	773,288
Deferred inflows of resources for pensions	(294,081)
Right-to-use lease liability not reported in the governmental funds balance sheet	<u>(180,190)</u>
Net position of governmental activities in the statement of net position	<u><u>\$ 8,135,746</u></u>

See accompanying notes to financial statements.

NASHVILLE CLASSICAL CHARTER SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2023

	General Fund
REVENUES	
Contributions	\$ 2,305,993
District funding	7,890,098
Federal and state grants	2,414,990
Other income	123,869
Other income - internal school funds	10,535
Total revenues	<u>12,745,485</u>
EXPENDITURES	
Current:	
Employee compensation	7,040,735
Staff development	45,447
Instruction	538,622
Instruction - internal school funds	10,535
Transportation	373,340
Occupancy	138,376
Professional services and fees	2,104,981
Finance and accounting	80,756
Debt service:	
Principal payments	557,090
Interest	(24,156)
Capital outlay	1,445,713
Total expenditures	<u>12,311,439</u>
NET CHANGE IN FUND BALANCES	434,046
FUND BALANCES, June 30, 2022	<u>5,353,203</u>
FUND BALANCES, June 30, 2023	<u><u>\$ 5,787,249</u></u>

See accompanying notes to financial statements.



NASHVILLE CLASSICAL CHARTER SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - CONTINUED  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2023

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION  
OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES:

Net change in fund balances as reported in the governmental funds statements	\$ 434,046
Amounts reported as expenditures in the governmental funds not included as expenses in the school-wide statements:	
Capital outlay	1,445,713
Principal payments on debt recorded as expense in the governmental funds, but reflected as long-term debt in the school-wide statements:	
Principal payments of right-to-use lease liabilities	557,090
Expenses in the school-wide statements not included in the governmental funds:	
Depreciation and amortization expense	(807,562)
Expenditures for pensions in the governmental funds consist of contributions made, whereas in the government-wide statement, pension expense is calculated in accordance with GASB No. 68	<div style="border-top: 1px solid black;">120,314</div>
Change in net position of governmental activities	<div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,749,601</div>

See accompanying notes to financial statements.

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Nashville Classical Charter School (the “School”) was incorporated on March 31, 2011, as a Tennessee nonprofit corporation. Pursuant to the Tennessee Public Charter School Act of 2002 (the Act), the 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. The School entered into a Charter School Agreement with the Metropolitan Board of Public Education of Nashville and Davidson County (MNPS) on May 30, 2013, to operate a charter school in Nashville, Tennessee. The School began classes in July 2013 with just Kindergarten and has added a grade level each school year. In 2021-2022, the School reached full growth, enrolling grades K-8.

Pursuant to the School’s charter agreement, enrollment in the School is open to any student within Davidson County, Tennessee.

Accounting Policies

The accounting policies of the School conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Basic Financial Statements

*School-wide financial statements*

The school-wide financial statements focus on the sustainability of the School as an entity and the change in the School’s net position resulting from the current period’s activities. In the school-wide statement of net position, amounts are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as any long-term debt and obligations. The statement of net position presents the financial condition of the School at period end.

When applicable, the School’s net position is reported in three categories - net investment in capital assets; net position - restricted; and net position - unrestricted. When both restricted and unrestricted resources are available for use, it is the School’s policy to use restricted resources first, and then unrestricted resources as they are needed.

The school-wide statement of activities reports both the gross and net cost of the School’s functions. The functions are also supported by general government revenues (general revenues are primarily made up of district Basic Education Program (“BEP”) funding and donations to the General Purpose School Fund). The statement of activities reduces gross expenses by related function revenues, including operating grants and contributions and capital grants and contributions. Program revenues must be directly associated with the function. The net costs by function are normally covered by general revenue.

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund financial statements

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

The emphasis in fund financial statements is on the major funds. When applicable, nonmajor funds by category are summarized in a single column. Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, sets forth minimum criteria for the determination of major funds. The School reports the following major governmental fund:

The General Fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

The School does not have any nonmajor governmental funds. The focus of the governmental funds is upon the determination of financial resources, their balance, sources and use, rather than upon net income. The School classifies governmental fund balances as nonspendable, restricted, committed, assigned and unassigned based on the level of constraints on the fund balances. When an expenditure is incurred in which both restricted and unrestricted funds are available for use, it is the School's policy to spend restricted funds first, then unrestricted funds. When an expenditure has been incurred for purposes in which multiple categories of unrestricted funds are available, it is the School's policy to spend funds in the following order: committed, then assigned, and lastly unassigned funds. The classifications of fund balances are defined as follows:

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

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

*Committed* - This classification consists of fund balances that can only be used for specific purposes established by formal action of the School's Board of Directors, its highest level of decision making authority. Such commitments should include contractual obligations of fund assets. Fund balance commitments can only be removed by the same process of the same body employed to previously commit those amounts.

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

*Unassigned* - This classification consists of all fund balances in the General Fund that are not reported as nonspendable, restricted, committed or assigned.

Basis of Accounting

The School's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB. The School is considered a special purpose governmental entity engaged in governmental type 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.

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

The school-wide financial statements have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Revenues under the modified accrual basis are recognized when measurable and available and expenditures are recognized when the related liability is incurred. "Available" means collectible within the current period or within 60 days after the end of the period.

Since the governmental funds financial statements are presented on a different basis than the school-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to convert the fund financial statements into the school-wide financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

Cash consists of cash on hand and cash in banks. The School considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents. As of June 30, 2023, the School's cash and cash equivalents were deposited with financial institutions.

Accounts Receivable

Receivables represent amounts due from grants or funding which have been approved but not received. All receivables are reported at estimated collectible amounts.

Prepays

The School has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The School has chosen to report the expenditure during the benefiting period.

Capital Assets

Property and equipment are recorded at acquisition cost, if purchased, or the fair value on the date received, if donated. The cost of routine maintenance and repairs is expensed as incurred. Expenditures which materially extend the economic lives, change capacities or improve the efficiency of the related assets are capitalized. Upon sale or retirement, the cost and related accumulated depreciation 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 ten years. The School follows the practice of capitalizing all expenditures for property and equipment items over \$5,000.

Compensated Absences

No accrual for compensated absences is necessary for the School's faculty/staff because the summer months, during which classes are not in session, are considered employees' vacation. The administrative employees of the School follow the same schedule as the teachers and other employees of the School; therefore, no compensated absences accrual for any employees of the School is appropriate.

Debt

In the school-wide financial statements, debt and other obligations are reported as liabilities in the statement of net position.

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Leases

The School is a lessee for facility and equipment and recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The School recognizes lease liabilities with an initial, individual value of \$3,000 or more.

At the commencement of a lease, the School initially measures the lease liability at the present value of payment expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School is reasonably certain to exercise.

The School monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the right-to-use lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferral of outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The School reports deferred employer pension contributions and other deferred outflows related to pensions.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources which represents an acquisition of net position that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Certain changes in the net pension liability are required to be deferred over a closed amortized period.

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Pensions

For purposes of measuring the net pension asset, liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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 Tennessee Consolidated Retirement System (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 pension plans. Investments are reported at fair value.

Grant Revenue

The School received Federal financial assistance through state agencies. The expenditure of funds received under these programs generally required compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School as of June 30, 2023.

Minimum Fund Balance Policy

The School is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures.

Budgetary Comparison Statement

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

Income Taxes

The School is a not-for-profit school that is exempt from federal income taxes under the Internal Revenue Code, classified by the Internal Revenue Service as other than a private foundation and is similarly exempt from state income taxes. The School accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

liability for all uncertain tax positions. Tax positions for the School include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the School has determined that such tax positions do not result in an uncertainty requiring recognition.

Fair Value of Financial Instruments

The carrying value of cash equivalents, receivables, accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The fair value of long-term debt approximates carrying value as interest approximates market rates. Fair value measurement for investments is described in Note C.

Continuing Activities

The School is dependent on certain significant contracts and grants for its continued operations. These contracts and grants are from state, local and other sources and are subject to the School's ability to fulfill the contract and grant requirements. Additionally, the School's receipt of such contracts and grants may also be contingent upon its ability to maintain certain financial condition, cash flows, level of operations, payment of liabilities, test scores and academic standards. If a grantor agency finds that the School is not meeting these requirements, the agency may not provide continuing funding, which would have a material adverse impact on the School's ability to continue its operations.

Newly Adopted Accounting Pronouncements

The School implemented the following Governmental Accounting Standards Board (GASB) statements during fiscal year 2023:

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The implementation did not have an effect on the School's financial statements for fiscal year 2023.

GASB Statement No. 99, *Omnibus 2022*, was issued in April 2022. This Statement provides guidance on several practice issues identified during the implementation of certain GASB statements. The implementation did not have an effect on the School's financial statements for fiscal year 2023.



NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

**B. DEPOSITS WITH FINANCIAL INSTITUTIONS**

Cash at June 30, 2023 consisted of cash in banks totaling \$4,855,790. Cash balances, consistent with state statutes, are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC") or are collateralized by a multiple financial institution collateral pool administered by the Treasurer of the State of Tennessee. The School maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The School has not experienced any losses in such accounts. All deposits are secured in accordance with the requirements of Tennessee Code Annotated, Title 9, Chapter 4.

**C. FAIR VALUE OF INVESTMENTS**

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School's recurring fair value measurements as of June 30, 2023 include fixed income funds valued at \$497,220 using quoted market prices (Level 1 inputs).

**D. CAPITAL ASSETS**

A schedule of changes in capital assets for the fiscal year ended June 30, 2023 is as follows:

	June 30, 2022	Additions / Transfers In	Disposals / Transfers Out	June 30, 2023
Capital assets, being depreciated and amortized:				
Computer equipment	\$ 241,157	\$ 188,319	\$ -	\$ 429,476
Furniture and fixtures	169,172	42,614	-	211,786
Building improvements	592,797	-	-	592,797
Leasehold improvements	677,450	205,971	-	883,421
Right-to-use lease assets:				
Facility	989,622	-	-	989,622
Equipment	265,986	-	-	265,986
Total capital assets, being depreciated and amortized	2,936,184	436,904	-	3,373,088
Construction in progress	114,765	1,273,743	(248,585)	1,139,923
Total capital assets, not being depreciated and amortized	114,765	1,273,743	(248,585)	1,139,923
Less accumulated depreciation and amortization for:				
Computer equipment	209,272	67,881	-	277,153
Furniture and fixtures	123,549	25,200	-	148,749
Building improvements	592,798	-	-	592,798
Leasehold improvements	495,071	173,771	-	668,842
Right-to-use assets:				
Facility	498,835	490,787	-	989,622
Equipment	35,874	49,923	-	85,797
Total accumulated depreciation and amortization	1,955,399	807,562	-	2,762,961
Capital assets, net of depreciation	\$ 1,095,550	\$ 903,085	\$ (248,585)	\$ 1,750,050

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

D. CAPITAL ASSETS - Continued

Depreciation and amortization was charged to governmental activities as follows:

Student instruction and services	\$807,562
Administration	<u>-</u>
	<u>\$807,562</u>

E. LEASE OBLIGATIONS

During the current fiscal year, the School was a lessee in one facility agreement and one equipment lease agreement. The components of lease expense for the year ended June 30, 2023 is as follows:

	<u>Year Ending June 30, 2023</u>
Lease Expense	
Amortization expense by class of underlying assets	
Facility	\$ 490,787
Equipment	<u>49,923</u>
Total amortization expense	540,710
Interest on lease liabilities	<u>( 24,156)</u>
Total	<u>\$ 516,554</u>

	Amounts		Modifications and		End	Due
	<u>Beginning of Year</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Subtractions</u>	<u>of Year</u>	<u>Within One Year</u>
Lease Liabilities	<u>\$737,280</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$(557,090)</u>	<u>\$ 180,190</u>	<u>\$52,425</u>

The future principal and interest lease payments as of June 30, 2023 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 52,425	\$ 7,662	\$ 60,087
2025	55,053	5,035	60,088
2026	57,812	2,276	60,088
2027	<u>14,900</u>	<u>122</u>	<u>15,022</u>
	<u>\$180,190</u>	<u>\$15,095</u>	<u>\$195,285</u>

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

F. FUND BALANCES

The General Fund includes fund balance amounts presented as nonspendable totaling \$298,678 as they are not in spendable form, and amounts presented as restricted totaling \$268,833 as they are restricted by law, related to the TCRS Stabilization Reserve Trust (See Note H).

G. PENSION PLANS

The School, similar to MNPS and all Tennessee Public Charter Schools in the MNPS System, participates in the following three defined benefit pension plans (collectively the “Pension Plans”):

Certificated Employees

Tennessee Consolidated Retirement System (“TCRS”):

Teacher Legacy Pension Plan

Teacher Retirement Plan (collectively the “TCRS Plans”)

Non-Certificated Employees

Metropolitan Government of Nashville and Davidson County, Tennessee  
(the “Metropolitan Government”):

Metro Pension Plan of the Metropolitan Employees Benefit Trust  
(the “Metro Plan”)

TCRS Plans

*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 of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Teachers employed by the School with 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.

The Teacher Retirement Plan became effective July 1, 2014 for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

G. PENSION PLANS - Continued

*Actuarial Assumptions*

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

Inflation	2.25 Percent
Salary Increase	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of pension plan investment expenses, including inflation
Cost of Living Adjustment	2.125 percent

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. As a result of the 2020 actuarial experience study, 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 projects and historical market returns were used in a building block method in which a best estimate of expected future real rates of return (expected returns, net of position 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 class allocation percentage and by adding expected inflation of 2.25 percent. The best estimates of geometric real rates of return and TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

G. PENSION PLANS - Continued

<u>Asset Class</u>	<u>Rate of Return</u>	<u>Allocation</u>
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%	<u>1%</u>
Total		<u>100%</u>

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

*Discount Rate*

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

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS and Metropolitan Government financial report.

TCRS Retirement 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 Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

G. PENSION PLANS - Continued

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 percent 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 ("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 consumer price index ("CPI") during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions*

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of salary. The Local Education Agencies 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 4.00 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher 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 by Nashville Classical Charter School for the year ended June 30, 2023 to the Teacher Retirement Plan were \$107,841 which is 2.87% percent 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.

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

G. PENSION PLANS - Continued

*Pension Asset*

At June 30, 2023, the School reported an asset of \$57,939 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 valuation as of that date. The School's proportion of the net pension asset was based on the School's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2022, the School's proportion was 0.191264 percent. The proportion measured as of June 30, 2021 was 0.163681 percent.

TCRS Legacy 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 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and 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 percent 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 (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 consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. 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 percent of salary. The Local Education Agencies (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 School for the

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

G. PENSION PLANS - Continued

year ended June 30, 2023 to the Teacher Legacy Pension Plan were \$82,842, which is 8.69% percent 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 Asset*

At June 30, 2023, the School reported an asset of \$363,028 for its proportionate share of net pension asset. The net pension asset is measured as of June 30, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's employer contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2022 the School's proportion was 0.029601 percent. The proportion measured as of June 30, 2021 was 0.023044 percent.

Metro Plan

*Plan Description*

The Metro plan is established under the authority of the Metropolitan Charter, Article XIII. 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 ten 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 comprehensive annual financial report of the Metropolitan Government. That report can be obtained at [www.nashville.gov](http://www.nashville.gov).

*Benefits Provided*

As of July 1, 1995, Division B of the Metro Plan was established for all non-certificated employees of 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.



NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

G. PENSION PLANS - Continued

Normal retirement for the School's 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 completed years of credited service equals 85, but not before age 60; or (b) the date when the employee reaches age 65 and completes 5 years of credited employee service. The lifetime monthly benefit is calculated as 1/12 of the sum of 1.75 percent of average earnings based upon the previous 60 consecutive months of employment. Benefits fully vest on completing 10 years of service for employees and non-vested 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 12.445% for the non-certificated employees of the Metropolitan Nashville Public Schools, including charter schools, and all other Metropolitan Government employees. Contributions to the plan for the year ended June 30, 2023 totaled \$81,097.

*Pension Liability*

At June 30, 2023, the School reported a net pension liability of \$121,537. 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 valuation as of July 1, 2022. The School's employer proportion of the net pension asset was based upon the School's contributions to the pension plan during the year ended June 30, 2023, relative to all contributions for 2023. At the measurement date June 30, 2023, the School's proportion share was 0.077555 percent. The proportion measured as of June 30, 2022 was 0.038804 percent.

*Actuarial Assumptions*

The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary Increases	4.40 percent

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

G. PENSION PLANS - Continued

Investment Rate of Return	7.00 percent, net of pension plan investment expenses, including inflation
Cost of Living Adjustment	1.25 percent

Mortality rates were based on the 112% RP-2014 Blue Collar Table (projected to 2023 using Scale MP-21), as determined by the period actuarial experience study. Valuation assumptions were updated as of June 30, 2022 based on the results of the June 30, 2022 experience study. This study reviewed the period July 1, 2017 to June 30, 2022.

The long-term expected rate of return on pension plan investments was established in conjunction with the most recent actuarial experience study completed February 7, 2023, by considering the following three techniques: (1) the 20-year historical return of the Metro Open Plan at June 30, 2022, (2) the historical market returns of asset classes from 1926 to 2022, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of 2.5 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Rate of Return</u>	<u>Allocation</u>
U.S equity	4.2%	24%
International equity	4.6%	16%
Private equity	7.3%	10%
Equity hedge	7.3%	10%
Real estate	3.5%	10%
Core plus fixed income	1.5%	20%
Fixed income alternatives	4.6%	<u>10%</u>
Total		<u>100%</u>

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00 percent. Based on the Metro Plan assumptions and funding policy, the fiduciary net position for the plan was projected to be 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.

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

G. PENSION PLANS - Continued

*Pension Expense*

For the year ended June 30, 2023, the School recognized (negative) pension expense as follows:

TCRS Legacy Plan	\$(121,010)
TCRS Retirement Plan	( 28,771)
Metro Plan	<u>29,467</u>
Negative pension expense	<u><u>\$(120,314)</u></u>

*Deferred outflows of resources and deferred inflows of resources*

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
TCRS Legacy Plan	\$ 59,717	\$ 61,341
TCRS Retirement Plan	3,168	35,201
Metro Plan	60,653	8,304
Net differences between projected and actual earnings on pension plan investments		
TCRS Legacy Plan	6,208	-
TCRS Retirement Plan	18,262	-
Metro Plan	-	18,629
Changes in assumptions		
TCRS Legacy Plan	227,420	-
TCRS Retirement Plan	67,872	-
Metro Plan	129,799	-
Changes in proportion of net pension (asset)/liability		
TCRS Legacy Plan	-	107,867
TCRS Retirement Plan	6,188	32,102
Metro Plan	3,318	30,637
Contributions subsequent to the measurement date of June 30, 2022		
TCRS Legacy Plan	82,842	n/a
TCRS Retirement Plan	<u>107,841</u>	<u>n/a</u>
Total	<u><u>\$ 773,288</u></u>	<u><u>\$294,081</u></u>

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

G. PENSION PLANS - Continued

The School's employer contributions of \$190,683 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	TCRS <u>Legacy Plan</u>	TCRS Retirement <u>Plan</u>	<u>Metro Plan</u>	<u>Total</u>
2024	\$ ( 4,908)	\$ ( 1,261)	\$ ( 21,094)	\$ ( 27,263)
2025	28,260	( 1,075)	( 32,226)	( 5,041)
2026	( 90,821)	( 4,076)	104,224	9,327
2027	191,606	27,733	62,907	282,246
2028	-	764	15,479	16,243
Thereafter	-	6,102	6,910	13,012

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

*Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate*

The following presents the School's proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75 percent for the TCRS Plans and 7.00 percent for the Metro Plan, as well as what the School'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 percent for the TCRS Plans and 6.00 percent for the Metro Plan) or 1-percentage-point higher (7.75 percent for the TCRS Plans and 8.00 percent for the Metro Plan) than the current rate:

	<u>1% Decrease</u>	Current <u>Discount Rate</u>	<u>1% Increase</u>
Proportionate share of the net pension liability (asset):			
TCRS Legacy Plan	\$ 719,034	\$(363,028)	\$(1,264,315)
TCRS Retirement Plan	304,144	( 57,939)	( 322,370)
Metro Plan	<u>510,621</u>	<u>121,537</u>	<u>( 204,741)</u>
Total	<u>\$1,533,799</u>	<u>\$(299,430)</u>	<u>\$(1,761,426)</u>

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

G. PENSION PLANS - Continued

*Payable to the Pension Plans*

At June 30, 2023, the School reported a payable for the outstanding amounts of required contributions to the Pension Plans as follows:

TCRS Legacy Plan	\$ 7,902
TCRS Retirement Plan	13,695
Metro Plan	<u>18,185</u>
Payable to the Pension Plans	<u>\$39,782</u>

*Defined Contributions Plan*

The School provides a combination of a defined benefit plan and a defined contribution plan. The defined contribution portion of the Teacher Retirement Plan is administered and managed by Empower Retirement through Great-West Life & Annuity Insurance Company. Enrolled employees may, at their option, contribute up to 5% of their salaries and employers are required to contribute 4% of those salaries to the defined contribution (401(k)) portion of the Teacher Retirement Plan. During 2023, the School's employer contribution to the defined contribution (401(k)) portion of the Teachers Retirement Plan was \$187,877. Participants are immediately vested in their contribution plus actual earnings, along with the employer contributions, to the defined contribution portion of the Teacher Retirement Plan. Due to that immediate vesting, there will be no forfeitures. At June 30, 2023, outstanding employer contributions due to the plan were \$17,784.

H. STABILIZATION RESERVE TRUST

Legal Provisions

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

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

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

H. STABILIZATION RESERVE TRUST - Continued

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 (SEC) 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 or amortized which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair 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 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 using the Net Asset Value ("NAV") per share have no readily determinable fair value and have been determined using amortized cost which approximates fair value.

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

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

H. STABILIZATION RESERVE TRUST - Continued

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.

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

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 ("MAI"), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

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

At June 30, 2023, the School assets balance was \$269,833 and had the following investments held by the trust on its behalf:

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

H. STABILIZATION RESERVE TRUST - Continued

<u>Investment</u>	Weighted Average Maturity (days)	<u>Maturities</u>	<u>Fair Value</u>
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 83,648
Developed Market International Equity	N/A	N/A	37,777
Emerging Market International Equity	N/A	N/A	10,793
U.S. Fixed Income	N/A	N/A	53,967
Real Estate	N/A	N/A	26,983
Short-term Securities	N/A	N/A	2,698
NAV-Private Equity and Strategic Lending	N/A	N/A	<u>53,967</u>
Total			<u>\$269,833</u>

<u>Investment by Fair Value Level</u>	<u>Fair Value June 30, 2023</u>	<u>Fair Value Measurements Using</u>			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	<u>NAV</u>
U.S. Equity	\$ 83,648	\$ 83,648	\$ -	\$ -	\$ -
Developed Market International Equity	37,777	37,777	-	-	-
Emerging Market International Equity	10,793	10,793	-	-	-
U.S. Fixed Income	53,967	-	53,967	-	-
Real Estate	26,983	-	-	26,983	-
Short-term Securities	2,698	-	2,698	-	-
Private Equity and Strategic Lending	<u>53,967</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,967</u>
Total	<u>\$269,833</u>	<u>\$132,218</u>	<u>\$56,665</u>	<u>\$26,983</u>	<u>\$53,967</u>



NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

H. STABILIZATION RESERVE TRUST - Continued

Risks and Uncertainties

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. The School places no limit on the amount the county may invest in one issuer.

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 county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the School to pay retirement benefits of the School's employees.

For further information concerning the School's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at  
<https://comptroller.tn.gov/content/dam/cot/sa/advancedsearch/disclaimer/2020/ag19091.pdf>.

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2023

I. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the School purchases commercial insurance. There have been no significant changes from the prior year and the settlements have not exceeded coverage in any of the prior three years.

J. COMMITMENTS AND CONTINGENCIES

The School has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grant, management believes that any required reimbursement will not be material.

K. CONCENTRATIONS

The School received approximately 62% 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 \$7,890,098.

Outside fundraising for capital needs is on-going to supplement funding received from State BEP capital since the charter school agreement with MNPS does not include an allocation for capital expenditures.

L. SUBSEQUENT EVENTS

The School has evaluated subsequent events through January 19, 2024, the date at which the financial statements were available for issuance, and has determined the following subsequent event requires disclosure:

In July 2023, the lease on the facilities was renewed for an additional ten-year term.

## **REQUIRED SUPPLEMENTARY INFORMATION**

NASHVILLE CLASSICAL CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE PROPORTIONATE SHARE OF  
NET PENSION LIABILITY (ASSET)  
FISCAL YEAR ENDED JUNE 30,

<u>Teachers Legacy Plan of TCRS</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Proportion of the net pension liability (asset)	0.000000%	0.000000%	0.012486%	0.012569%	0.012747%	0.014114%	0.015923%	0.023044%	0.029601%
Proportionate share of the of the net pension liability (asset)	\$ -	\$ -	\$ 78,030	\$ (4,114)	\$ (44,857)	\$ (145,117)	\$ (121,425)	\$ (993,932)	\$ (363,028)
Covered payroll	\$ -	\$ -	\$ 450,716	\$ 444,318	\$ 446,369	\$ 473,260	\$ 529,959	\$ 756,334	\$ 974,151
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%	0.00%	17.31%	-0.93%	-0.1005%	-30.66%	-22.91%	-131.41%	-37.27%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	0.00%	97.14%	100.14%	101.49%	104.28%	103.09%	116.13%	104.42%
<u>Teachers Retirement Plan of TCRS</u>	<u>2015 (1)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Measurement date		June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022
Proportion of the net pension liability (asset)		0.000000%	0.090051%	0.135476%	0.148885%	0.161504%	0.177681%	0.163681%	0.191264%
Proportionate share of the of the net pension liability (asset)		\$ -	\$ (9,375)	\$ (35,744)	\$ (67,523)	\$ (91,167)	\$ (101,037)	\$ (177,301)	\$ (57,939)
Covered payroll		\$ -	\$ 396,235	\$ 889,184	\$ 1,301,077	\$ 1,709,042	\$ 2,242,189	\$ 2,360,088	\$ 3,266,234
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll		0.00%	-0.0237%	-0.4020%	-0.519%	-0.0533%	-4.51%	7.51%	-1.77%
Plan fiduciary net position as a percentage of the total pension liability		0.00%	121.88%	126.81%	126.97%	123.07%	116.52%	121.53%	104.55%

The amounts presented in this schedule were determined as of the measurement date.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

(1) Information is not applicable for 2015 in this schedule for the Teachers Retirement Plan of TCRS as the measurement date was June 30, 2014, and the Teachers Retirement Plan did not commence until July 1, 2014.

See independent auditor's report.

NASHVILLE CLASSICAL CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE PROPORTIONATE SHARE OF  
NET PENSION LIABILITY (ASSET)  
FISCAL YEAR ENDED JUNE 30,

<u>Metro Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Measurement date	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	June 30, 2023
Proportion of the net pension liability (asset)	0.00000%	0.0000%	0.0000%	0.0000%	0.0019%	0.0017%	0.03005%	0.038804%	0.077555%
Proportionate share of the of the net pension liability (asset)	\$ -	\$ -	\$ -	\$ -	\$ 19,290	\$ 74,160	\$ (199,095)	\$ (65,061)	\$ 121,537
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ 117,058	\$ 279,311	\$ 334,076	\$ 290,117	\$ 651,563
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%	16.48%	26.55%	-59.60%	-22.43%	18.65%
Plan fiduciary net position as a percentage of the total pension liability	0.00%	92.39%	98.64%	97.45%	96.37%	99.87%	115.75%	104.35%	96.20%

The amounts presented in this schedule were determined as of the measurement date.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

See independent auditor's report.

NASHVILLE CLASSICAL CHARTER SCHOOL  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FISCAL YEAR ENDING JUNE 30,

<u>Teachers Legacy Pension Plan of TCRS</u>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarial Determined Contributions (ADC)	\$ -	\$ -	\$ 40,745	\$ 40,167	\$ 40,530	\$ 30,128	\$ 56,335	\$ 77,676	\$ 100,169	\$ 82,842
Contributions in relation to the actuarially determined contribution	-	-	40,745	40,167	40,530	30,128	56,335	77,676	100,169	82,842
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ -	\$ -	\$ 450,716	\$ 444,318	\$ 446,369	\$ 333,274	\$ 529,962	\$ 756,334	\$ 975,355	\$ 953,303
Contributions as a percentage of covered payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.46%	10.63%	10.63%	10.27%	8.69%
<u>Teachers Retirement Plan of TCRS</u>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarial Determined Contributions (ADC)	N/A	\$ -	\$ 9,919	\$ 35,567	\$ 21,217	\$ 33,156	\$ 45,517	\$ 47,718	\$ 51,215	\$ 107,841
Contributions in relation to the actuarially determined contribution		-	15,849	35,567	52,043	33,156	45,517	47,718	51,215	107,841
Contribution deficiency (excess)		\$ -	\$ (5,930)	\$ -	\$ (30,826)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll		\$ -	\$ 396,235	\$ 889,184	\$ 1,301,077	\$ 828,900	\$ 2,242,189	\$ 2,360,088	\$ 2,522,906	\$ 3,757,526
Contributions as a percentage of covered payroll - ADC		4.00%	4.00%	4.00%	4.00%	1.94%	2.03%	2.08%	2.01%	2.87%
Contributions as a percentage of covered payroll - SRT		n/a	n/a	n/a	n/a	2.06%	1.97%	1.92%	1.99%	1.13%
<u>Metro Plan</u>	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarial Determined Contributions (ADC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,445	\$ 34,467	\$ 41,225	\$ 37,370	\$ 81,087
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	14,445	34,467	41,225	37,370	81,087
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,058	\$ 279,311	\$ 334,076	\$ 290,117	\$ 651,563
Contributions as a percentage of covered payroll	17.117%	17.987%	15.510%	12.340%	12.340%	12.340%	12.340%	12.340%	12.881%	12.445%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

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 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.

See independent auditor's report.

## **SUPPLEMENTARY INFORMATION**

NASHVILLE CLASSICAL CHARTER SCHOOL  
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS  
JUNE 30, 2023

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2022	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding 6/30/2023
<b>Governmental Activities:</b>									
<u>LEASES PAYABLE</u>									
<u>Payable through General Purpose School Fund</u>									
Lease - Facility	\$ 989,622	5.18%	06/01/2021	06/30/2023	\$ 507,167	\$ -	\$ 507,167	\$ -	\$ -
Lease - Equipment	265,986	4.90%	10/28/2022	09/30/2026	230,113	-	49,923	-	180,190
Total Leases Payable					<u>\$ 737,280</u>	<u>\$ -</u>	<u>\$ 557,090</u>	<u>\$ -</u>	<u>\$ 180,190</u>

See independent auditor's report.



NASHVILLE CLASSICAL CHARTER SCHOOL  
SCHEDULE OF LEASE REQUIREMENTS BY YEAR  
JUNE 30, 2023

Year Ending June 30	Leases		
	Principal	Interest	Total
2024	\$ 52,425	\$ 7,662	\$ 60,087
2025	55,053	5,035	60,088
2026	57,812	2,276	60,088
2027	14,900	122	15,022
Total	<u>\$ 180,190</u>	<u>\$ 15,095</u>	<u>\$ 195,285</u>

See independent auditor's report.

NASHVILLE CLASSICAL CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2023

<u>Program Name/Grantor</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. DEPARTMENT OF EDUCATION:			
Passed through Tennessee Department of Education			
Charter School Program Startup Grant	84.282B	N/A	<u>\$ 541,812</u>
Total U.S. Department of Education			<u>541,812</u>
Total Federal Awards			<u>541,812</u>
<u>State Financial Assistance</u>			
TENNESSEE DEPARTMENT OF EDUCATION:			
Basic Education Program	N/A	N/A	7,890,098
High Quality Charter School Facilities Program Grant	N/A	N/A	844,761
Basic Education Program - Capital Outlay	N/A	N/A	<u>102,000</u>
Total Tennessee Department of Education			<u>8,836,859</u>
Total State Awards			<u>8,836,859</u>
Total Federal and State Awards			<u>\$ 9,378,671</u>

See independent auditor's report.

NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE  
FINANCIAL ASSISTANCE  
FOR THE YEAR ENDED JUNE 30, 2023

Presentation of Federal and State Awards

Management of the School has determined certain grants do not need to be presented on the Schedule of Federal Awards based on guidance received from Metro Nashville Public Schools (MNPS), the Tennessee Department of Education and the Division of Local Government Audit. Per the guidance, Federal funds passed through MNPS do not constitute subawards to the School, and therefore, those expenditures are not subject to Single Audit under the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards or listed on the School's Schedule of Expenditures of Federal Awards.

Basis of Accounting

The schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity and is presented in accordance with the requirements of the State of Tennessee. The schedule is prepared using the accrual basis of accounting.

Subrecipients

The School passed-through \$-0- to subrecipients for the year ended June 30, 2023.

Indirect Cost Rate

The School has elected not to use the 10-percent de minimum indirect cost rate.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Nashville Classical Charter School  
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Nashville Classical Charter School (the "School"), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Nashville Classical Charter School's basic financial statements, and have issued our report thereon dated January 19, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



To the Board of Directors  
Nashville Classical Charter School

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nashville, Tennessee  
January 19, 2024

NASHVILLE CLASSICAL CHARTER SCHOOL  
SCHEDULE OF FINDINGS AND RESPONSES AND  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 2023

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None

**SUMMARY OF PRIOR YEAR FINDINGS**

None.