

PURPOSE PREPARATORY ACADEMY
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2022

PURPOSE PREPARATORY ACADEMY

Table of Contents

	<u>Page</u>	
INTRODUCTORY SECTION.....	1	
INDEPENDENT AUDITOR’S REPORT.....	2 - 5	
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED).....	6 - 14	
BASIC FINANCIAL STATEMENTS		
School-wide financial statements:		
Statement of Net Position	15	
Statement of Activities	16	
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	17 - 18	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	19 - 20	
Notes to Financial Statements	21 - 47	
REQUIRED SUPPLEMENTARY INFORMATION		
Schedule of the Proportionate Share of Net Pension Liability (Asset)	48 - 49	
Schedule of Employer Contributions.....	50	
SUPPLEMENTARY INFORMATION		
Schedule of Expenditures of Federal Awards and State Financial Assistance.....	51	
Schedule of Changes in Long-Term Debt by Individual Issue.....	52	
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 <i>GOVERNMENT AUDITING STANDARDS</i>		53 - 54
SCHEDULE OF FINDINGS AND RESPONSES.....	55	
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS	56	

PURPOSE PREPARATORY ACADEMY
INTRODUCTORY SECTION

BOARD OF DIRECTORS

Charlandra Watson	Chair
Ryann Casey	Vice Chair
Dale Mitchell	Treasurer
Amy Brown	Secretary
Perry Gooch	Director
Matt Hancock	Director
Dr. Jerri Haynes	Director
Lara Henley	Director
Kathy Nelson	Director
Sallie Norton	Director
Rohit Padmanabhan	Director
Domonique Townsend	Director

LEADERSHIP TEAM

Lagra Newman	Founder and Head of School
Shauna Russell	Director of Academics
Tikoya Tipton	Dean of Scholars
Katie Nelligan	Content Specialist Coach
Brandon Hughes	Operations Manager
Courtney Brooks	Content Specialist - Lower Academy
Brandy Putman	Content Specialist - Upper Academy



Independent Auditor's Report

To the Board of Directors
Purpose Preparatory Academy
Nashville, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Purpose Preparatory Academy (the "School"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe 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 on pages 6 - 14 and the schedule of the proportionate share of the net pension liability (asset) and the schedule of employer contributions on pages 48 - 50 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 expenditures of federal awards and state financial assistance and schedule of changes in long-term debt by individual issue as listed in the table of contents, as required by the State of Tennessee Comptroller of the Treasury's *Audit Manual for Local Governmental Units and Other Organizations*, 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 expenditures of federal awards and state financial assistance and schedule of changes in long-term debt by individual issue are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Other Information

Management is responsible for the other information included in the annual report. The other information comprises the 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 December 16, 2022, 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.

Crosslin, PUC

Nashville, Tennessee
December 16, 2022

**PURPOSE PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

Our discussion and analysis of Purpose Preparatory Academy's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2022. This section should be read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the School exceeded its liabilities and deferred inflows of resources by \$6,057,856.
- Net position increased \$2,164,738 during the year.
- Total revenues of \$7,881,900 were comprised of Federal and State Pass-through Funds- 32%, District Funds- 64%, and Charitable Giving/Other- 4%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REPORTING THE SCHOOL AS A WHOLE

The Statement of Net Position and Statement of Activities:

In general, users of these financial statements want to know if the School is better off or worse off as a result of the year's activities. The Statement of Net Position and Statement of Activities report information about the School as a whole and about the School's activities in a manner that helps to answer that question. These statements include all assets and liabilities using the accrual basis of accounting. Under the accrual basis, all of the current year's revenue and expenses are taken into consideration regardless of when cash is received or paid. The statements start on page 15.

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

PURPOSE PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

REPORTING THE SCHOOL'S FUNDS

Fund Financial Statements:

The School's fund financial statements, the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances, begin on page 17. They provide detailed information about the School's most significant funds, not the School as a whole. Funds are established by the School to help manage money for particular purposes and compliance with various donor and grant provisions.

The School's funds are categorized as "governmental funds." Governmental funds focus on how money flows into and out of the funds and the balances left at year-end that are available for spending in future periods. Fund financial statements are reported using an accounting method called "modified accrual" accounting, which measures cash and other financial assets that can readily be converted to cash. This basis of accounting is different from the accrual basis used in the school-wide financial statements to report on the School as a whole. The relationship between governmental activities, as reported in the Statement of Net Position and the Statement of Activities, and governmental funds, as reported in the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances, is reconciled in the basic financial statements on pages 18 and 20.

SCHOOL WIDE FINANCIAL ANALYSIS

Net Position:

The School's assets and deferred outflows of resources exceeded the School's liabilities and deferred inflows of resources at the close of the period, resulting in net position of \$6,057,856. The School's net position includes \$3,088,579 of cash. The cash is available to meet the School's ongoing activities.

As of June 30, 2022, the School had invested \$3,647,648 in capital assets, net of accumulated depreciation of \$1,190,856. This investment includes buildings and improvements for instructional purposes and instructional and support equipment and furniture. Additional information on property and equipment is located in Note C to the financial statements.

PURPOSE PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

A schedule of the School's net position as of June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Current assets	\$ 5,594,150	\$3,669,733
Restricted assets	92,379	78,424
Capital assets	3,647,648	3,691,952
Noncurrent asset	<u>692,207</u>	<u>1,081,667</u>
Total assets	<u>10,026,384</u>	<u>8,521,776</u>
 Deferred outflows of resources	 <u>714,150</u>	 <u>474,933</u>
 Current liabilities	 564,532	 1,179,406
Noncurrent liabilities	<u>3,017,815</u>	<u>2,284,004</u>
Total liabilities	<u>3,582,347</u>	<u>3,463,410</u>
 Deferred inflows of resources	 <u>1,100,331</u>	 <u>1,640,181</u>
 Net position:		
Net investment in capital assets	481,906	397,429
Restricted	794,065	1,167,931
Unrestricted	<u>4,781,885</u>	<u>2,327,758</u>
 Total net position	 <u>\$ 6,057,856</u>	 <u>\$3,893,118</u>

The School's total net position increased \$2,164,738 during the year. The increase in the School's net position indicates that the School had more incoming revenues than outgoing expenses during the year.

Total revenues for fiscal year 2022 increased to \$7,881,900, an increase of \$1,679,929 when compared to the period ended 2021. Revenues generated from government grants and district funding were \$7,603,216 during the year, an increase of \$2,278,876 when compared to 2021. The increase is primarily due to additional federal funding received for COVID-19. Contributions from individuals and organizations of \$263,688 decreased \$122,784. Total expenses were \$5,717,162 in 2022, an increase of \$1,519,992 related to returning to in-person learning during 2022.

The increase in net position of \$2,164,738 in 2022 is \$159,937 more than the increase in net position of \$2,004,801 in 2021. Revenue increased in 2022 exceeding operating expenses, as anticipated.

**PURPOSE PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

A schedule of the School's revenue and expenses for the year ended June 30, 2022 as compared to the year ended June 30, 2021, is as follows. The schedule below is for the School as a whole, not for the governmental funds.

	<u>2022</u>	<u>2021</u>
Revenues:		
District funding	\$5,062,261	\$4,959,683
Federal and state grants	2,540,955	364,657
Contributions	263,688	386,472
Other	14,996	491,159
Total revenues	<u>7,881,900</u>	<u>6,201,971</u>
Expenses:		
Employee compensation	3,117,240	2,879,464
Occupancy	271,888	167,883
Transportation	298,213	3,150
Depreciation	100,570	103,851
Insurance	49,245	33,477
Office	117,548	62,714
Interest	129,526	133,298
Instructional	147,290	164,612
Professional services and fees	757,868	414,930
Food service	300,064	19,055
Staff development	111,336	23,790
Organizational development	33,608	45,930
Other	282,766	145,016
Total expenses	<u>5,717,162</u>	<u>4,197,170</u>
Change in net position	<u>\$2,164,738</u>	<u>\$2,004,801</u>

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The School's funds, as presented on the balance sheet on page 17, reported a combined fund balance of \$5,104,924. The majority of the School's total funds are in the General Fund, which is the chief operating fund of the School. The School has one other major fund consisting of the Federal and State Grants Fund.

Due to different basis of accounting, there is a difference between the amounts reported under the School's funds and the amounts reported as school wide. For the June 30, 2022 year end, the differences consist of capital assets, long-term debt, and pension amounts, which are not reported in the School's funds.

PURPOSE PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

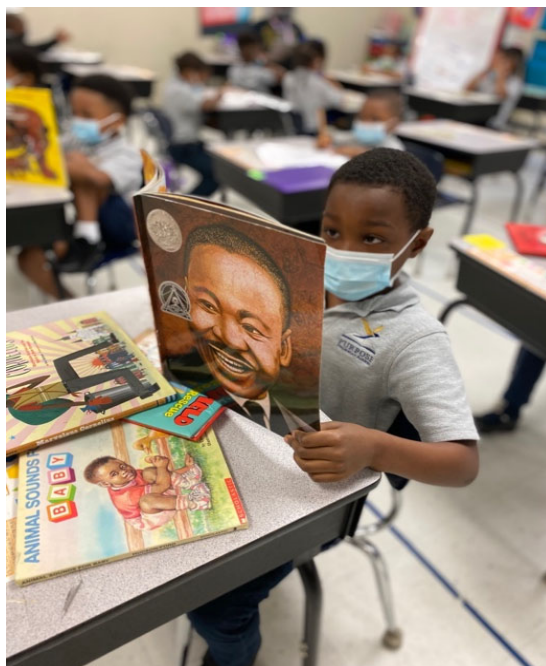
The School's investment in capital assets for its governmental activities as of June 30, 2022 amounted to \$3,647,648 (net of depreciation). This investment includes land, buildings and improvements, furniture and equipment, and computer equipment. Additional information on the School's capital assets can be found in Note C to the financial statements.

Long-term Debt:

At the end of fiscal year 2022, the School's total debt was \$3,165,742 and is set forth in detail in Note E to the financial statements.

SCHOOL ACTIVITIES

Purpose Preparatory Academy is an academically challenging, disciplined, and joyful school in Nashville, TN currently educating over 360 kindergarten through fourth grade students. Beginning in school year 2022-2023, Purpose Preparatory Academy will be educating over 390 kindergarten through fifth grade students.



MISSION: Through rigorous curriculum, high quality instruction, and positive character development, Purpose Preparatory Academy ensures that all kindergarten through grade four students achieve the academic skills, knowledge, and ethical foundation to be set on the path to college.

PURPOSE PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

VISION: Purpose Prep provides an academically challenging, disciplined, and joyful elementary school to children of Nashville. With an intensive focus on the acquisition of essential literacy skills, Purpose Prep provides targeted and rigorous instruction in each core subject to meet the academic needs of every scholar. Purpose Prep holds scholars accountable for demonstrating excellent behavior by teaching them the character skills necessary for their success, specifically the school's RISE with Purpose values - Purpose, Respect, Integrity, Self-Determination, and Excellence.

"Intelligence plus character - that is the goal of true education. The complete education gives one not only power of concentration, but worthy objectives upon which to concentrate." This statement by Martin Luther King, Jr. captures Purpose Prep's vision of education. We instill in Purpose Prep scholars a strong academic and character foundation that firmly underpins school and life success. We nurture intelligence, grow character, and set the objective high. Purpose Prep scholars read, write and speak at proficient and masterful levels in the elementary grades that set a foundation towards high levels of learning throughout middle and high school, and on the path to college. We welcome the heightened accountability required of a charter, and we drive all programmatic and administrative decisions to dramatically advance our mission.

ACADEMIC RESULTS: *Purpose Preparatory Academy's academically rigorous approach has ensured that its scholars have not only improved, but we have also surpassed our pre-pandemic levels of achievement.*

The mission of Purpose Preparatory Academy is to ensure that all kindergarten through grade five students achieve the academic skills, knowledge, and ethical foundation to be set on the path to college through rigorous curriculum, high-quality instruction, and positive character development. Purpose Preparatory Academy was established to close the educational opportunity gap between the children of North Nashville and those in more affluent parts of the city, recognizing that when provided with academically challenging work within a dynamic and disciplined learning environment, children will thrive academically and perform in the top tier of achievement levels.

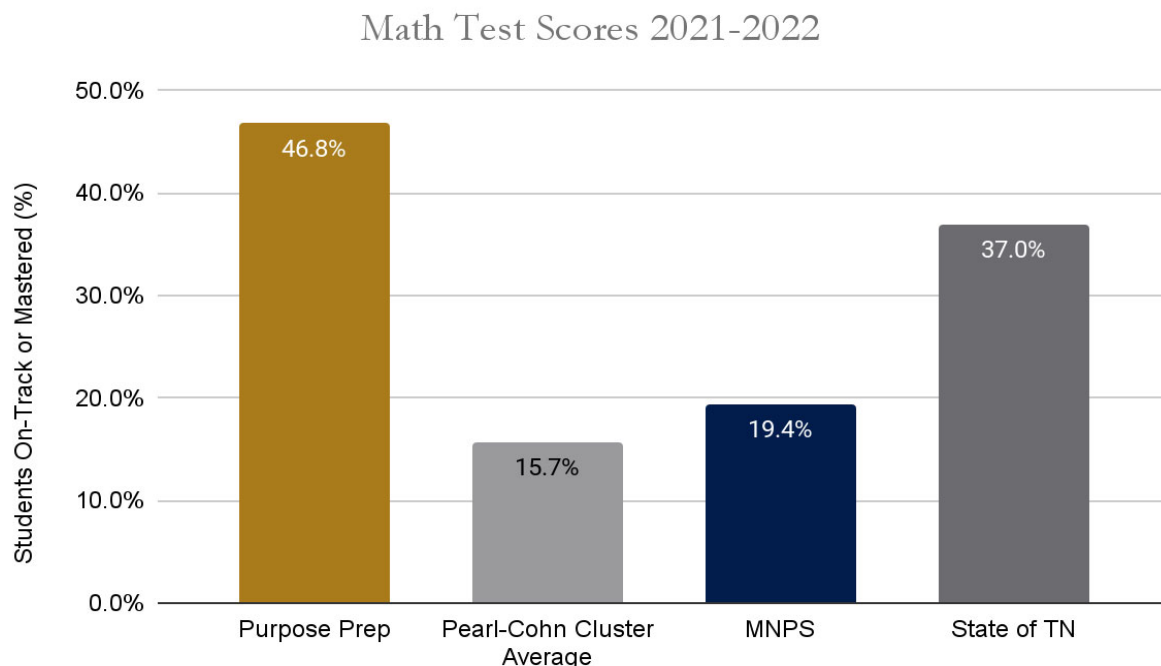
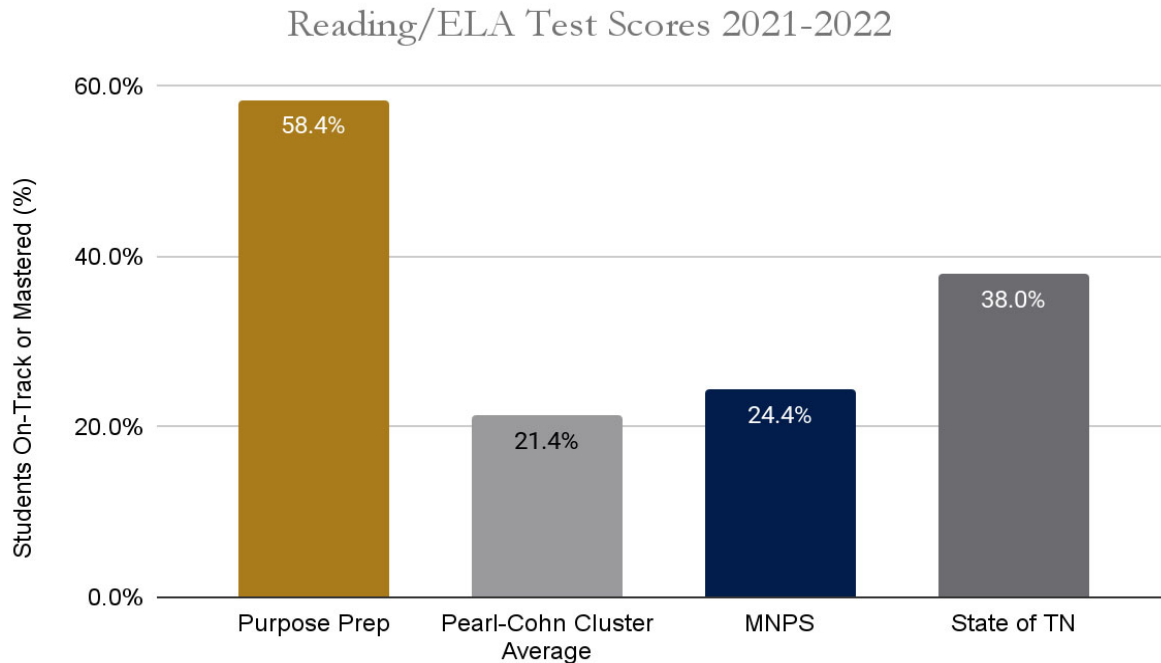
Purpose Prep is proud to be a top-performing school in the Metro Nashville Public School District, as well as a Reward School given the academic achievement and growth we produced within our scholars for the 2021-22 school year. We are also proud to be successful with demographics of students not traditionally served well by public school systems, including economically disadvantaged and African American students. We rank as one of the top schools for both of those demographics. Given this, Purpose Prep has met and exceeded the academic goals aligned in our charter agreement, and continues to be an asset to our community of North Nashville, our MNPS district, specifically the Pearl-Cohn Cluster, as well as the State of Tennessee.

As a Title I school serving 93.9% children of color, **Purpose Prep is fulfilling its mission to improve the academic success of the most underserved children in Nashville and serve as a proof point for what's possible.** We uplift our scholars to the level that they are capable of through data-driven instruction, personalized supports, and targeted skill development in a respectful, joyful, and safe setting, where educators, staff, and families support their achievements. **We believe every child is capable of achieving high academic success and hold all students to high expectations** accordingly, in an environment that maximizes learning opportunity for everyone.

PURPOSE PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Purpose Prep Readily Outperforms Schools in Metro Nashville and Across the State

Purpose Prep scholars are **more than twice** as likely to be meeting or exceeding grade-level expectations in English Language Arts and Math as their peers across Metro Nashville Public Schools. Purpose Prep's scholars also exhibited strong grade-level performance when compared against students statewide, performing 1.5 times as well as the statewide average in ELA.



PURPOSE PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Compared to other schools in the Pearl-Cohn Elementary School Cluster, Purpose Prep ranks in the 100th percentile, with its scholars performing at 3 times the cluster average in Math (15.7% cluster average) and 2.7 times the cluster average in ELA (cluster average 21.4%). Compared to other charter elementary schools in Nashville, Purpose Prep maintains its ranking in the **90th percentile for ELA** and **60th percentile for Math**. Purpose Prep was one of only three schools in Davidson County whose students achieved 5s in both achievement and growth in ELA on the Tennessee Value-Added Assessment System (TVAAS). (Only 13 elementary schools out of 80 tested on Grade 4 achievement received 5s for the 2021-22 school year.)

Moreover, Purpose Prep is among the **top** schools in serving African American students and economically disadvantaged students in Davidson County. Within Davidson County, Purpose Prep had the highest percentage of African American students among the top-performing schools in ELA. Purpose Prep is devoted to serving Black children well while giving them the rigorous education they deserve and are capable of.

Purpose Prep's commitment to holding our standards of excellence high and investing our energy into targeted and rigorous instruction informed by data produces durable long-term results in our scholar community.

School Culture Reinforces Power of Community of Learners

Purpose Prep approached the 2021-22 school year with a commitment to existing systems of excellence, knowing that creative solutions would need to be made to meet any challenges. The school relied on and leveraged partnerships—both externally and internally—to continue our success. Where regular touchpoints were not always available due to school safety adaptations, Purpose Prep educators and staff repurposed existing and new technologies and kept the lines of communication open to families, providing a shared understanding of the school culture in which all classroom work is rooted.

Purpose Prep stayed true to its core values throughout the pandemic, and these values served as guideposts by which we operated. Our team excellently prepared the school to meet safety protocols. Our teachers, scholars, and families showed significant levels of self-determination to close academic gaps, and the school's leadership team purposefully examined and weighed the impact of each strategic decision. Despite experiencing a once-in-a-lifetime pandemic, our collective perseverance and resilience led to significant amounts of growth and achievement for our educators and staff. Despite staffing challenges, close collaboration among educators and staff ensured that teachers continued to grow in their craft to support student mastery. In the 2021-22 school year, providing a rigorous, on-grade-level curriculum was of the utmost importance to staff. As such, we kept the bar high for our scholars, knowing they would rise to the challenge.

PURPOSE PREPARATORY ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

To address learning loss caused by COVID-19, Purpose Prep added additional academic interventions both during and outside of the school day to support ongoing instruction, including opportunities to be tutored or receive remedial work. One aspect of these interventions was the school's participation in the Tennessee All Corps grant program through the Tennessee Department of Education, providing additional small-group tutoring sessions during the school day. Also critical to addressing COVID-19 deficits was ensuring strict adherence to safety protocols within the school building for the 2021-22 school year. Social distancing protocols in the school building kept attendance rates high, with available technology to attend class remotely if scholars were quarantining at home. Given this, the school exceeded attendance goals with a chronic absenteeism rate of just 2.03%. Further, our student retention rate was 93.4% (8.05% attrition) heading into the 2022-23 school year, which speaks volumes about the ways in which families were supported throughout the return of in-person learning. Additional academic support, school meetings, including Parents for Purpose, and family mentoring supported our scholar retention goals, as well as building and sustaining strong long-term relationships with Purpose Prep families.

The power of continuity in a Purpose Prep education in and out of the classroom cannot be overstated. The pandemic forced us to re-examine the impact and power of community, one that we have since leveraged to support our scholars academically and socially. Our investment in our community resulted in all stakeholders growing together for a resounding purpose: our scholars.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT: This financial report is designed to provide our students' parents, Davidson County taxpayers, donors, creditors, authorities over grant funding and agencies tasked with oversight of Metropolitan Nashville Public Schools with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. For questions about this report or additional financial information, contact the School's Founder and Head of School, Lagra Newman, by telephone at (615) 724-0705 or by email to lnewman@purposeprep.org.

PURPOSE PREPARATORY ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 3,088,579
Accounts receivable	2,449,534
Other current assets	56,037
Capital assets, net	3,647,648
Net pension asset	692,207
Restricted assets:	
TCRS Stabilization Reserve Trust	92,379
Total assets	<u>\$ 10,026,384</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	714,150
Total deferred outflows of resources	<u>714,150</u>
LIABILITIES	
Accounts payable	142,466
Accrued expenses	159,139
Deferred revenue	115,000
Long-term debt due within one year	147,927
Long-term debt due in more than one year	3,017,815
Total liabilities	<u>3,582,347</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	935,331
Grants for future periods	165,000
Total deferred inflows of resources	<u>1,100,331</u>
NET POSITION	
Net investment in capital assets	481,906
Restricted	794,065
Unrestricted	4,781,885
Total net position	<u>\$ 6,057,856</u>

See accompanying notes to financial statements.

PURPOSE PREPARATORY ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

GOVERNMENTAL ACTIVITIES:	Total	Functions		
		Student Instruction and Services	Administration	Fundraising
EXPENSES				
Instructional	\$ 147,290	\$ 147,290	\$ -	\$ -
Occupancy	271,888	89,254	182,634	-
Office	117,548	-	117,548	-
Organizational development	33,608	12,820	-	20,788
Professional services and fees	757,868	319,155	438,713	-
Employee compensation	3,117,240	1,976,983	1,140,257	-
Food service	300,064	300,064	-	-
Staff development	111,336	111,336	-	-
Transportation	298,213	298,213	-	-
Insurance	49,245	-	49,245	-
Depreciation	100,570	85,485	15,085	-
Interest	129,526	-	129,526	-
Other	282,766	4,168	278,598	-
Total expenses	5,717,162	3,344,768	2,351,606	20,788
PROGRAM REVENUES				
Operating grants and contributions	2,479,955	2,479,955	-	-
Capital grants and contributions	61,000	61,000	-	-
Net program expenses	3,176,207	\$ 803,813	\$ 2,351,606	\$ 20,788
GENERAL REVENUES				
District funding	5,062,261			
Contributions	263,688			
Other	14,996			
Total general revenues	5,340,945			
CHANGE IN NET POSITION	2,164,738			
NET POSITION, June 30, 2021	3,893,118			
NET POSITION, June 30, 2022	\$ 6,057,856			

See accompanying notes to financial statements.

PURPOSE PREPARATORY ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Purpose School Fund	Federal and State Grants Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,088,579	\$ -	\$ 3,088,579
Accounts receivable	503,770	1,945,764	2,449,534
Due from other funds	1,945,764	-	1,945,764
Other current assets	56,037	-	56,037
Restricted assets:			
TCRS Stabilization Reserve Trust	92,379	-	92,379
Total assets	<u>\$ 5,686,529</u>	<u>\$ 1,945,764</u>	<u>\$ 7,632,293</u>
LIABILITIES			
Accounts payable	\$ 142,466	\$ -	\$ 142,466
Accrued expenditures	159,139	-	159,139
Deferred revenue	115,000	-	115,000
Due to other funds	-	1,945,764	1,945,764
Total liabilities	<u>416,605</u>	<u>1,945,764</u>	<u>2,362,369</u>
DEFERRED INFLOWS OF RESOURCES			
Grants for future periods	165,000	-	165,000
Total deferred inflows of resources	<u>165,000</u>	<u>-</u>	<u>165,000</u>
FUND BALANCES			
Nonspendable	56,037	-	56,037
Restricted:			
Internal school funds	9,479	-	9,479
TCRS Stabilization Reserve Trust	92,379	-	92,379
Unassigned	4,947,029	-	4,947,029
Total fund balances	<u>5,104,924</u>	<u>-</u>	<u>5,104,924</u>
Total liabilities and fund balances	<u>\$ 5,686,529</u>	<u>\$ 1,945,764</u>	<u>\$ 7,632,293</u>

See accompanying notes to financial statements.

PURPOSE PREPARATORY ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS - CONTINUED
JUNE 30, 2022

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

Total governmental fund balances in the balance sheet	\$ 5,104,924
Capital assets not reported in the governmental funds balance sheet	3,647,648
Some liabilities may not be due and payable in the current period and, therefore, are not reported in the funds:	
Long-term debt	(3,165,742)
Pension amounts not reported above:	
Net pension asset	692,207
Deferred inflows of resources for pensions	(935,331)
Deferred outflows of resources for pensions	<u>714,150</u>
Net position of governmental activities in the statement of net position	<u><u>\$ 6,057,856</u></u>

See accompanying notes to financial statements.

PURPOSE PREPARATORY ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Purpose School Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES			
Contributions	\$ 263,688	\$ -	\$ 263,688
District funding	5,062,261	-	5,062,261
Federal and state grants	-	2,540,955	2,540,955
Other income	7,187	-	7,187
Other income - internal school funds	7,809	-	7,809
Total revenues	<u>5,340,945</u>	<u>2,540,955</u>	<u>7,881,900</u>
EXPENDITURES			
Current:			
Instructional	139,413	7,877	147,290
Occupancy	267,154	4,734	271,888
Office	117,548	-	117,548
Organizational development	33,608	-	33,608
Professional services and fees	757,868	-	757,868
Employee compensation	1,273,646	2,068,201	3,341,847
Food services	-	300,064	300,064
Staff development	111,336	-	111,336
Transportation	298,213	-	298,213
Insurance	49,245	-	49,245
Other	172,783	103,813	276,596
Other - internal school funds	6,170	-	6,170
Debt service:			
Principal	1,024,781	-	1,024,781
Interest	129,526	-	129,526
Capital outlay	-	56,266	56,266
Total expenditures	<u>4,381,291</u>	<u>2,540,955</u>	<u>6,922,246</u>
Excess of revenues over expenditures	<u>959,654</u>	<u>-</u>	<u>959,654</u>
OTHER FINANCING SOURCES:			
Issuance of debt	896,000	-	896,000
Total other financing sources	<u>896,000</u>	<u>-</u>	<u>896,000</u>
NET CHANGE IN FUND BALANCES	1,855,654	-	1,855,654
FUND BALANCES, June 30, 2021	<u>3,249,270</u>	<u>-</u>	<u>3,249,270</u>
FUND BALANCES, June 30, 2022	<u>\$ 5,104,924</u>	<u>\$ -</u>	<u>\$ 5,104,924</u>

See accompanying notes to financial statements.

PURPOSE PREPARATORY ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - CONTINUED
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

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	\$ 1,855,654
Issuance of debt recorded as revenue in the governmental funds statements, but reflected as long-term debt in the school-wide statements.	(896,000)
Amounts reported as expenditures in the governmental funds statements not included as expenses in the school-wide statements:	
Capital outlay	56,266
Debt service principal	1,024,781
Expenses in the school-wide statements not included as expenditures in the governmental funds statements:	
Depreciation expense	(100,570)
Differences between expenses in the school-wide statements and expenditures in the governmental funds statements:	
Negative pension expense	<u>224,607</u>
Change in net position of governmental activities	<u><u>\$ 2,164,738</u></u>

See accompanying notes to financial statements.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Purpose Preparatory Academy (the “School”) was incorporated February 7, 2012, as a Tennessee nonprofit corporation. Pursuant to Section 6(b)(1)(A) of 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 in June 2013 (with an effective date of July 2013), to operate a charter school in Nashville, Tennessee. The School began classes in August 2013 with a kindergarten class and has added an additional grade each year culminating with the addition of a fourth grade in the 2017-2018 fiscal year. In October 2021, the School’s Charter School Agreement was amended to allow for the addition of a fifth grade beginning in the 2022-2023 school year.

Per the School’s charter agreement, enrollment in the School is open to any student within the Metropolitan Nashville Public Schools (“MNPS”) System who would otherwise attend a school failing to make adequate yearly progress, as defined by the State Department of Education in compliance with the U.S. Department of Education guidelines. The School may only enroll students in kindergarten through fifth grade.

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 year’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, and which also recognizes deferred inflows and outflows of resources. The statement of net position presents the financial condition of the School at year-end.

When applicable, the School’s net position is reported in three categories – net investment in capital assets, restricted net position, and unrestricted net position. 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 School does not allocate indirect costs between functions. The net costs by function are normally covered by general revenue.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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 equity, 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 funds:

The General Purpose School 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. A budget is not adopted for the General Purpose School Fund because it is not legally required to do so.

The Federal and State Grants Special Revenue Fund is used to account for the receipt and disbursement of Federal and State grants where unused balances, if any, are returned to the grantor at the close of specified project periods. A budget is not adopted for the Federal and State Grants Special Revenue Fund because it is not legally required to do so.

The focus of the governmental funds is upon the determination of financial resources, their balance, sources, and uses, 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.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

Assigned - This classification consists of all fund balances that are not in the General Purpose School Fund or classified as nonspendable, restricted, or committed. In addition, General Purpose School 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 controller and personnel under the supervision of the controller tasked with financial recording responsibilities.

Unassigned - This classification consists of all fund balances in the General Purpose School 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.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 year and up to one year for Federal and State grant revenues.

Since the governmental funds financial statements are presented on a different basis than the school-wide financial statements, 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.

Cash and Cash Equivalents

The School considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents. From time to time, the School may have cash and cash equivalents deposits with financial institutions that exceed federally insured limits. See Note B.

Receivables

Receivables represent amounts due from grants or funding which have been approved but not received. All receivables are reported at estimated collectible amounts. Receivables that will not be collected within the available period are reported as unavailable revenues in the governmental fund financial statements.

Capital Assets

On the school-wide financial statements, property and equipment are recorded at acquisition cost, if purchased, or the acquisition value on the date received, if donated. The cost of routine maintenance and repairs is expensed as incurred. Expenditures which materially extend the economic lives, change capacities, or improve the efficiency of the related assets are capitalized. Textbooks and curriculum expenditures are not considered capital assets and are expensed as incurred. Upon sale or retirement, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss, if any, is included in the statement of activities. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from three to thirty-nine years, or over the term of the lease for leasehold improvements, if less. The School follows the practice of capitalizing all expenditures for property and equipment items exceeding \$1,000.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the respective governmental fund upon acquisition.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School reports the following deferred outflow of resources relating to the pensions: contributions made subsequent to the pension measurement date, and when applicable, the difference between expected and actual experience, difference between projected and actual investment earnings, and changes in proportion of the net pension liability (asset).

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School reports the following deferred inflow of resources related to pensions, when applicable: differences between expected and actual experience, differences between projected and actual investment earnings, and changes in proportion of the net pension liability (asset). The School also reports deferred inflows of resources relating to grants designated for future periods.

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflow of resources as well as disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Grants

The School receives awards and financial assistance through state and private agencies. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Purpose School Fund or Federal and State Grants Fund. However, in the opinion of management, any such disallowed claims should not have a material adverse effect on the overall financial position of the School.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Financial Instruments

The carrying value of cash and 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 the carrying value as actual interest rates approximate market rates.

Interfund Balances

Transactions which constitute reimbursement of expenditures initially made from a fund, which are properly applicable to another fund, are recorded as expenditures, as appropriate, in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Interfund balance of \$1,945,764 between the General Purpose School Fund and the Federal and State Grants Fund represents grant expenditures made by the General Purpose School Fund in advance of grant receipts by the Federal and State Grants Fund.

Commitments, Contingencies, and Risk Management

The School is exposed to various risk of loss relating to torts, theft of, damage to, and destruction of assets; errors or omissions; illness or injuries to employees; and natural disasters. The School carries insurance for certain risks of loss. Since inception, settled claims resulting from these risks have not exceeded commercial insurance coverage.

The School may become subject to various claims and legal actions, which arise in the ordinary course of business. In the opinion of management, the ultimate resolution of such matters should not have a material adverse effect on the School's financial position or results of operations, as of the date of these financial statements.

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.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

B. DEPOSITS WITH FINANCIAL INSTITUTIONS

The School does not have formal deposit policies that address its exposure to custodial credit risk; however, the School does limit deposits to those instruments allowed by applicable State laws. Deposits in financial institutions are required by State statute to be secured and collateralized by such institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount covered by federal depository insurance. The School's primary financial institution participates in the State of Tennessee Collateral Pool. The School's deposits at other financial institutions are fully covered by federal depository insurance. Banks participating in the Collateral Pool determine the aggregate balance of their public fund accounts and the required collateral. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the bank Collateral Pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

C. CAPITAL ASSETS

Capital assets activity for governmental activities for the period was as follows:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions/</u> <u>Transfers In</u>	<u>Retirements/</u> <u>Transfers Out</u>	<u>Balance</u> <u>June 30, 2022</u>
Land	\$ 860,000	\$ -	\$ -	\$ 860,000
Building and improvements	3,656,664	-	-	3,656,664
Furniture and equipment	135,151	-	-	135,151
Computer equipment	<u>130,423</u>	<u>56,266</u>	-	<u>186,689</u>
Subtotal	4,782,238	56,266	-	4,838,504
Accumulated depreciation	<u>(1,090,286)</u>	<u>(100,570)</u>	-	<u>(1,190,856)</u>
Capital assets, net	<u>\$ 3,691,952</u>	<u>\$(44,304)</u>	<u>\$ -</u>	<u>\$ 3,647,648</u>

Depreciation was charged to governmental activities as follows:

Student instruction and services	\$ 85,485
Administration	<u>15,085</u>
	<u>\$100,570</u>

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

C. CAPITAL ASSETS - Continued

At June 30, 2022, net investment in capital assets is calculated as follows:

Capital assets, net	\$ 3,647,648
Long-term debt due within one year	(147,927)
Long-term debt due in more than one year	<u>(3,017,815)</u>
Net investment in capital assets	<u>\$ 481,906</u>

D. LINE-OF-CREDIT

The School has a \$250,000 line-of-credit with a bank, which expires in October 2025. The line-of-credit bears interest at the bank's index rate plus 1%. The interest rate at June 30, 2022 was 5.75%. The line-of-credit is collateralized by substantially all the assets of the School. As of June 30, 2022, there were no outstanding borrowings under the line-of-credit and there was no activity on the line-of-credit during the year ended June 30, 2022.

E. LONG-TERM DEBT

In February 2017, the School entered into a \$1,000,000 note payable agreement with the Nonprofit Finance Fund ("NFF") to finance a portion of the purchase and expansion of the School's facilities. The note bore interest at a fixed rate of 6.00% and was collateralized by the School's facilities. Interest only payments were due monthly beginning in April 2017 through November 2017. Beginning December 2017, principal and interest payments of \$7,164 were due monthly through February 2022. In January 2022, the School paid off the outstanding balance with proceeds from a new note payable.

In February 2017, the School issued a note payable for the principal sum of up to \$2,720,000 to the Health and Educational Facilities Board of the Metropolitan Government of Nashville and Davidson County, Tennessee (the "Issuer"), which has been pledged and assigned to the holder of the Issuer's Educational Facilities Revenue Bond (Purpose Preparatory Academy, Inc.) Series 2017. The proceeds from the note were used to finance a portion of the purchase and expansion of the School's facilities. The note bore interest at a fixed rate of 2.945% per annum, plus an additional fee of 0.634% beginning in April 2018, which was triggered as a result of the decrease in the federal corporate tax rate in fiscal year 2018. In May 2020, the interest rate was amended to 3.16%. The note is collateralized by the School's facilities and any improvements thereon. Interest only payments were due monthly beginning in February 2017 through January 2018. Beginning February 2018, principal and interest payments are due in equal monthly installments until maturity in January 2038. The outstanding balance of the note payable is \$2,284,097 at June 30, 2022.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

E. LONG-TERM DEBT - Continued

The outstanding Bond Series 2017 contains (1) a provision that in an event of default, the holder, by written notice declare all installments of principal together with accrued interest and all other accrued fees and expenses for the remainder of the term to be immediately due and payable and (2) a provision that any amounts collected shall be paid to the holder and applied to the payment of, first, any costs, expenses and fees incurred by the holder as a result of taking such action; second, any overdue interest on the note payable; third, any overdue principal of the note payable; fourth, the outstanding principal balance of the note payable; and fifth, if payment of the note payable shall have been made, all remaining moneys shall be paid as required by law.

In January 2022, the School entered into a \$896,000 note payable agreement with Pinnacle Bank ("Pinnacle") to refund existing debt. The note payable bears interest at a fixed rate of 3.16% and is collateralized by the School's facilities. Beginning February 2022, principal and interest payments of \$5,057 are due monthly through January 2027, when a final payment of all principal and interest shall become due and payable in full. The outstanding balance of the note payable is \$881,645 at June 30, 2022.

The outstanding Pinnacle note payable contains a provision that in an event of default, the lender may pursue any and all legal and equitable remedies available to it and said remedies shall be cumulative and shall include, but not be limited to, the right to accelerate and demand immediately due and payable all indebtedness under the note; sale or other disposition of any part of or all of the property, assets and interests which are security for or property for the indebtedness or which are held or owned by the lender; the offset of any bank accounts and monies of borrower on deposit with lender; and suit for a deficiency, if any, plus reimbursement of all reasonable attorney fees for all of same.

The loan agreements also require the School to comply with certain financial covenants. As of June 30, 2022, the School was in compliance with these financial covenants.

The following is a summary of changes in the School's long-term debt and line-of-credit for governmental activities for the year ended June 30, 2022:

	Balance June 30, 2021	Additions	Payments	Balance June 30, 2022
Note payable - NFF	\$ 899,129	\$ -	\$(899,129)	\$ -
Note payable - Bond Series 2017	2,395,394	-	(111,297)	2,284,097
Note payable - Pinnacle	<u>-</u>	<u>896,000</u>	<u>(14,355)</u>	<u>881,645</u>
Total notes payable	<u>\$3,294,523</u>	<u>\$ 896,000</u>	<u>\$(1,024,781)</u>	<u>\$3,165,742</u>
Line-of-credit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

E. LONG-TERM DEBT - Continued

A summary of estimated annual principal and interest/fees requirements of all notes payable follows:

<u>Year Ending June 30,</u>	<u>Interest/Fees</u>	<u>Principal</u>
2023	\$ 99,178	\$ 147,927
2024	94,627	152,478
2025	89,411	157,694
2026	84,284	162,821
2027	69,507	874,210
2028 - 2032	212,236	719,874
2033 - 2037	87,131	844,979
2038	<u>1,066</u>	<u>105,759</u>
	<u>\$ 737,440</u>	<u>\$3,165,742</u>

F. FUND BALANCES

The General Purpose School Fund includes fund balance amounts presented as nonspendable totaling \$56,037 as they are not in spendable form, restricted for the TCRS Stabilization Reserve Trust (See Note I) totaling \$92,379, and restricted for internal school funds totaling \$9,479.

G. CONCENTRATIONS

The School received approximately 64% of its funding for operations from Metropolitan Nashville Public Schools ("MNPS") based on the State of Tennessee's BEP. BEP funding is designated to schools based on student attendance. Gross BEP funding for the period ended June 30, 2022, was \$5,062,261. Outside fundraising for capital needs is on-going since the charter school agreement with MNPS does not include an allocation for capital expenditures.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

H. 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”)

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

(I.) TCRS Plans

(A) General Information - TCRS Plans

Description of the TCRS Plans

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. Beginning July 1, 2014, the Teacher Retirement Plan became effective 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.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

H. PENSION PLANS - Continued

Benefits Provided

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly.

Teacher Legacy Pension Plan

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 years average compensation and the member's service credit. A reduced early retirement benefit is available at age 55 if vested. Members are vested with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for nonservice-related disability eligibility. The service-related and nonservice-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.

Teacher Retirement Plan

Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive years 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 nonservice-related disability eligibility. The service-related and nonservice-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 COLAs after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the CPI during the prior calendar year, capped at 3 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.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

H. PENSION PLANS - Continued

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 for the Teacher Retirement Plan). Teachers contribute 5 percent of salary. 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 TCRS Plans 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.

Teacher Legacy Pension Plan

Employer contributions by the School for the year ended June 30, 2022 to the Teacher Legacy Pension Plan were \$32,079, which is 10.30 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.

Teacher Retirement Plan

Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. Employer contributions by the School for the year ended June 30, 2022 to the Teacher Retirement Plan were \$18,623, which is 2.01 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.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

H. PENSION PLANS - Continued

(B) Pension Liabilities (Assets) - TCRS Plans

Pension Liability (Asset)

Teacher Legacy Pension Plan

At June 30, 2022, the School reported an asset of \$(371,343) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability (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, 2021, the School's proportion was 0.008609 percent. The proportion measured as of June 30, 2020 was 0.025316 percent.

Teacher Retirement Plan

At June 30, 2022, the School reported an asset of \$(74,200) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability (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, 2021, the School's proportion was 0.068500 percent. The proportion measured as of June 30, 2020 was 0.081558 percent.

Actuarial assumptions

Teacher Legacy Pension Plan and Teacher Retirement Plan

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary increases	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

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

H. PENSION PLANS - Continued

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

The actuarial assumptions used in the June 30, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31.00%
Developed market international equity	5.37%	14.00%
Emerging market international equity	6.09%	4.00%
Private equity and strategic lending	6.57%	20.00%
U.S. fixed income	1.20%	20.00%
Real estate	4.38%	10.00%
Short-term securities	0.00%	1.00%
		<u>100.00%</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 factors described above.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

H. PENSION PLANS - Continued

Discount rate

Teacher Legacy Pension Plan and Teacher Retirement Plan

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.

(II.) Metro Plan

(A) General Information - 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 annual comprehensive financial report of the Metropolitan Government. That report may be obtained at www.nashville.gov.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

H. PENSION PLANS - Continued

Benefits Provided

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

Normal retirement for 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 the completed years of credited employee 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 credited service which produce the highest earnings. Benefits fully vest on completing 5 years of service for employees employed on or between October 1, 2001 and December 31, 2012 who vest before leaving 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 12.881 percent for the non-certificated employees of the Metropolitan Nashville Public Schools, including charter schools, and all other Metropolitan Government Employees. The School's contributions to the plan for the year ended June 30, 2022 were \$135,481.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

H. PENSION PLANS - Continued

(B) Pension Liabilities - Metro Plan

Pension Liability

The School reported an asset of \$(246,664) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of July 1, 2021. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan during the year ended June 30, 2022 relative to all contributions for 2022. At the measurement date of June 30, 2022, the School's proportion was 0.145994 percent. The proportion measured as of June 30, 2021 was 0.147183 percent.

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2020. Actuarial assumptions are summarized below:

Inflation	2.5 percent
Salary increases	4.0 percent
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 115% RP-2014 Blue Collar Table (projected to 2023 using Scale MP-17) and the 130% RP-2014 Disabled Mortality, as determined by the period actuarial experience study. The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period 2012 to 2017.

The long-term expected rate of return on pension plan investments was established in conjunction with the most recent actuarial experience study completed February 20, 2018, by considering the following three techniques: (1) the 20-year historical return of the Metro Open Plan at June 30, 2017, (2) the historical market returns of asset classes from 1926 to 2017, 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.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

H. PENSION PLANS - Continued

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>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S equity	5.10%	24.00%
International equity	5.30%	16.00%
Private equity	7.90%	10.00%
Equity hedge	7.90%	10.00%
Real estate	4.90%	10.00%
Core plus fixed income	2.30%	20.00%
Fixed income alternatives	2.70%	10.00%
		<u>100.00%</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 available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Pension Liabilities (Assets)

The School reports the following net pension liability (asset) as of June 30, 2022:

TCRS Legacy Plan	\$(371,343)
TCRS Retirement Plan	(74,200)
Metro Plan	<u>(246,664)</u>
Net pension asset	<u>\$(692,207)</u>

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

H. PENSION PLANS - Continued

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 for the Metro Plan) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Proportionate share of the net pension liability (asset):			
TCRS Legacy Plan	\$(66,087)	\$(371,343)	\$(625,377)
TCRS Retirement Plan	<u>25,508</u>	<u>(74,200)</u>	<u>(147,738)</u>
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Metro Plan	<u>833,969</u>	<u>(246,664)</u>	<u>(1,137,183)</u>
Total	<u>\$ 793,390</u>	<u>\$(692,207)</u>	<u>\$(1,910,298)</u>

Pension Plan Fiduciary Net Position

Detailed information about the Pension Plans' respective fiduciary net position is available in separately issued TCRS and Metropolitan Government financial reports.

Pension Expense

For the year ended June 30, 2022, the School recognized pension expense (negative pension expense) as follows:

TCRS Legacy Plan	\$(89,354)
TCRS Retirement Plan	(8,530)
Metro Plan	<u>(126,723)</u>
	<u>\$(224,607)</u>

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

H. PENSION PLANS - Continued

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
TCRS Legacy Plan	\$ 1,248	\$ 30,971
TCRS Retirement Plan	1,291	13,577
Metro Plan	115,871	26,899
Changes in assumptions		
TCRS Legacy Plan	99,217	-
TCRS Retirement Plan	26,763	-
Metro Plan	184,000	-
Net difference between projected and actual earnings on pension plan investments		
TCRS Legacy Plan	-	296,138
TCRS Retirement Plan	-	42,711
Metro Plan	-	494,201
Changes in proportion of net pension liability (asset)		
TCRS Legacy Plan	84,221	30,662
TCRS Retirement Plan	23,187	172
Metro Plan	127,650	-
Contributions subsequent to the measurement date of June 30, 2021		
TCRS Legacy Plan	32,079	N/A
TCRS Retirement Plan	18,623	N/A
Metro Plan (June 30, 2022 measurement date)	<u>N/A</u>	<u>N/A</u>
Total	<u>\$714,150</u>	<u>\$935,331</u>

The School's employer contributions of \$50,702 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction (increase) to the net pension liability (asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

H. PENSION PLANS - Continued

<u>Year Ended June 30,</u>	TCRS Legacy <u>Plan</u>	TCRS Retirement <u>Plan</u>	<u>Metro Plan</u>	<u>Total</u>
2023	\$(40,857)	\$(7,100)	\$(119,919)	\$(167,876)
2024	(38,220)	(6,866)	(94,845)	(139,931)
2025	(14,089)	(6,799)	(116,279)	(137,167)
2026	(79,919)	(7,874)	139,552	51,759
2027	-	3,518	50,741	54,259
Thereafter	-	19,902	47,171	67,073

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

Payable to the Pension Plans

At June 30, 2022, the School reported a payable for the outstanding amount of contributions to the Pension Plans required at the year ended June 30, 2022 as follows:

TCRS Legacy Plan	\$ 5,304
TCRS Retirement Plan	9,828
Metro Plan	<u>27,306</u>
	<u>\$ 42,438</u>

Defined Contribution Plan

The TCRS Retirement Plan has a defined contribution component to the plan. Under the terms of the Plan for the defined contribution component, employees contribute 2% of their salaries to the plan, but are allowed an opt out feature. The School is required to contribute 5% of annual salaries to an individual employee account. Employees are immediately vested in the Plan. For the year ended June 30, 2022, the School recognized pension expense of \$46,326 related to the defined contribution component of the Plan. At June 30, 2022, the School reported a payable of \$4,718 for the outstanding amount of contributions related to the defined contribution component of the Plan.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

I. RESTRICTED ASSETS - TCRS 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. It is the intent of the plan trustees to allocate these funds in the future to offset pension costs.

Investment Balances

Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (“TRGT”). The TRGT is not registered with the Securities and Exchange Commission (“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. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest and dividend income. Interest income is recognized when earned. Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2022, 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).

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

I. RESTRICTED ASSETS - TCRS STABILIZATION RESERVE TRUST - Continued

- Level 1 - Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted.
- Level 3 - Valuations derived from valuation techniques in which significant inputs are unobservable

Investments where fair value is measured using the Net Asset Value (“NAV”) per share have no readily determinable fair value and have been determined to be calculated consistent with FASB principles for investment companies.

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

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

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

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

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

I. RESTRICTED ASSETS - TCRS STABILIZATION RESERVE TRUST - Continued

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute (“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, 2022, the School’s assets balance was \$92,379 and had the following investments held by the trust on its behalf:

<u>Investment</u>	<u>Weighted Average Maturity (days)</u>	<u>Maturities</u>	<u>Fair Value</u>
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$28,637
Developed Market International Equity	N/A	N/A	12,933
Emerging Market International Equity	N/A	N/A	3,695
U.S. Fixed Income	N/A	N/A	18,476
Real Estate	N/A	N/A	9,238
Short-term Securities	N/A	N/A	924
NAV-Private Equity and Strategic Lending	N/A	N/A	<u>18,476</u>
Total			<u>\$92,379</u>

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

I. RESTRICTED ASSETS - TCRS STABILIZATION RESERVE TRUST - Continued

Investment by Fair Value Level	Fair Value June 30, 2022	Fair Value Measurements Using			NAV
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. Equity	\$28,637	\$28,637	\$ -	\$ -	\$ -
Developed Market					
International Equity	12,933	12,933	-	-	-
Emerging Market					
International Equity	3,695	3,695	-	-	-
U.S. Fixed Income	18,476	-	18,476	-	-
Real Estate	9,238	-	-	9,238	-
Short-term Securities	924	-	924	-	-
Private Equity and Strategic Lending	<u>18,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,476</u>
Total	<u>\$92,379</u>	<u>\$45,265</u>	<u>\$19,400</u>	<u>\$ 9,238</u>	<u>\$18,476</u>

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.

PURPOSE PREPARATORY ACADEMY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

I. RESTRICTED ASSETS - TCRS STABILIZATION RESERVE TRUST - Continued

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/advanced-search/disclaimer/2020/ag19091.pdf>.

J. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 16, 2022, the date the financial statements were available for issuance, and has determined that there were no subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

PURPOSE PREPARATORY ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF
NET PENSION LIABILITY (ASSET)
FISCAL YEAR ENDED JUNE 30,

<u>Teacher 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>
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
Proportion of the net pension liability (asset)	0.0062%	0.0071%	0.0047%	0.0068%	0.0070%	0.0045%	0.0253%	0.0086%
Proportionate share of the net pension liability (asset)	\$ (1,005)	\$ 2,912	\$ 29,055	\$ (2,217)	\$ (24,686)	\$ (46,554)	\$ (193,057)	\$ (371,343)
Covered payroll	\$ 244,856	\$ 266,182	\$ 167,840	\$ 239,502	\$ 245,647	\$ 151,825	\$ 198,847	\$ 282,574
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-0.41%	1.09%	17.31%	-0.93%	-10.05%	-30.66%	-97.09%	-131.41%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	101.49%	104.28%	103.09%	116.13%
<u>Teacher 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>
Measurement date		June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Proportion of the net pension liability (asset)		0.1229%	0.1277%	0.1284%	0.1206%	0.1181%	0.0816%	0.0685%
Proportionate share of the net pension liability (asset)		\$ (4,943)	\$ (13,296)	\$ (33,872)	\$ (54,701)	\$ (66,660)	\$ (46,377)	\$ (74,200)
Covered payroll		\$ 255,277	\$ 561,981	\$ 842,640	\$ 1,054,007	\$ 1,249,626	\$ 1,028,187	\$ 1,004,731
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll		-1.94%	-2.37%	-4.02%	-5.19%	-5.33%	-4.51%	-7.39%
Plan fiduciary net position as a percentage of the total pension liability		127.46%	121.88%	126.81%	126.97%	123.07%	116.52%	121.53%

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 Teacher Retirement Plan of TCRS as the measurement date was June 30, 2014, and the Teacher Retirement Plan did not commence until July 1, 2014.

See independent auditor's report.

PURPOSE PREPARATORY ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF
NET PENSION LIABILITY (ASSET) - Continued
FISCAL YEAR ENDED JUNE 30,

<u>Metro Plan</u>	2015	2016	2017	2018	2019	2020	2021	2022
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)	0.0387%	0.0439%	0.0478%	0.0538%	0.0641%	0.0978%	0.1472%	0.1460%
Proportionate share of the net pension liability (asset)	\$ 26,649	\$ 97,081	\$ 19,516	\$ 43,901	\$ 78,542	\$ 212,065	\$ (842,233)	\$ (246,664)
Covered payroll	\$ 202,063	\$ 242,308	\$ 286,021	\$ 333,663	\$ 401,248	\$ 623,298	\$ 1,030,689	\$ 1,051,789
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	13.19%	40.07%	6.82%	13.16%	19.57%	34.02%	-81.72%	-23.45%
Plan fiduciary net position as a percentage of the total pension liability	97.57%	92.39%	98.64%	97.45%	96.37%	93.79%	115.75%	104.35%

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.

PURPOSE PREPARATORY ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FISCAL YEAR ENDING JUNE 30,

<u>Teacher Legacy Pension Plan of TCRS</u>	<u>2014</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>
Actuarial Determined Contributions (ADC)	\$ 21,590	\$ 24,063	\$ 15,173	\$ 21,651	\$ 22,305	\$ 15,881	\$ 89,568	\$ 29,020	\$ 32,079
Contributions in relation to the actuarially determined contribution	21,590	24,063	15,173	21,651	22,305	15,881	89,568	29,020	32,079
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 244,856	\$ 266,182	\$ 167,840	\$ 239,502	\$ 245,647	\$ 151,825	\$ 198,847	\$ 282,574	\$ 311,447
Contributions as a percentage of covered payroll	8.82%	9.04%	9.04%	9.04%	9.08%	10.46%	45.04%	10.27%	10.30%
<u>Teacher Retirement Plan of TCRS</u>	<u>2014</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>
Actuarial Determined Contributions (ADC)	N/A	\$ 6,382	\$ 14,068	\$ 33,705	\$ 17,188	\$ 24,243	\$ 20,893	\$ 19,970	\$ 18,623
Contributions in relation to the actuarially determined contribution		10,211	22,479	33,705	42,160	24,243	20,893	19,970	18,623
Contribution deficiency (excess)		\$ (3,829)	\$ (8,411)	\$ -	\$ (24,972)	\$ -	\$ -	\$ -	\$ -
Covered payroll		\$ 255,277	\$ 561,981	\$ 842,640	\$ 1,054,007	\$ 1,249,626	\$ 1,028,187	\$ 1,004,731	\$ 926,517
Contributions as a percentage of covered payroll		4.00%	4.00%	4.00%	4.00%	1.94%	2.03%	1.99%	2.01%
<u>Metro Plan</u>	<u>2014</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>
Actuarial Determined Contributions (ADC)	\$ 12,535	\$ 36,345	\$ 37,582	\$ 35,295	\$ 41,174	\$ 49,514	\$ 76,915	\$ 127,187	\$ 135,481
Contributions in relation to the actuarially determined contribution	12,535	36,345	37,582	35,295	41,174	49,514	76,915	127,187	135,481
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 73,231	\$ 202,063	\$ 242,308	\$ 286,021	\$ 333,663	\$ 401,248	\$ 623,298	\$ 1,030,689	\$ 1,051,789
Contributions as a percentage of covered payroll	17.12%	17.99%	15.51%	12.34%	12.34%	12.34%	12.34%	12.34%	12.88%

* In fiscal years 2019, 2020, 2021, and 2022, the School placed the actuarially determined contribution rate (1.94 percent, 2.03 percent, 1.99 percent, and 2.01 percent, respectively) of covered payroll into the pension plan and placed 2.06 percent, 1.97 percent, 2.01 percent, and 1.99 percent, respectively, of covered payroll into the TCRS Stabilization Reserve Trust.

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 the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

PURPOSE PREPARATORY ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2022

<u>Program Name/Grantor</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Total Expenditures</u>
<u>Federal Awards</u>			
U.S. DEPARTMENT OF AGRICULTURE:			
Passed through Tennessee Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	N/A	\$ 163,875
School Programs Emergency Operational Costs Reimbursement Program Grant	10.555	N/A	52,158
School Breakfast Program	10.553	N/A	91,294
Total Child Nutrition Cluster			<u>307,327</u>
Pandemic EBT Administrative Costs Grant	10.649	N/A	<u>614</u>
Total U.S. Department of Agriculture			<u>307,941</u>
Total Federal Awards			<u>307,941</u>
<u>State Financial Assistance</u>			
TENNESSEE DEPARTMENT OF EDUCATION:			
Basic Education Program	N/A	N/A	61,000
Passed through Metropolitan Nashville Public Schools			
Basic Education Program	N/A	N/A	5,062,261
Total State Awards			<u>5,123,261</u>
Total Federal and State Awards			<u>\$ 5,431,202</u>

Note 1: The schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity presented in accordance with the requirements of the State of Tennessee. Because the schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position or changes in financial position of the School.

Note 2: Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the related federal and state awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: The School has elected not to use the 10 percent de minimis indirect cost rate.

See independent auditor's report.

PURPOSE PREPARATORY ACADEMY
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
JUNE 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Forgiven During Period	Outstanding 6/30/2022
Governmental Activities:									
<u>NOTES PAYABLE</u>									
<u>Payable through General Fund</u>									
Nonprofit Finance Fund ("NFF")	\$ 1,000,000	6.000%	2/3/2017	2/1/2022	\$ 899,129	\$ -	\$ 899,129	\$ -	\$ -
Bond Series 2017	2,720,000	3.160%	2/3/2017	1/15/2038	2,395,394	-	111,297	-	2,284,097
Pinnacle Bank	896,000	3.160%	1/26/2022	1/15/2027	-	896,000	14,355	-	881,645
Total Notes Payable through General Fund					<u>\$ 3,294,523</u>	<u>\$ 896,000</u>	<u>\$ 1,024,781</u>	<u>\$ -</u>	<u>\$ 3,165,742</u>
<u>OTHER LOANS PAYABLE</u>									
<u>Payable through General Fund</u>									
Line-of-credit	\$ 250,000	Variable	11/27/2012	10/7/2025	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.



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
Purpose Preparatory Academy
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Purpose Preparatory Academy (the "School"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated December 16, 2022.

Report on Internal Control over Financial Reporting

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

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

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



Report on Compliance and Other Matters

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

Purpose of this Report

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

Crosslin, PLLC

Nashville, Tennessee
December 16, 2022

PURPOSE PREPARATORY ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022

FINANCIAL STATEMENT FINDINGS

None reported.

PURPOSE PREPARATORY ACADEMY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

The School had no audit findings for the year ended June 30, 2021.