PURPOSE PREPARATORY ACADEMY

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2021

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PURPOSE PREPARATORY ACADEMY
INTRODUCTORY SECTION

BOARD OF DIRECTORS

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CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
Purpose Preparatory Academy
Nashville, Tennessee

Report on the Financial Statements

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, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Purpose Preparatory Academy as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 12 and the schedule of the proportionate share of the net pension liability (asset) and schedule of employer contributions on pages 48 - 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The introductory section on page 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance on page 51 and the schedule of changes in long-term debt by individual issue on page 52 are presented for purposes of additional analysis as required by the State of Tennessee Comptroller of the Treasury's *Audit Manual for Local Governmental Units and Other Organizations* and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance and the schedule of changes in long-term debt by individual issue are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance and the 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.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2021, 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, PLLC

Nashville, Tennessee
December 23, 2021

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, 2021. 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 $3,893,118.
- Net position increased $2,004,801 during the year.
- Total revenues of $6,201,971 were comprised of Federal and State Pass-through Funds- 6%, District Funds- 80%, and Charitable Giving/Other- 14%.

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 13.

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.

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 15. 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 16 and 18.

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 $3,893,118. The School's net position includes $3,142,643 of cash. The cash is available to meet the School's ongoing activities.

As of June 30, 2021, the School had invested $3,691,952 in capital assets, net of accumulated depreciation of $1,090,286. 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.

A schedule of the School's net position as of June 30, 2021 and 2020 is as follows:

	2021	2020
Current assets	$3,669,733	$2,550,139
Restricted assets	78,424	45,385
Capital assets	3,691,952	3,795,803
Noncurrent asset	1,081,667	113,214
Total assets	8,521,776	6,504,541
Deferred outflows of resources	474,933	275,896
Current liabilities	1,179,406	217,087
Noncurrent liabilities	2,284,004	3,990,980
Total liabilities	3,463,410	4,208,067
Deferred inflows of resources	1,640,181	684,053
Net position:		
Net investment in capital assets	397,429	362,482
Restricted	1,167,931	45,385
Unrestricted	2,327,758	1,480,450
Total net position	$3,893,118	$1,888,317

The School's total net position increased $2,004,801 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 2021 increased to $6,201,971, an increase of $1,397,282 when compared to the period ended 2020. Revenues generated from government grants and district funding were $5,324,340 during the year, an increase of $788,754 when compared to 2020. The increase is primarily due to increased BEP funding in fiscal year 2021. Contributions from individuals and organizations of $386,472 increased $155,596. The School also recognized a gain on forgiveness of the PPP loan of $484,638 during fiscal year 2021. Total expenses were $4,197,170 in 2021, a decrease of $112,508 related to negative pension expense being recognized during 2021 under GASB No. 68.

The increase in net position of $2,004,801 in 2021 is $1,509,790 more than the increase in net position of $495,011 in 2020. Revenue increased in 2021 exceeding operating expenses, as anticipated.

A schedule of the School's revenue and expenses for the year ended June 30, 2021 as compared to the year ended June 30, 2020, is as follows. The schedule below is for the School as a whole, not for the governmental funds.

	2021	2020
Revenues:		
District funding	$4,959,683	$3,827,849
Federal and state grants	364,657	707,737
Contributions	386,472	230,876
Other	491,159	38,227
Total revenues	6,201,971	4,804,689
Expenses:		
Employee compensation	2,879,464	2,664,868
Occupancy	167,883	130,274
Transportation	3,150	189,959
Depreciation	103,851	119,900
Insurance	33,477	21,610
Office	62,714	65,366
Interest	133,298	150,433
Instructional	164,612	90,999
Professional services and fees	414,930	413,282
Food service	19,055	261,475
Staff development	23,790	55,365
Organizational development	45,930	20,159
Other	145,016	125,988
Total expenses	4,197,170	4,309,678
Change in net position	$2,004,801	$ 495,011

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The School's funds, as presented on the balance sheet on page 15, reported a combined fund balance of $3,249,270. 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, 2021 year end, the differences consist of capital assets, long-term debt, and pension amounts, which are not reported in the School's funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

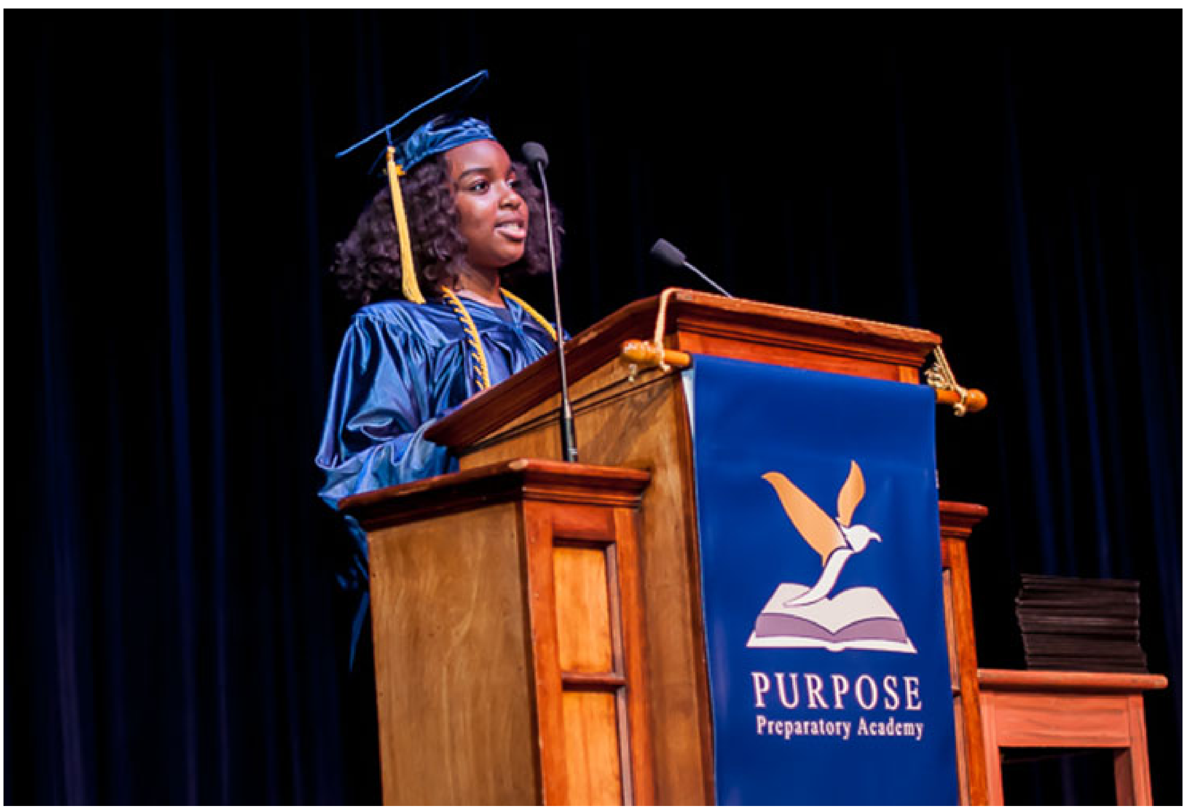
The School's investment in capital assets for its governmental activities as of June 30, 2021 amounted to $3,691,952 (net of depreciation). This investment includes land, buildings and improvements, furniture and equipment, and computer equipment. Additional information on the School's capital assets can be found in Note C to the financial statements.

Long-term Debt:

At the end of fiscal year 2021, the School's total debt was $3,294,523 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.



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.

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.

RESULTS: Purpose Prep is a proud partner with Metropolitan Nashville Public Schools providing an academically rigorous, highly structured, and joyful elementary school to the most underserved children in North Nashville. Unanimously approved by MNPS in June 2012 as part of the stated priority of the district to improve the academic success of children within the North Nashville community, specifically within the Pearl Cohn Cluster, which is one of the lowest performing cluster of schools in the city, Purpose Prep has established itself as a proof point for what is possible for our city. A Title I School with 75% of scholars who qualify for free and reduced lunch and 99% children of color, Purpose Prep is an outlier for performance within its community. As the highest performing elementary school in the Pearl Cohn Cluster, Purpose Prep has earned Reward School status twice. Notably, Purpose Prep made history in 2017 for being the first elementary school in North Nashville to ever have received Reward School status for academic performance. Additionally, Purpose Prep's academic outcomes with subgroups, particularly African-Americans and Economically Disadvantaged Students are particularly impressive and rank within the top schools in the district and state.

Further, over the course of the COVID-19 pandemic, Purpose Prep has and continues to support our families and scholars. By creating a virtual model equipped with synchronous and asynchronous instruction, ensuring 100% of families were equipped with technology devices and wi-fi service, providing 1:1 tech assistance by our operational team, and coordinating food distribution and supplies drives, Purpose Prep pivoted swiftly to provide impactful supports to our community. Having reopened safety to scholars in the Fall of 2021, we look forward to continuing to support families through this pandemic and towards even greater levels of success.

Indeed, Purpose Prep is critical to the success within the community of Nashville and to Tennessee's educational priorities. We are proud of the successes that our scholars have achieved and the progress that we are making towards our mission of ensuring an excellent education for the children of Nashville. We look forward to continuing to positively impact the lives of our scholars, their families, and our community in the years to come.

ACADEMICS: Purpose Prep's rigorous focus on essential literacy and mathematics skills, character development, and high expectations are integral components of the school's model that have enabled students to persist and yield positive academic outcomes year-after-year. Purpose Prep has a proven track record of producing results based on the resources it has in place tailored specifically to meet the academic and social emotional needs of our students.

Figure 1.02: TN Ready 2016-2021 Reading & Math Proficiency Percentages: Pearl-Cohn Cluster

Pearl-Cohn Cluster Elementary Schools	Reading On Track/Mastered Total %s				Math On Track/Mastered Total %s			
	2016-17	2017-18	2018-19	2020-21	2016-17	2017-18	2018-19	2020-21
Purpose Prep	**68.3**	**57.1**	**51.6**	**31.9**	**42.7**	**64.6**	**45.2**	**9.3**
Buena Vista	13.8	7.3	9.2	N/A	11.4	7.5	11.5	N/A
Cockrill	18.5	15.2	13.2	12.8	28.9	16.1	17.4	N/A
Hull-Jackson Montessori	29.5	29.4	14	24	30.4	32.4	30.6	14
Jones Paideia Magnet	32.9	29.1	16.3	8.7	26.7	16.4	7.6	N/A
Park Avenue	13.1	15.8	14	12.7	28.3	13.2	18.9	N/A
Robert Churchwell Mus. Magnet	15.3	12.2	9.2	N/A	15.2	14.5	18.5	N/A

For consecutive academic years, even during one of the most difficult years in the history of schooling given the global pandemic of Covid-19, Purpose Prep is the top achieving elementary school, leading the Pearl-Cohn Cluster in both reading and math achievement, setting a school model standard of excellence. The above data not only displays the significant gains Purpose Prep has made as an elementary school, but also the impact Purpose Prep has had within the Nashville community. On average, over our eligible TN Ready period, Purpose Prep's TN Ready reading and math achievement percentages are 52.2% and 40.5%, respectively. Comparatively, the remaining Cluster schools have consistently reported significantly lower achievement percentages for both subject areas. Cluster achievement averages over the extended period above are 15.89% and 15% for reading and math, respectively. Notably, Purpose Prep's average reading achievement score is 3.3 times that of the Cluster reading average, while Purpose Prep's average math achievement score is 2.7 times that of the Cluster math average.

Clearly, Purpose Prep has made a demonstrable impact within the Pearl Cohn Cluster, and one that displays the transformative nature of our work of reversing the North Nashville status quo. Additionally, Purpose Prep is outpacing the district and state performance.

Figure 1.03: TN Ready 2016-2021 Reading & Math Proficiency Percentages: Purpose Prep, District, and State

Tennessee Performance Data	Reading On Track/Mastered Total %s				Math On Track/Mastered Total %s			
	2016-17	2017-18	2018-19	2020-21	2016-17	2017-18	2018-19	2020-21
Purpose Prep	**68.3**	**57.1**	**51.6**	**31.9**	**42.7**	**64.6**	**45.2**	**9.3**
Davidson County	25.4	24.7	27.7	N/A	29.2	21.9	34.1	N/A
State of Tennessee	34	32.8	35.5	6	40.1	33	45.3	9

As demonstrated from the data above, Purpose Prep's reading average percentage of 52.2% is more than 2.5 times that of Davidson county's average reading achievement percentage, 19.45%. Similarly, Davidson county's average math achievement percentage, 21.3%, falls significantly short of Purpose Prep's average math achievement percentage, 40.5%. As a state, Tennessee's average reading and math achievement performance is 27.1% and 31.9%, respectively. Purpose Prep's average reading achievement score is 25.1% higher than that of the state, and Purpose Prep's average math achievement score is about 8.6% higher than that of the state.

The COVID-19 pandemic reset how we had to think about and deliver education. For safety purposes, we developed a virtual school model and led remote learning throughout the 2020-21 school year. These circumstances forced us to reconsider the best instructional practices and new methods to keep students engaged and learning virtually. Although we were able to successfully provide technology, Wi-Fi access, make significant investments in online literacy and math instructional platforms, and offer support to our families, learning loss was still very much a reality. Now that we have safely returned to in-person instruction, it is imperative that we build upon what we learned during the pandemic, certainly the technology skills and resourcefulness developed during this past year and a half, as well as maximize on the opportunity to be back in-person to best meet the needs of all of our scholars.

Since returning in the Fall of 2021, we have made it a top priority to adapt our curriculum to include spiral review and interventions so as to close any gaps with students that widened during our time away. Also, our enrollment processes could have been interrupted, but we kept our communication with families strong to ensure they accepted their seats and continued to commit to us for the 2021-22 school year. To maintain our trajectory of high teacher retention, we will continue to ensure robust and consistent instructional support in place throughout the year, including but not limited to: daily huddles, weekly grade-level meetings, biweekly coaching meetings, and monthly professional development.

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, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 3,142,643
Accounts receivable	507,646
Other current assets	19,444
Capital assets, net	3,691,952
Net pension asset	1,081,667
Restricted assets:	
TCRS Stabilization Reserve Trust	78,424
Total assets	8,521,776
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	474,933
Total deferred outflows of resources	474,933
LIABILITIES	
Accounts payable	4,607
Accrued expenses	164,280
Long-term debt due within one year	1,010,519
Long-term debt due in more than one year	2,284,004
Total liabilities	3,463,410
DEFERRED INFLOWS OF RESOURCES	
Pensions	1,310,181
Grants for future periods	330,000
Total deferred inflows of resources	1,640,181
NET POSITION	
Net investment in capital assets	397,429
Restricted	1,167,931
Unrestricted	2,327,758
Total net position	$ 3,893,118

See accompanying notes to financial statements.

PURPOSE PREPARATORY ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

GOVERNMENTAL ACTIVITIES:	Total	Functions: Student Instruction and Services	Functions: Administration	Functions: Fundraising
EXPENSES				
Instructional	$ 164,612	$ 164,612	$ -	$ -
Occupancy	167,883	45,211	122,672	-
Office	62,714	-	62,714	-
Organizational development	45,930	7,475	-	38,455
Professional services and fees	414,930	181,066	233,864	-
Employee compensation	2,879,464	1,998,228	881,236	-
Food service	19,055	19,055	-	-
Staff development	23,790	23,790	-	-
Transportation	3,150	3,150	-	-
Insurance	33,477	-	33,477	-
Depreciation	103,851	88,273	15,578	-
Interest	133,298	-	133,298	-
Other	145,016	2,516	142,500	-
Total expenses	4,197,170	2,533,376	1,625,339	38,455
PROGRAM REVENUES				
Operating grants and contributions	294,657	294,657	-	-
Capital grants and contributions	70,000	70,000	-	-
Net program expenses	3,832,513	$ 2,168,719	$ 1,625,339	$ 38,455
GENERAL REVENUES				
District funding	4,959,683			
Contributions	386,472			
Gain on forgiveness of debt	484,638			
Other	6,521			
Total general revenues	5,837,314			
CHANGE IN NET POSITION	2,004,801			
NET POSITION, June 30, 2020	1,888,317			
NET POSITION, June 30, 2021	$ 3,893,118			

See accompanying notes to financial statements.

PURPOSE PREPARATORY ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Purpose School Fund	Federal and State Grants Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 3,142,643	$ -	$ 3,142,643
Accounts receivable	421,854	85,792	507,646
Due from other funds	85,792	-	85,792
Other current assets	19,444	-	19,444
Restricted assets:			
TCRS Stabilization Reserve Trust	78,424	-	78,424
Total assets	$ 3,748,157	$ 85,792	$ 3,833,949
LIABILITIES			
Accounts payable	$ 4,607	$ -	$ 4,607
Accrued expenditures	164,280	-	164,280
Due to other funds	-	85,792	85,792
Total liabilities	168,887	85,792	254,679
DEFERRED INFLOWS OF RESOURCES			
Grants for future periods	330,000	-	330,000
Total deferred inflows of resources	330,000	-	330,000
FUND BALANCES			
Nonspendable	19,444	-	19,444
Restricted:			
Internal school funds	7,840		7,840
TCRS Stabilization Reserve Trust	78,424	-	78,424
Unassigned	3,143,562	-	3,143,562
Total fund balances	3,249,270	-	3,249,270
Total liabilities and fund balances	$ 3,748,157	$ 85,792	$ 3,833,949

See accompanying notes to financial statements.

PURPOSE PREPARATORY ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS - CONTINUED
JUNE 30, 2021

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	$	3,249,270
Capital assets not reported in the governmental funds balance sheet		3,691,952
Some liabilities may not be due and payable in the current period and, therefore, are not reported in the funds:		
Long-term debt		(3,294,523)
Pension amounts not reported above:		
Net pension asset		1,081,667
Deferred inflows of resources for pensions		(1,310,181)
Deferred outflows of resources for pensions		474,933
Net position of governmental activities in the statement of net position	$	3,893,118

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, 2021

	General Purpose School Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES			
Contributions	$ 386,472	$ -	$ 386,472
District funding	4,959,683	-	4,959,683
Federal and state grants	-	364,657	364,657
Other income	5,713	-	5,713
Other income - internal school funds	808	-	808
Total revenues	5,352,676	364,657	5,717,333
EXPENDITURES			
Current:			
Instructional	125,880	38,732	164,612
Occupancy	64,973	102,910	167,883
Office	62,714	-	62,714
Organizational development	45,930	-	45,930
Professional services and fees	414,930	-	414,930
Employee compensation	2,917,956	219,935	3,137,891
Food services	15,975	3,080	19,055
Staff development	23,790	-	23,790
Transportation	3,150	-	3,150
Insurance	33,477	-	33,477
Other	145,016	-	145,016
Debt service:			
Principal	138,798	-	138,798
Interest	133,298	-	133,298
Total expenditures	4,125,887	364,657	4,490,544
Excess of revenues over expenditures	1,226,789	-	1,226,789
NET CHANGE IN FUND BALANCES	1,226,789	-	1,226,789
FUND BALANCES, June 30, 2020	2,022,481	-	2,022,481
FUND BALANCES, June 30, 2021	$ 3,249,270	$ -	$ 3,249,270

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, 2021

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	$ 1,226,789
Amounts reported as expenditures in the governmental funds statements not included as expenses in the school-wide statements:	
Debt service principal	138,798
Expenses in the school-wide statements not included as expenditures in the governmental funds statements:	
Depreciation expense	(103,851)
Long-term debt forgiveness not reported in the governmental funds	484,638
Differences between expenses in the school-wide statements and expenditures in the governmental funds statements:	
(Negative) pension expense	258,427
Change in net position of governmental activities	$ 2,004,801

See accompanying notes to financial statements.

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.

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 fourth 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.

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.

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.

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.

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.

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 $85,792 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.

B. DEPOSITS WITH FINANCIAL INSTITUIONS

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:

	Balance June 30, 2020	Additions/ Transfers In	Retirements/ Transfers Out	Balance June 30, 2021
Land	$ 860,000	$ -	$ -	$ 860,000
Building and improvements	3,656,664	-	-	3,656,664
Furniture and equipment	135,151	-	-	135,151
Computer equipment	130,423	-	-	130,423
Subtotal	4,728,238	-	-	4,782,238
Accumulated depreciation	(986,435)	(103,851)	-	(1,090,286)
Capital assets, net	$ 3,795,803	$(103,851)	$ -	$ 3,691,952

Depreciation was charged to governmental activities as follows:

Student instruction and services	$ 88,273
Administration	15,578
	$103,851

C. CAPITAL ASSETS - Continued

At June 30, 2021, net investment in capital assets is calculated as follows:

Capital assets, net	$ 3,691,952
Long-term debt due within one year	(1,010,519)
Long-term debt due in more than one year	(2,284,004)
Net investment in capital assets	$ 397,429

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, 2021 was 4.25%. The line-of-credit is collateralized by substantially all the assets of the School. As of June 30, 2021, 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, 2021.

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 bears interest at a fixed rate of 6.00% and is 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 are due monthly through February 2022. All remaining principal and interest is due in February 2022. The outstanding balance of the note payable is $899,129 at June 30, 2021.

The outstanding NFF note payable contains (1) a provision that in an event of default, NFF may declare the note outstanding to be immediately due and payable in whole together with accrued interest and all other accrued fees and other obligations and (2) a provision that, if necessary, NFF shall apply the proceeds of any sale or other disposition of the collateral in the following order: first, to the payment of the expenses, fees and other amounts (including the fees and expenses of NFF's counsel) incurred by NFF in retaking, holding and preparing any of the collateral for sale(s) or other disposition, in arranging for such sale(s) or other disposition, and in actually selling or disposing of the same; second, toward repayment of any amounts expended by NFF hereunder; and third, toward payment of the balance of the obligations under the note payable in such order and manner as NFF, in its discretion, may deem advisable. Any surplus remaining shall be delivered to the School or as a court of competent jurisdiction may direct. If the proceeds are insufficient to pay the obligations under the note payable in full, the School shall remain liable for any deficiency.

E. LONG-TERM DEBT - Continued

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 $2,395,394 at June 30, 2021.

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.

On April 30, 2020, the School received funding from the Paycheck Protection Program (“PPP”) loan in the amount of $484,638, which it applied for in response to the economic impact from the COVID-19 pandemic (see Note K). Interest accrues at a fixed rate of 1% and the loan matures in April 2022. The loan is subject to forgiveness if it is utilized for expenditures, such as certain payroll, rent, and utility costs, during a 24-week covered period. Loan payments are deferred until the Small Business Administration (“SBA”) determines the amount of forgiveness and remits to the lender. However, if the borrower does not apply for forgiveness within 10 months after the last day of the covered period, monthly principal and interest payments will be required at that 10^{th} month. The School utilized the loan proceeds for purposes that qualify the loan for forgiveness and the loan was fully forgiven in April 2021. The balance of the note payable at June 30, 2021 was $-0-.

E. LONG-TERM DEBT - Continued

The loan agreements also require the School to comply with certain financial covenants. As of June 30, 2021, 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, 2021:

	Balance June 30, 2020	Additions	Payments	Balance June 30, 2021
Note payable - NFF	$ 930,136	$ -	$(31,007)	$ 899,129
Note payable - Bond Series 2017	2,503,185	-	(107,791)	2,395,394
Note Payable - PPP	484,638	-	(484,638)	-
Total notes payable	$3,917,959	$ -	$(623,437)	$3,294,523
Line-of-credit	$ -	$ -	$ -	$ -

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

Year Ending June 30,	Interest/Fees	Principal
2022	$ 110,511	$1,010,519
2023	71,410	115,012
2024	67,856	118,566
2025	63,816	122,606
2026	59,830	126,593
2027 - 2031	234,819	697,291
2032 - 2036	113,825	818,285
2037 - 2038	7,503	285,651
	$ 729,570	$3,294,523

F. LEASING ARRANGEMENTS

The School leases computers and certain office equipment under lease agreements that require the School to pay a base rent plus an additional fee, which varies based on actual usage of the equipment. The lease agreements are non-cancelable. The School's rent expense, including usage fees, for the year ended 2021 totaled $82,372. A summary of future minimum lease payments is as follows:

Year Ending June 30,	Amount
2022	$ 67,423
2023	38,696
2024	13,503
	$119,622

G. FUND BALANCES

The General Purpose School Fund includes fund balance amounts presented as nonspendable totaling $19,444 as they are not in spendable form, restricted for the TCRS Stabilization Reserve Trust (See Note J) totaling $78,424, and restricted for internal school funds totaling $7,840.

H. CONCENTRATIONS

The School received approximately 80% 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, 2021, was $4,959,683. Outside fundraising for capital needs is on-going since the charter school agreement with MNPS does not include an allocation for capital expenditures.

I. 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.

I. 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.

I. 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, 2021 to the Teacher Legacy Pension Plan were $26,897, which is 10.27 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, 2021 to the Teacher Retirement Plan were $18,772, which is 2.02 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.

I. PENSION PLANS - Continued

(B) Pension Liabilities (Assets) - TCRS Plans

Pension Liability (Asset)

Teacher Legacy Pension Plan

At June 30, 2021, the School reported an asset of $(193,057) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial value 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 0.025316 percent. The proportion measured as of June 30, 2020 was 0.004528 percent.

Teacher Retirement Plan

At June 30, 2021, the School reported an asset of $(46,377) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial value 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 0.081558 percent. The proportion measured as of June 30, 2020 was 0.118089 percent.

Actuarial assumptions

Teacher Legacy Pension Plan and Teacher Retirement Plan

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 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	7.25 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25 percent

I. PENSION PLANS - Continued

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

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 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 2.5 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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31.00%
Developed market international equity	5.29%	14.00%
Emerging market international equity	6.36%	4.00%
Private equity and strategic lending	5.79%	20.00%
U.S. fixed income	2.01%	20.00%
Real estate	4.32%	10.00%
Short-term securities	0.00%	1.00%
		100.00%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the factors described above.

I. PENSION PLANS - Continued

Discount rate

Teacher Legacy Pension Plan and Teacher Retirement Plan

The discount rate used to measure the total pension liability was 7.25 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 the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(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.

I. 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 12.340 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, 2021 were $127,187.

I. PENSION PLANS - Continued

(B) Pension Liabilities - Metro Plan

Pension Liability

The School reported an asset of $(842,233) 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 July 1, 2020. 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, 2021 relative to all contributions for 2021. At the June 30, 2021 measurement date, the School's proportionate share was 0.147183 percent. The proportionate share was 0.097815 percent as of June 30, 2020.

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	7.25 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, 2020 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.

I. 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:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
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%
		100.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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, 2021:

TCRS Legacy Plan	$(193,057)
TCRS Retirement Plan	(46,377)
Metro Plan	(842,233)
Net pension asset	$(1,081,667)

I. 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 7.25 percent, 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability (asset):			
TCRS Legacy Plan	$ 600,402	$(193,057)	$(851,021)
TCRS Retirement Plan	36,074	(46,377)	(107,154)
Metro Plan	(272,234)	(842,233)	(1,359,192)
Total	$ 364,242	$(1,081,667)	$(2,317,367)

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, 2021, the School recognized pension expense (negative pension expense) as follows:

TCRS Legacy Plan	$(108,546)
TCRS Retirement Plan	1,674
Metro Plan	(151,555)
	$(258,427)

I. PENSION PLANS - Continued

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
TCRS Legacy Plan	$ 7,339	$ 92,818
TCRS Retirement Plan	1,723	11,622
Metro Plan	98,027	50,875
Changes in assumptions		
TCRS Legacy Plan	17,538	-
TCRS Retirement Plan	1,454	-
Metro Plan	76,495	-
Net difference between projected and actual earnings on pension plan investments		
TCRS Legacy Plan	43,177	-
TCRS Retirement Plan	3,778	-
Metro Plan	-	1,093,905
Changes in proportion of net pension liability (asset)		
TCRS Legacy Plan	6,619	60,766
TCRS Retirement Plan	18,787	195
Metro Plan	154,387	-
Contributions subsequent to the measurement date of June 30, 2020		
TCRS Legacy Plan	26,897	N/A
TCRS Retirement Plan	18,772	N/A
Metro Plan (June 30, 2021 measurement date)	N/A	N/A
Total	$474,933	$1,310,181

The School's employer contributions of $45,669 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

I. PENSION PLANS - Continued

Year Ended June 30,	TCRS Legacy Plan	TCRS Retirement Plan	Metro Plan	Total
2022	$(72,630)	$1,313	$(255,594)	$(326,911)
2023	(21,488)	1,859	(221,569)	(241,198)
2024	(13,415)	2,137	(196,287)	(207,565)
2025	28,562	2,216	(217,891)	(187,113)
2026	-	936	40,033	40,969
Thereafter	-	5,464	35,437	40,901

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, 2021, the School reported a payable for the outstanding amount of contributions to the Pension Plans required at the year ended June 30, 2021 as follows:

TCRS Legacy Plan	$ 2,617
TCRS Retirement Plan	8,949
Metro Plan	24,728
	$ 36,294

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, 2021, the School recognized pension expense of $48,067 related to the defined contribution component of the Plan. At June 30, 2021, the School reported a payable of $7,275 for the outstanding amount of contributions related to the defined contribution component of the Plan.

J. 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, 2021, 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).

J. 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.

J. 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, 2021, the School's assets balance was $78,424 and had the following investments held by the trust on its behalf:

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	$ 24,312
Developed Market International Equity	N/A	N/A	10,979
Emerging Market International Equity	N/A	N/A	3,137
U.S. Fixed Income	N/A	N/A	15,685
Real Estate	N/A	N/A	7,842
Short-term Securities	N/A	N/A	784
NAV-Private Equity and Strategic Lending	N/A	N/A	15,685
Total			$ 78,424

J. RESTRICTED ASSETS - TCRS STABILIZATION RESERVE TRUST - Continued

		Fair Value Measurements Using			
Investment by Fair Value Level	Fair Value 6-30-21	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV
U.S. Equity	$ 24,312	$ 24,312	$ -	$ -	$ -
Developed Market International Equity	10,979	10,979	-	-	-
Emerging Market International Equity	3,137	3,137	-	-	-
U.S. Fixed Income	15,685	-	15,685	-	-
Real Estate	7,842	-	-	7,842	-
Short-term Securities	784	-	784	-	-
Private Equity and Strategic Lending	15,685	-	-	-	15,685
Total	$ 78,424	$ 38,428	$ 16,469	$ 7,842	$ 15,685

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.

J. 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.

K. RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the pandemic continues to evolve as of the date of this report and has affected the School's operational and financial performance due to the impact on its students, contributors, and employees and vendors, which is the result of various restrictions put in place by governments to curtail the spread of the coronavirus as well as due to developments such as social distancing and shelter-in-place directives.

K. RISKS AND UNCERTAINTIES - Continued

In addition, this pandemic has adversely affected global economic activity and contributed to deterioration and instability in financial markets. The pandemic may have a continued material adverse impact on economic and market conditions, triggering a period of economic slowdown. As such, this may hinder the School's ability to advance their mission. To mitigate the negative impact on its operational and financial performance, the School received financing from the Small Business Administration (the "SBA") in fiscal year 2020 totaling $484,638 through the Paycheck Protection Program, which was fully forgiven in fiscal year 2021. See Note E for details regarding this loan.

While expected to be temporary, the School cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, it may have an adverse effect on the School's results of future operations, financial position, and liquidity in fiscal year 2022.

L. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 23, 2021, 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,

Teacher Legacy Plan of TCRS	2015	2016	2017	2018	2019	2020	2021
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Proportion of the net pension liability (asset)	0.0062%	0.0071%	0.0047%	0.0068%	0.0070%	0.0045%	0.0253%
Proportionate share of the net pension liability (asset)	$ (1,005)	$ 2,912	$ 29,055	$ (2,217)	$ (24,686)	$ (46,554)	$ (193,057)
Covered payroll	$ 244,856	$ 266,182	$ 167,840	$ 239,502	$ 245,647	$ 151,825	$ 198,847
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%
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%

Teacher Retirement Plan of TCRS	2015 (1)	2016	2017	2018	2019	2020	2021
Measurement date		June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Proportion of the net pension liability (asset)		0.1229%	0.1277%	0.1284%	0.1206%	0.1181%	0.0816%
Proportionate share of the net pension liability (asset)		$ (4,943)	$ (13,296)	$ (33,872)	$ (54,701)	$ (66,660)	$ (46,377)
Covered payroll		$ 255,277	$ 561,981	$ 842,640	$ 1,054,007	$ 1,249,626	$ 1,028,187
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%
Plan fiduciary net position as a percentage of the total pension liability		127.46%	121.88%	126.81%	126.97%	123.07%	116.52%

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.

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

Metro Plan	2015	2016	2017	2018	2019	2020	2021
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)	0.0387%	0.0439%	0.0478%	0.0538%	0.0641%	0.0978%	0.1472%
Proportionate share of the net pension liability (asset)	$ 26,649	$ 97,081	$ 19,516	$ 43,901	$ 78,542	$ 212,065	$ (842,233)
Covered payroll	$ 202,063	$ 242,308	$ 286,021	$ 333,663	$ 401,248	$ 623,298	$ 1,030,689
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%
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%

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,

Teacher Legacy Pension Plan of TCRS	2014	2015	2016	2017	2018	2019	2020	2021
Actuarial Determined Contributions (ADC)	$ 21,590	$ 24,063	$ 15,173	$ 21,651	$ 22,305	$ 15,881	$ 89,568	$ 26,897
Contributions in relation to the actuarially determined contribution	21,590	24,063	15,173	21,651	22,305	15,881	89,568	26,897
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 244,856	$ 266,182	$ 167,840	$ 239,502	$ 245,647	$ 151,825	$ 198,847	$ 261,899
Contributions as a percentage of covered payroll	8.82%	9.04%	9.04%	9.04%	9.08%	10.46%	45.04%	10.27%

Teacher Retirement Plan of TCRS	2014	2015	2016	2017	2018	2019*	2020*	2021*
Actuarial Determined Contributions (ADC)	N/A	$ 6,382	$ 14,068	$ 33,705	$ 17,188	$ 24,243	$ 20,893	$ 18,772
Contributions in relation to the actuarially determined contribution		10,211	22,479	33,705	42,160	24,243	20,893	18,772
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	$ 929,307
Contributions as a percentage of covered payroll		4.00%	4.00%	4.00%	4.00%	1.94%	2.03%	2.02%

Metro Plan	2014	2015	2016	2017	2018	2019	2020	2021
Actuarial Determined Contributions (ADC)	$ 12,535	$ 36,345	$ 37,582	$ 35,295	$ 41,174	$ 49,514	$ 76,915	$ 127,187
Contributions in relation to the actuarially determined contribution	12,535	36,345	37,582	35,295	41,174	49,514	76,915	127,187
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 73,231	$ 202,063	$ 242,308	$ 286,021	$ 333,663	$ 401,248	$ 623,298	$ 1,030,689
Contributions as a percentage of covered payroll	17.12%	17.99%	15.51%	12.34%	12.34%	12.34%	12.34%	12.34%

* In fiscal years 2019, 2020 and 2021, the School placed the actuarially determined contribution rate (1.94 percent, 2.03 percent, and 2.02 percent, respectively) of covered payroll into the pension plan and placed 2.06 percent, 1.97 percent, and 1.98 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 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return form 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.

OTHER INFORMATION

PURPOSE PREPARATORY ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2021

Program Name/Grantor	CFDA Number	Contract Number	Total Expenditures
Federal Awards			
U.S. DEPARTMENT OF AGRICULTURE:			
Passed through Tennessee Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	N/A	$ 1,885
School Breakfast Program	10.553	N/A	1,195
Total Child Nutrition Cluster			3,080
Total U.S. Department of Agriculture			3,080
U.S. DEPARTMENT OF TREASURY:			
Passed through Tennessee Department of Education			
Coronavirus Relief Fund			
LEA Reopening and Programmatic Support Grant	21.019	N/A	5,000
Remote Learning Technology Grant	21.019	N/A	16,710
Technology Connectivity	21.019	N/A	16,200
Total Coronavirus Relief Fund			37,910
Total U.S. Department of Treasury			37,910
U.S. DEPARTMENT OF EDUCATION:			
Passed through Tennessee Department of Education and Metropolitan Nashville Public Schools			
Title I Grants to Local Educational Agencies	84.010	N/A	102,060
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	N/A	48,983
Total Special Education Cluster			48,983
Supporting Effective Instruction State Grant	84.367	N/A	16,832
Education Stabilization Fund (ESF)			
Governor's Emergency Education Relief Fund	84.425C	N/A	33,732
Elementary and Secondary Education Emergency Relief Fund	84.425D	N/A	52,060
Total Education Stabilization Fund			85,792
Total U.S. Department of Education			253,667
Total Federal Awards			294,657
State Financial Assistance			
TENNESSEE DEPARTMENT OF EDUCATION:			
Basic Education Program	N/A	N/A	70,000
Passed through Metropolitan Nashville Public Schools			
Basic Education Program	N/A	N/A	4,959,683
Total State Awards			5,029,683
Total Federal and State Awards			$ 5,324,340

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, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2020	Issued During Period	Paid and/or Matured During Period	Forgiven During Period	Outstanding 6/30/2021
Governmental Activities:									
NOTES PAYABLE									
Payable through General Fund									
Nonprofit Finance Fund ("NFF")	$ 1,000,000	6.000%	2/3/2017	2/1/2022	$ 930,136	$ -	$ 31,007	$ -	$ 899,129
Bond Series 2017	2,720,000	3.160%	2/3/2017	1/15/2038	2,503,185	-	107,791	-	2,395,394
PPP Loan	484,638	1.000%	4/30/2020	4/29/2022	484,638	-	-	484,638	-
Total Notes Payable through General Fund					$ 3,917,959	$ -	$ 138,798	$ 484,638	$ 3,294,523
OTHER LOANS PAYABLE									
Payable through General Fund									
Line-of-credit	$ 250,000	Variable	11/27/2012	10/7/2025	$ -	$ -	$ -	$ -	$ -

See independent auditor's report.

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

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, 2021, 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 23, 2021.

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 may exist that have not been identified.

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 23, 2021

FINANCIAL STATEMENT FINDINGS

None reported.

PURPOSE PREPARATORY ACADEMY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

The School had no audit findings for the year ended June 30, 2020.