

**INTREPID COLLEGE PREP**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

INTREPID COLLEGE PREP

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INTREPID COLLEGE PREP  
INTRODUCTORY SECTION

BOARD OF DIRECTORS

Ryan Holt	Board Chairman
Tizgel High	Vice Chairwoman
Mary Cypress Metz	Secretary
Todd Jones	Treasurer
John Barton	Director
Shane Foster	Director
Tom Frye	Director
Crews Johnston, III	Director
Maria Ornelas	Director
La'Vasia Burton	Director
Yousef Husseini	Director

LEADERSHIP TEAM

Abigail Rockey	CEO
Amber Turner	Chief Schools Officer
Lizzie Stewart	Principal of Independence Academy
Alexandra Ball	Principal of Opportunity Academy



## Independent Auditor's Report

To the Board of Directors  
Intrepid College Prep  
Antioch, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Intrepid College Prep (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.



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, each major fund, and the aggregate remaining fund information of Intrepid College Prep as of June 30, 2021 and the respective changes in financial position for the year ended June 30, 2021, 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 - 9 and the schedule of the proportionate share of the net pension liability (asset) and schedule of employer contributions on pages 44 - 46 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 Intrepid College Prep's basic financial statements. The introductory section, schedule of changes in long-term debt by individual issue, and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Tennessee Comptroller of the Treasury's *Audit Manual for Local Governmental Units and Other Schools* and is also not a required part of the basic financial statements.



The schedule of changes in long-term debt by individual issue, combining nonmajor fund financial statements and schedule of expenditures of federal awards and state financial assistance are the responsibility of management and was 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 changes in long-term debt by individual issue, combining nonmajor fund financial statements and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Nashville, Tennessee  
March 30, 2022

INTREPID COLLEGE PREP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Intrepid College Prep's annual financial performance provides an overview of the School's financial activities as of and for the year ended June 30, 2021 and 2020. 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 \$5,767,307.
- Net position increased \$4,773,631 during the period.
- Total revenues of \$13,294,005 were comprised of Federal and State Pass-through Funds- 9%, District Funds- 82%, and Charitable Giving/Other- 9%.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of a series of financial statements, notes to those statements, required supplementary information 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 period'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 period's revenue and expenses are taken into consideration regardless of when cash is received or paid. The statements start on page 10.

The Statement of Net Position reports the School's net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources). Private sector entities would report retained earnings. The School's net position balance at period end represents available resources for future growth. The Statement of Activities reports the change in net position as a result of activity during the period. 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 period. 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.

INTREPID COLLEGE PREP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

**REPORTING THE SCHOOL'S FUNDS**

*Fund Financial Statements:*

The School's fund financial statements, the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances, begin on page 12. 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 period-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 13 and 15.

**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 year, resulting in net position of \$5,767,307. The School's net position includes \$4,346,606 of cash. The cash is available to meet the School's ongoing activities.

As of June 30, 2021, the School had invested \$982,518 in capital assets. This investment includes building and improvements for instructional purposes and instructional and support furniture. Additional information on property and equipment is located in Note D to the financial statements. The School expects additional capital asset purchases in the 2021-2022 school year as student enrollment increases.

The School has debt in the amount of \$279,735. This debt was used to fund certain capital purchases and improvements. See Note E to the financial statements for further information.



INTREPID COLLEGE PREP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

	<u>2021</u>	<u>2020</u>
Current assets	\$5,026,749	\$2,126,789
Capital assets, net and other non-current assets	<u>1,834,140</u>	<u>1,132,832</u>
Total assets	<u>6,860,889</u>	<u>3,259,621</u>
Deferred outflows of resources	<u>316,756</u>	<u>360,639</u>
Current liabilities	413,318	795,999
Noncurrent liabilities	<u>158,441</u>	<u>1,594,045</u>
Total liabilities	<u>571,759</u>	<u>2,390,044</u>
Deferred inflows of resources	<u>838,582</u>	<u>236,540</u>
Net position:		
Net investment in capital assets	702,783	506,313
Restricted	200,120	222,620
Unrestricted	<u>4,864,404</u>	<u>264,743</u>
Total net position	<u>\$5,767,307</u>	<u>\$ 993,676</u>

The School's total net position increased \$4,773,631 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 were \$13,294,005, an increase of \$4,894,900 when compared to fiscal year 2020. Revenues generated from government grants and district funding were \$12,126,020 during the year, an increase of \$4,043,581 when compared to 2020. The increase is primarily due to an increased enrollment with the addition of a 12th grade in 2021, an increase in BEP per student, additional federal funding received for COVID-19, and the forgiveness of the School's PPP loan. Contributions from individuals and organizations of \$209,673 decreased by \$49,641 during 2021. Total expenses were \$8,520,374 in 2021, an increase of \$134,725 also related to the addition of another grade in fiscal year 2021.

The increase in net position of \$4,773,631 in 2021 is \$4,760,175 more than the increase in net position of \$13,456 in 2020. Total revenue increased by approximately 58% as expenses increased approximately 2%. Total revenues increased at a faster rate due to increased district funding and COVID-19 related funding (most of which was capitalized for equipment purchases), forgiveness of PPP loan and cost control measures of expenses.

INTREPID COLLEGE PREP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

A schedule of the School's revenues and expenses for the years ended June 30, 2021 and 2020, is as follows. The schedule is for the School as a whole, not for the governmental funds.

	<u>2021</u>	<u>2020</u>
Revenues:		
District funding	\$10,901,366	\$7,385,928
Federal and state grants	1,224,654	696,511
Contributions	209,673	259,324
Other	<u>958,312</u>	<u>57,342</u>
Total revenues	<u>13,294,005</u>	<u>8,399,105</u>
Expenses:		
Employee compensation	5,182,680	5,083,630
Occupancy	1,320,405	1,268,107
Transportation	67,500	358,103
Depreciation	356,278	319,377
Insurance	64,141	52,206
Office expense	209,360	177,291
Interest	30,755	37,168
Instructional	203,962	143,604
Professional services and fees	346,761	240,506
Food services	232,994	300,746
Other expenses	<u>363,270</u>	<u>404,911</u>
Total expenses	<u>8,520,374</u>	<u>8,385,649</u>
Change in net position	<u>\$ 4,773,631</u>	<u>\$ 13,456</u>

### FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The School's funds, as presented on the balance sheet on page 12 reported a combined fund balance of \$4,934,845. 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, and one nonmajor fund consisting of the Restricted Contributions 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, pension amounts, and debt, which are not reported in the School's funds.

### SCHOOL ACTIVITIES

Intrepid College Preparatory Charter School (the "School") is a high performing charter school educating students in Nashville's lowest income and most educationally underserved communities in Southeast Nashville. Intrepid College Prep is committed to ensuring our scholars, educators, and families have the opportunity to unlock an unlimited future. By providing rigorous academic instruction and creating powerful relationships amongst our community's members, we ignite passion, seek knowledge, and inspire the bravery needed to have a profound impact in our world.

**INTREPID COLLEGE PREP  
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

The School currently serves approximately 900 students in grades five through twelve in middle and high school. Per 2018 TN Ready results, Intrepid ranked #1 among open enrollment schools in HS Math and HS ELA. Intrepid was named a TN Reward School for academic achievement, student growth, ELL proficiency and low rates of chronic absenteeism.

Now in its ninth year, the School has become a proof point in Southeast Nashville that demographics do not equal destiny. Over ninety percent of the School’s students are zoned to under-performing neighborhood middle schools. Seventy-nine percent of the school’s students are economically disadvantaged. Sixty-seven percent speak a language at home other than English. The School is honored to provide a college preparatory education in the Antioch community. The School’s students must - and do - make significant academic growth each year, and outperform neighborhood schools as well as city and state averages on standardized tests.

<b>Comparative English TN Ready Pass Rates in 18-19</b>			
	<b>Intrepid</b>	<b>MNPS</b>	<b>State of TN</b>
<b>Opportunity Academy</b>	26.8%	25.9%	33.7%
<b>Independence Academy</b>	42.5%	26.40%	37.7%

<b>Comparative Math TN Ready Pass Rates in 18-19</b>			
	<b>Intrepid</b>	<b>MNPS</b>	<b>State of TN</b>
<b>Opportunity Academy</b>	32.6%	29.9%	40.8%
<b>Independence Academy</b>	43%	13.4%	30%

**CONTACTING THE SCHOOL’S FINANCIAL MANAGEMENT**

This financial report is designed to provide transparency and accountability to all stakeholders and interested parties in the financial management and sustainability of Intrepid College Prep. For questions about this report or additional financial information, contact the School’s CEO, Abigail Rockey, by telephone at (215) 285-4622 or by email to [arockey@intrepidcollegeprep.org](mailto:arockey@intrepidcollegeprep.org).

INTREPID COLLEGE PREP  
STATEMENT OF NET POSITION  
JUNE 30, 2021

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,346,606
Investments	48,846
Grants receivable	506,357
Prepays	124,940
Capital assets, net	982,518
Net pension asset	651,502
Restricted asset:	
TCRS Stabilization Reserve Trust	<u>200,120</u>
Total assets	<u>6,860,889</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	<u>316,756</u>
 <b>LIABILITIES</b>	
Accounts payable and accrued expenses	292,021
Long-term debt, payable within one year	121,294
Long-term debt, payable in more than one year	158,441
Net pension liability	<u>-</u>
Total liabilities	<u>571,756</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	<u>838,582</u>
 <b>NET POSITION</b>	
Net investment in capital assets	702,783
Restricted:	
TCRS Stabilization Reserve Trust	200,120
Unrestricted	<u>4,864,404</u>
Total net position	<u>\$ 5,767,307</u>

See accompanying notes to financial statements.

INTREPID COLLEGE PREP  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021

<u>GOVERNMENTAL ACTIVITIES:</u>	Functions		
	Total	Student Instruction and Services	Administration
<b>EXPENSES</b>			
Instructional	\$ 203,962	\$ 203,962	\$ -
Occupancy	1,320,405	1,122,344	198,061
Office	209,360	-	209,360
Other	363,270	312,500	50,770
Organizational development	142,268	95,913	46,355
Professional services and fees	346,761	97,275	249,486
Employee compensation	5,182,680	3,284,340	1,898,340
Food services	232,994	232,994	-
Insurance	64,141	-	64,141
Interest	30,755	-	30,755
Transportation	67,500	67,500	-
Depreciation	<u>356,278</u>	<u>302,836</u>	<u>53,442</u>
Total expenses	8,520,374	5,719,664	2,800,710
<b>PROGRAM REVENUES</b>			
Operating grants and contributions	1,037,654	1,037,654	-
Capital grants and contributions	<u>187,000</u>	<u>187,000</u>	<u>-</u>
Net program expenses	<u>7,295,720</u>	<u>\$ 4,495,010</u>	<u>\$ 2,800,710</u>
<b>GENERAL REVENUES</b>			
District funding	10,901,366		
Contributions	209,673		
Other income	<u>958,312</u>		
Total general revenues	<u>12,069,351</u>		
<b>CHANGE IN NET POSITION</b>	4,773,631		
<b>NET POSITION, June 30, 2020</b>	<u>993,676</u>		
<b>NET POSITION, June 30, 2021</b>	<u>\$ 5,767,307</u>		

See accompanying notes to financial statements.

INTREPID COLLEGE PREP  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2021

	General Purpose School Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 4,346,606	\$ -	\$ -	\$ 4,346,606
Investments	48,846	-	-	48,846
Receivables	202,802	303,555	-	506,357
Due from other funds	303,555	-	-	303,555
Prepays	124,940	-	-	124,940
Restricted asset:				
TCRS Stabilization Reserve Trust	200,120	-	-	200,120
Total assets	\$ 5,226,869	\$ 303,555	\$ -	\$ 5,530,424
<b>LIABILITIES</b>				
Accounts payable	\$ 161,417	\$ -	\$ -	\$ 161,417
Accrued expenditures	130,607	-	-	130,607
Due to other funds	-	303,555	-	303,555
Total liabilities	292,024	303,555	-	595,579
<b>FUND BALANCES</b>				
Nonspendable	124,940	-	-	124,940
Restricted				
TCRS Stabilization Reserve Trust	200,120	-	-	200,120
Internal School Funds	-	-	-	-
Unassigned	4,609,785	-	-	4,609,785
Total fund balances	4,934,845	-	-	4,934,845
Total liabilities and fund balances	\$ 5,226,869	\$ 303,555	\$ -	\$ 5,530,424

See accompanying notes to financial statements.

INTREPID COLLEGE PREP  
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	\$ 4,934,845
Capital assets not reported in the governmental funds balance sheet	982,518
Pension amounts not reported in the governmental funds balance sheet:	
Net pension asset	651,502
Net pension liability	-
Deferred outflows of resources for pensions	316,756
Deferred inflows of resources for pensions	(838,582)
Long-term debt not reported in the governmental funds balance sheet	<u>(279,732)</u>
Net position of governmental activities in the statement of net position	<u>\$ 5,767,307</u>

See accompanying notes to financial statements.

INTREPID COLLEGE PREP  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2021

	General Purpose School Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Contributions	\$ 209,673	\$ -	\$ -	\$ 209,673
District funding	10,901,366	-	-	10,901,366
Federal and state grants	-	1,224,654	-	1,224,654
Other income	51,435	-	-	51,435
Other income - internal school funds	1,877	-	-	1,877
Total revenues	<u>11,164,351</u>	<u>1,224,654</u>	<u>-</u>	<u>12,389,005</u>
<b>EXPENDITURES</b>				
Current:				
Instructional	191,958	12,000	-	203,958
Occupancy	1,231,446	88,959	-	1,320,405
Office	209,360	-	-	209,360
Other	361,393	-	-	361,393
Other - internal school funds	1,877	-	-	1,877
Organizational development	142,268	-	-	142,268
Professional services and fees	306,761	40,000	-	346,761
Employee compensation	4,800,481	401,452	120,000	5,321,933
Food services	(12,379)	245,373	-	232,994
Insurance	64,141	-	-	64,141
Transportation	67,500	-	-	67,500
Debt service:				
Principal payments	603,208	-	-	603,208
Interest	30,755	-	-	30,755
Capital outlay	12,669	436,870	-	449,539
Total expenditures	<u>8,011,438</u>	<u>1,224,654</u>	<u>120,000</u>	<u>9,356,092</u>
<b>OTHER FINANCING SOURCES</b>				
Issuance of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	3,152,913	-	(120,000)	3,032,913
FUND BALANCES, June 30, 2020	<u>1,781,932</u>	<u>-</u>	<u>120,000</u>	<u>1,901,932</u>
FUND BALANCES, June 30, 2021	<u>\$ 4,934,845</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,934,845</u>

See accompanying notes to financial statements.



INTREPID COLLEGE PREP  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - CONTINUED  
GOVERNMENTAL FUNDS  
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	\$ 3,032,913
Amounts reported as expenditures in the governmental funds not included as expenses in the school-wide statements:	
Capital outlay	449,539
Issuance of debt recorded as revenue in the governmental funds, but reflected as long-term debt in the school-wide statements	-
Principal payments on debt recorded as expense in the governmental funds, but reflected as long-term debt in the school-wide statements	603,208
Forgiveness of PPP loan	905,000
Expenses in the school-wide statements not included in the governmental funds:	
Depreciation expense	(356,278)
Expenditures for pensions in the governmental funds consist of contributions made, whereas in the government-wide statement, pension expense is calculated in accordance with GASB No. 68	<u>139,249</u>
Change in net position of governmental activities	<u>\$ 4,773,631</u>

See accompanying notes to financial statements.

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Intrepid College Prep (the “School”) is a not for profit organization organized under the laws of the State of Tennessee, with an exemption from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Pursuit to Section 6(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 with the public school system for accomplishing necessary outcomes of education. The School entered into a Charter School Agreement with the Metropolitan Nashville Board of Education to operate a charter school in Nashville, Tennessee. The School began classes in August 2013 with a fifth grade class and intends to add an additional grade each year culminating with the addition of a twelfth grade in the 2020-2021 fiscal year. The mission of the School is to prepare every scholar for success in selected colleges and financial discipline in adulthood.

Basic Financial Statements

*School-wide financial statements*

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

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

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

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*Fund financial statements*

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

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

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.

The focus of the governmental funds is upon the determination of financial resources, their balance, sources and use, rather than upon net income. The School classifies governmental fund balances as nonspendable, restricted, committed, assigned and unassigned based on the level of constraints on the fund balances. When an expenditure is incurred in which both restricted and unrestricted funds are available for use, it is the School’s policy to spend restricted funds first, then unrestricted funds. When an expenditure has been incurred for purposes in which multiple categories of unrestricted funds are available, it is the School’s policy to spend funds in the following order: committed, then assigned, and lastly unassigned funds. The classifications of fund balances are defined as follows:

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

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

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*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 accountant and personnel under the supervision of the accountant tasked with financial recording responsibilities.

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

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

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

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the useful lives of property and equipment.

Cash and Cash Equivalents

The School considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents. As of June 30, 2021, the School's cash and cash equivalents were deposited with a financial institution. The School may, from time to time, maintain deposit balances in excess of federally insured limits. See Note B.

Receivables

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

Capital Assets

On the school-wide financial statements, property and equipment are recorded at acquisition cost, if purchased, or the fair value on the date received, if donated. The cost of routine maintenance and repairs is expensed as incurred. Initial individual expenditures generally exceeding \$5,000, which materially extend the economic lives, change capacities or improve the efficiency of the related assets are capitalized. Upon sale or retirement, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss, if any, is included in the statement of activities. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 10 years. Leasehold improvements are depreciated over the life of the lease or estimated useful life, whichever is shorter.

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.

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

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, difference between expected and actual experience, difference between projected and actual investment earnings, changes in assumptions, and changes in proportion of the net pension liability.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net 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 relating to pensions: Differences between expected and actual experience and differences between projected and actual investment earnings, and changes in proportion of net pension liability.

Income Taxes

The School is a not-for-profit school that is exempt from federal income taxes under the Internal Revenue Code, classified by the Internal Revenue Service as other than a private foundation and is similarly exempt from state income taxes. The School accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the School include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the School has determined that such tax positions do not result in an uncertainty requiring recognition.

Grants

The School receives awards and financial assistance through federal, state, local 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 will not have a material adverse effect on the overall financial position of the School.

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Financial Instruments

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

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 \$303,555 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 Funds.

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 commissions; illness or injuries to employees; and natural disasters. The School carries insurance for certain risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School may become subject to various claims and legal actions, which arise in the ordinary course of business. In the opinion of management, in consultation with legal counsel, the ultimate resolution of such matters will 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, and 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.

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

B. DEPOSITS WITH FINANCIAL INSTITUTIONS

The School's policies limit deposits to those instruments allowed by applicable state laws. Deposits must be collateralized by federal depository insurance, by the Tennessee Bank Collateral Pool, by collateral held by the School's agent in their name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2021, all bank deposits were fully collateralized or insured by institutions insured by the FDIC or with banks who participate in the Tennessee Bank Collateral Pool.

C. FAIR VALUE OF INVESTMENTS

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

The School's recurring fair value measurements as of June 30, 2021 include equities funds valued at \$48,846 using quoted market prices (Level 1 inputs).

D. CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions/</u> <u>Transfers in</u>	<u>Retirements/</u> <u>Transfers out</u>	<u>Balance</u> <u>June 30, 2021</u>
<i>Nondepreciable:</i>				
Construction in progress	\$ -	\$ 41,975	\$ -	\$ 41,975
<i>Depreciable:</i>				
Leasehold improvements	\$ 1,545,334	\$ -	\$ -	\$ 1,545,334
Equipment	439,142	184,213	-	623,355
Furniture and fixtures	<u>374,110</u>	<u>223,352</u>	<u>-</u>	<u>597,462</u>
Total depreciable capital assets	2,358,586	407,565	-	2,766,151
Accumulated depreciation	<u>(1,469,330)</u>	<u>(356,278)</u>	<u>-</u>	<u>(1,825,608)</u>
Capital assets, net	<u>\$ 889,256</u>	<u>\$ 93,262</u>	<u>\$ -</u>	<u>\$ 982,518</u>



INTREPID COLLEGE PREP  
 NOTES TO FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2021

D. CAPITAL ASSETS - Continued

Depreciation was charged to governmental activities as follows:

Student instruction and services	\$302,836
Administration	<u>53,442</u>
	<u>\$356,278</u>

E. NOTES PAYABLE

In March 2013, the School entered into a \$250,000 revolving line of credit arrangement with a bank to fund the build out of the School. The related note payable is collateralized by substantially all the assets and contributions of the School. In February 2016, the School amended the revolving line of credit to reduce the principal amount available to \$100,000, and extend the maturity date to February 24, 2019. The note accrues interest at a variable rate based on prime rate plus 0.25% (rate was 3.50% at June 30, 2021). Interest payments are due monthly with the remaining principal and accrued interest due upon maturity. In August 2019, the School amended the note to increase the principal amount to \$500,000 and extend the maturity date to August 24, 2020. The School drew down the maximum principal amount of \$500,000 at the time the agreement was amended for use in operations of the School. In August 2020, the School amended the note to extend the maturity date to October 24, 2021. The balance of the line of credit was \$-0- at June 30, 2021.

In February 2016, the School entered into a \$260,426 revolving line of credit arrangement with a bank to fund the expansion of the School. Notes payable under the line of credit are collateralized by substantially all the assets and contributions of the School. The note has also been guaranteed by a donor of the School. The note accrues interest at a fixed rate of 4.5%. Payments of \$3,631 are due monthly through maturity in March 2023. The balance of the note payable was \$84,098 at June 30, 2021.

In February 2016, the School entered into a \$362,745 revolving line of credit arrangement with a bank to fund the expansion of the School. Notes payable under the agreement are collateralized by substantially all the assets of the School. The note accrues interest at a fixed rate of 4.5%. Payments of \$5,383 are due monthly through maturity in March 2023. The balance of the note payable was \$123,275 at June 30, 2021.

In May 2018, the School entered into a \$130,000 revolving line of credit arrangement with a bank to fund the expansion of the School. Notes payable under the agreement are collateralized by substantially all the assets of the School. The note accrues interest at a fixed rate of 5.25%. Only interest payments are due for the first six months based on any unpaid principal balance. Principal and interest payments of \$1,975 are due monthly through maturity in May 2025. The balance of the note payable was \$72,362 at June 30, 2021.

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

E. NOTES PAYABLE - Continued

On April 30, 2020, the School received funding from the Paycheck Protection Program (“PPP”) loan in the amount of \$905,000 which it applied for in response to the economic impact from the COVID-19 pandemic (see Note N). The loan was subject to forgiveness if utilized for expenditures such as certain payroll, rent, and utility costs. The loan was forgiven during fiscal year 2021.

The notes payable agreements contain clauses whereas in the event of a default, the principal and outstanding interest of all outstanding obligations may be declared, and shall become, immediately due and payable as provided in the agreements. Proceeds from the sale of the collateral shall be used towards outstanding interest and principal.

The following is a summary of changes in the School’s long-term debt for governmental activities for the period ended June 30, 2021:

	<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Forgiveness/</u> <u>Payments</u>	<u>Balance</u> <u>June 30, 2021</u>
Note payable - bank	\$ 500,000	\$ -	\$ 500,000	\$ -
Note payable - bank	118,354	-	34,256	84,098
Note payable - bank	174,139	-	50,864	123,275
Note payable - bank	90,450	-	18,088	72,362
Note payable - PPP	<u>905,000</u>	<u>-</u>	<u>905,000</u>	<u>-</u>
Total	<u>\$1,787,943</u>	<u>\$ -</u>	<u>\$1,508,208</u>	<u>\$ 279,735</u>

A summary of annual principal and interest requirements follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>
2022	\$10,580	\$ 121,294
2023	4,811	115,016
2024	1,086	37,123
2025	<u>68</u>	<u>6,302</u>
	<u>\$16,545</u>	<u>\$ 279,735</u>

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

F. LEASE ARRANGEMENTS

The facilities used to provide educational services for the middle school campus are provided under a lease arrangement with a local church. The lease is for a ten-year period ending on June 30, 2023, and includes an option to extend for two additional five-year periods. The lease arrangement requires the School to pay a minimum rent based on square footage, plus additional rent for operating expenses, common areas, and their portion of property taxes. In August 2017, the lease was amended to include additional space for expansion of the School.

Beginning in July 2015, the School was also obligated under a lease agreement for three modular classrooms located at the middle school with monthly payments totaling \$1,125 for an initial three-year period. In April 2018, the School entered into an amended agreement for the three modular classrooms and added a fourth classroom to be used at the middle school campus. The agreement requires the School to make monthly payments totaling \$1,500 for a five-year period ending May 30, 2023.

In January 2017, the School entered into an agreement to lease certain property in South Nashville for the high school campus. The high school opened in August 2017, at which time the School began making lease payments. The base annual rent shall increase by one percent per year starting in the third year of the lease. The School also agreed to pay a \$100,000 developer's fee, which the School elected to finance as part of its lease payments. The fee will be paid in monthly installments equal to 1% of the lease payments, beginning in the third year of the lease until the fee is paid in full. The lease will expire in June 2027, at which time the School has the option to renew for two additional five-year periods. The agreement also includes an option to purchase the property at any time during the lease term at a price equal to the lessee's total project cost to improve the building less payments towards the development fee multiplied by 1.05.

The School's rent expense for the year ended June 30, 2021 totaled \$878,801.

The leases require rental payments through June 30, 2027, as follows:

<u>Year Ending June 30,</u>	
2022	\$ 906,051
2023	831,109
2024	605,353
2025	617,115
2026	628,993
Thereafter	<u>640,991</u>
	<u>\$4,229,612</u>

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

G. FUND BALANCES

The General Purpose School Fund includes fund balance amounts presented as nonspendable totaling \$124,940 as they are not in spendable form, and amounts presented as restricted totaling \$200,120 as they are restricted by law, related to the TCRS Stabilization Reserve Trust (See Note J).

H. CONCENTRATIONS

The School received approximately 82% of its funding for operations from MNPS based on the State of Tennessee’s Basic Education Program (“BEP”). BEP funding is designated to schools based on student attendance. Gross BEP funding for the year ended June 30, 2021, was \$10,901,366.

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

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”):

Teachers Legacy Pension Plan

Teachers 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.

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

I. PENSION PLANS - Continued

- (I.) TCRS Plans
- (A) General Information - TCRS Plans

Description of the TCRS Plans

Teachers with membership in the TCRS before July 1, 2014, of the School 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. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.state.tn.us/tcrs/](http://www.treasury.state.tn.us/tcrs/).

Benefits Provided

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

*Teachers 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 year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

I. PENSION PLANS - Continued

*Teachers 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 year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Under the Teachers Legacy Pension Plan and Teachers 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 Teachers Retirement Plan). Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions 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.

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

I. PENSION PLANS - Continued

*Teachers Legacy Pension Plan*

Employer contributions by the School for the year ended June 30, 2021, to the Teacher Legacy Pension Plan were \$21,714 which is 10.63 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.

*Teachers Retirement Plan*

Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, as approved by the TCRS Board of Trustees, is reached. Employer contributions for the year ended June 30, 2021 to the Teacher Retirement Plan were \$66,677 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.

(B) Pension Liabilities (Assets) - TCRS Plans

Pension Liability (Asset)

*Teachers Legacy Pension Plan*

At June 30, 2021, the School reported an asset of (\$37,032) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The School's proportion of the net pension asset was based on the School's contributions to the pension plan relative to the contributions of all participating LEA's. At the measurement date of June 30, 2020, the School's proportion was 0.004856 percent. The proportion measured as of June 30, 2019 was 0.003318 percent.

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

I. PENSION PLANS - Continued

*Teachers Retirement Plan*

At June 30, 2021, the School reported an asset of (\$128,251) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. The School's proportion of the net pension asset was based on the School's share of contributions to the pension plan relative to the contributions of all participating LEA's. At the measurement date of June 30, 2020, the School's proportion was 0.225539 percent. The proportion measured as of June 30, 2019 was 0.189266 percent.

Actuarial Assumptions

*Teachers Legacy Pension Plan and Teachers Retirement Plan*

The total pension liability (asset) 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

Mortality rates are customized based on actuarial 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.



INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

I. PENSION PLANS - Continued

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 were used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5 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%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

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

Discount Rate

*Teachers Legacy Pension Plan and Teachers 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.

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

I. PENSION PLANS - Continued

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 comprehensive annual financial report of the Metropolitan Government. That report may be obtained at [www.nashville.gov](http://www.nashville.gov).

Benefits Provided

As of July 1, 1995, Division B of the Metro Plan was established for all non-certificated employees of 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 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 credit 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 benefit to any plan members or beneficiaries.

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

I. PENSION PLANS - Continued

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. Contributions to the plan for the year ended June 30, 2021 were \$73,473.

(B) Pension Liabilities - Metro Plan

Pension Liability

The School reported an asset of \$(486,219) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability 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 employee 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 0.084968 percent. The proportion measured as of June 30, 2020 was 0.126671 percent.

Actuarial Assumptions

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

Inflation	2.5 percent
Salary increases	4.0 percent
Investment rate of return	7.25 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, as determined by the period actuarial experience study. The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period 2012 to 2017.

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

I. PENSION PLANS - Continued

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-timer expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of 2.5 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	5.1%	24%
International equity	5.3%	16%
Equity hedge	7.9%	10%
Core plus fixed income	2.3%	20%
Fixed income alternatives	2.7%	10%
Real estate	4.9%	10%
Private equity	7.9%	10%

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.

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

I. PENSION PLANS - Continued

I. 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	\$( 37,032)
TCRS Retirement Plan	( 128,251)
Metro Plan	<u>( 486,219)</u>
 Net pension (asset)	 <u>\$( 651,502)</u>

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:

	<u>1% Decrease</u> <u>(6.25)%</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.25)%</u>	<u>1% Increase</u> <u>(8.25)%</u>
Proportionate share of the net pension liability (asset):			
TCRS Legacy Plan	\$ 115,169	\$( 37,032)	\$(163,243)
TCRS Retirement Plan	99,758	(128,251)	(296,321)
Metro Plan	<u>(157,160)</u>	<u>(486,219)</u>	<u>(784,659)</u>
 Total	 <u>\$ 57,767</u>	 <u>\$(651,502)</u>	 <u>\$(1,244,223)</u>

Pension Plan Fiduciary Net Position

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

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

I. PENSION PLANS - Continued

Pension Expense

For the year ended June 30, 2021, the School recognized pension expense (negative pension expense) as follows:

TCRS Legacy Plan	\$(23,337)
TCRS Retirement Plan	(20,478)
Metro Plan	<u>(95,434)</u>
Pension expense	<u>\$(139,249)</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		
TCRS Legacy Plan	\$ 1,408	\$ 17,804
TCRS Retirement Plan	4,765	32,139
Metro Plan	56,591	29,369
Changes in assumptions		
TCRS Legacy Plan	3,364	-
TCRS Retirement Plan	4,021	-
Metro Plan	44,161	-
Net difference between projected and actual earnings on pension plan investments		
TCRS Legacy Plan	8,271	-
TCRS Retirement Plan	10,447	-
Metro Plan	-	631,510

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

I. PENSION PLANS - Continued

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion of net pension liability (asset)		
TCRS Legacy Plan	\$ 6,140	\$ 21,036
TCRS Retirement Plan	3,954	31,727
Metro Plan	85,243	74,997
Contributions subsequent to the measurement date of June 30, 2021 for TCRS Plans		
TCRS Legacy Plan	21,714	N/A
TCRS Retirement Plan	<u>66,677</u>	<u>N/A</u>
Totals	<u>\$316,756</u>	<u>\$838,582</u>

The School's employer contributions of \$88,391 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a decrease in net pension liability 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:

Year Ending June 30,	<u>TCRS Legacy Plan</u>	<u>TCRS Retirement Plan</u>	<u>Metro Plan</u>	<u>Total</u>
2022	\$(18,851)	\$( 3,558)	\$(155,485)	\$(155,485)
2023	( 5,327)	( 2,048)	(135,843)	(143,218)
2024	( 955)	( 1,279)	(121,807)	(124,041)
2025	5,477	( 1,060)	(137,655)	(133,238)
2026	-	( 4,598)	10,171	5,573
Thereafter	-	(28,140)	( 9,982)	( 38,122)

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 totaling \$109,022 for the outstanding amounts of required contributions owed to the Metro Plan.

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

I. PENSION PLANS - Continued

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. For the year ended June 30, 2021, the School recognized pension expense of \$166,121 related to the defined contribution component of the Plan. Employees are immediately vested in 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.

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.



INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

J. RESTRICTED ASSETS - TCRS STABILIZATION RESERVE TRUST - Continued

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 the 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).

- 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.

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

J. RESTRICTED ASSETS - TCRS STABILIZATION RESERVE TRUST - Continued

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.

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.

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

J. RESTRICTED ASSETS - TCRS STABILIZATION RESERVE TRUST - Continued

At June 30, 2021, the School assets balance was \$200,120 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	\$ 62,038
Developed Market International Equity	N/A	N/A	28,017
Emerging Market International Equity	N/A	N/A	8,005
U.S. Fixed Income	N/A	N/A	40,024
Real Estate	N/A	N/A	20,012
Short-term Securities	N/A	N/A	2,000
NAV-Private Equity and Strategic Lending	N/A	N/A	<u>40,024</u>
Total			<u>\$ 200,120</u>

Investments by Fair Value Level	Fair Value 6-30-21	<u>Fair Value Measurements Using</u>			NAV
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. Equity	\$ 62,038	\$ 62,038	\$ -	\$ -	\$ -
Developed Market International Equity	28,017	28,017	-	-	-
Emerging Market International Equity	8,005	8,005	-	-	-
U.S. Fixed Income	40,024	-	40,024	-	-
Real Estate	20,012	-	-	20,012	-
Short-term Securities	2,000	-	2,000	-	-
Private Equity and Strategic Lending	<u>40,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,024</u>
Total	<u>\$ 200,120</u>	<u>\$ 98,060</u>	<u>\$ 42,024</u>	<u>\$ 20,012</u>	<u>\$ 40,024</u>

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

J. RESTRICTED ASSETS - TCRS STABILIZATION RESERVE TRUST - Continued

Risks and Uncertainties

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

For further information concerning the School's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at

<https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/ag19091.pdf>.

INTREPID COLLEGE PREP  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2021

K. RISKS AND UNCERTAINTIES

During March 2020, a global pandemic was declared related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions across the nation as federal, state, and local governments react to the public health crisis, creating significant uncertainties in the economy. This situation is rapidly changing, and additional impacts may arise. While the disruptions are currently expected to be temporary, there is uncertainty around its duration. The ultimate future impact, if any, of the pandemic on the School's results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

L. SUBSEQUENT EVENTS

The School has evaluated subsequent events through March 30, 2022, the date at which the financial statements were available for issuance, and has determined that there are no subsequent events requiring disclosure.

## **REQUIRED SUPPLEMENTARY INFORMATION**

INTREPID COLLEGE PREP  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE PROPORTIONATE SHARE OF  
NET PENSION LIABILITY (ASSET)  
FISCAL YEAR ENDED JUNE 30,

<u>Teachers Legacy Plan of TCRS</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
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)	0.006216%	0.004206%	0.003802%	0.006707%	0.002609%	0.003318%	0.004856%
Proportionate share of the of the net pension liability (asset)	\$ (1,010)	\$ 1,722	\$ 23,762	\$ (2,195)	\$ (9,181)	\$ (34,116)	\$ (37,032)
Covered payroll	\$ 246,142	\$ 157,445	\$ 137,257	\$ 237,102	\$ 91,360	\$ 111,258	\$ 161,628
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-0.59%	1.09%	17.31%	-0.92%	-10.05%	-30.66%	-22.91%
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%
<u>Teachers Retirement Plan of TCRS</u>	<u>2015 (1)</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
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)		0.182686%	0.153003%	0.169820%	0.152631%	0.189266%	0.225539%
Proportionate share of the of the net pension liability (asset)		\$ (7,349)	\$ (15,928)	\$ (44,805)	\$ (69,224)	\$ (106,840)	\$ (128,251)
Covered payroll		\$ 379,575	\$ 673,230	\$ 1,114,589	\$ 1,333,825	\$ 2,002,830	\$ 2,846,110
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 Teachers Retirement Plan of TCRS as the measurement date was June 30, 2014, and the Teachers Retirement Plan did not commence until July 1, 2014.

See independent auditor's report.

INTREPID COLLEGE PREP  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE PROPORTIONATE SHARE OF  
 NET PENSION LIABILITY (ASSET)  
 FISCAL YEAR ENDED JUNE 30,

<u>Metro Plan</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Measurement date							
Proportion of the net pension liability (asset)	0.03255%	0.0338%	0.0679%	0.0912%	0.1126%	0.1267%	0.08497%
Proportionate share of the of the net pension liability (asset)	\$ 22,428	\$ 74,848	\$ 27,791	\$ 55,450	\$ 137,989	\$ 274,623	\$ (486,219)
Covered payroll	\$ 170,045	\$ 186,821	\$ 406,256	\$ 570,089	\$ 704,951	\$ 807,172	\$ 595,405
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	13.19%	40.06%	6.84%	9.73%	19.57%	34.02%	-81.66%
Plan fiduciary net position as a percentage of the total pension liability	97.57%	92.39%	98.64%	97.45%	96.37%	99.87%	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.



INTREPID COLLEGE PREP  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FISCAL YEAR ENDING JUNE 30,

<u>Teachers Legacy Pension Plan of TCRS</u>	2014	2015	2016	2017	2018	2019	2020	2021
Actuarial Determined Contributions (ADC)	\$ 21,703	\$ 14,233	\$ 12,408	\$ 21,434	\$ 8,296	\$ 11,638	\$ 17,181	\$ 21,714
Contributions in relation to the actuarially determined contribution	21,703	14,233	12,408	21,434	8,296	11,638	17,181	21,714
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 246,142	\$ 157,445	\$ 137,257	\$ 237,102	\$ 91,360	\$ 111,258	\$ 161,628	\$ 204,271
Contributions as a percentage of covered payroll	8.88%	9.04%	9.04%	9.04%	9.08%	10.46%	10.63%	10.63%
<u>Teachers Retirement Plan of TCRS</u>	2014	2015	2016	2017	2018	2019 *	2020 *	2021 *
Actuarial Determined Contributions (ADC)	N/A	\$ 9,489	\$ 16,852	\$ 44,584	\$ 21,751	\$ 38,855	\$ 57,776	\$ 66,677
Contributions in relation to the actuarially determined contribution		15,183	26,929	44,584	53,353	38,855	57,776	66,677
Contribution deficiency (excess)		\$ (5,694)	\$ (10,077)	\$ -	\$ (31,602)	\$ -	\$ -	\$ -
Covered payroll		\$ 379,575	\$ 673,230	\$ 1,114,589	\$ 1,333,825	\$ 2,002,835	\$ 2,846,110	\$ 3,300,842
Contributions as a percentage of covered payroll		4.00%	4.00%	4.00%	4.00%	1.94%	2.03%	2.02%
<u>Metro Plan</u>	2014	2015	2016	2017	2018	2019	2020	2021
Actuarial Determined Contributions (ADC)	\$ 12,527	\$ 30,586	\$ 28,976	\$ 50,132	\$ 70,349	\$ 86,991	\$ 99,605	\$ 73,473
Contributions in relation to the actuarially determined contribution	12,527	30,586	28,976	50,132	70,349	86,991	99,605	73,473
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 73,185	\$ 170,045	\$ 186,821	\$ 406,256	\$ 570,089	\$ 704,951	\$ 807,172	\$ 595,405
Contributions as a percentage of covered payroll	17.117%	17.987%	15.510%	12.340%	12.340%	12.340%	12.340%	12.340%

\* In fiscal year 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 Teacher's Retirement Plan of TCRS 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 investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

See independent auditor's report.

## **OTHER INFORMATION**

INTREPID COLLEGE PREP  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2021

<u>Program Name/Grantor</u>	<u>CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. DEPARTMENT OF AGRICULTURE:			
Passed through Tennessee Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	N/A	\$ 152,388
School Breakfast Program	10.553	N/A	92,985
Total Child Nutrition Cluster			<u>245,373</u>
Total U.S. Department of Agriculture			<u>245,373</u>
U.S. DEPARTMENT OF EDUCATION:			
Passed through Tennessee Department of Education and Metropolitan Nashville Public Schools			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010 *	N/A	201,371
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	N/A	132,591
Title II, Part A Improving Teacher Quality State Grants	84.367	N/A	<u>32,890</u>
Charter School Program Grant	84.282A	N/A	<u>34,600</u>
Education Stabilization Fund (ESF)			
Governor's Emergency Education Relief Fund Elementary and Secondary Education	84.425D *	N/A	126,511
Emergency Relief Fund	84.425C *	N/A	<u>128,150</u>
Total Education Stabilization Fund			<u>254,661</u>
Total U.S. Department of Education			<u>656,113</u>
U.S. DEPARTMENT OF TREASURY:			
Passed through Tennessee Department of Education			
Coronavirus Relief Fund			
Mayor's CARES Act Program Grant - through MNPS	21.019	N/A	44,701
LEA Reimbursement Grant	21.019	N/A	5,000
Technology Connectivity	21.019	N/A	14,500
Remote Learning Technology	21.019	N/A	<u>71,967</u>
Total Coronavirus Relief Fund			<u>136,168</u>
Total U.S. Department of Treasury			<u>136,168</u>
Total Federal Awards			<u>1,037,654</u>

INTREPID COLLEGE PREP  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND  
 STATE FINANCIAL ASSISTANCE - Continued  
 YEAR ENDED JUNE 30, 2021

State Financial Assistance

TENNESSEE DEPARTMENT OF EDUCATION:

Basic Education Program	N/A	N/A	187,000
Passed through Metropolitan Nashville Public Schools			
Basic Education Program	N/A	N/A	<u>10,901,366</u>
Total State Awards			<u>11,088,366</u>
Total Federal and State Awards			<u><u>\$ 12,126,020</u></u>

Note 1: The schedule of expenditures of federal awards includes the federal grant activity and is presented in accordance with the requirements of Uniform Guidance and the State of Tennessee. The schedule is prepared using the accrual basis of accounting.

Note 2: The School passed-through \$-0- to subrecipients for the year ended June 30, 2021.

Note 3: The School has elected not to use the 10-percent de minimum indirect cost rate allowed under the Uniform Guidance.

\* Major Program in accordance with Uniform Guidance

See independent auditor's report.

INTREPID COLLEGE PREP  
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE  
JUNE 30, 2020

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
<b>Governmental Activities:</b>									
<u>NOTES PAYABLE</u>									
<u>Payable through General Purpose School Fund</u>									
Note Payable through CapStar Bank	225,000	5.75%	03/18/2013	08/24/2020	\$ 500,000	\$ -	\$ 500,000	\$ -	\$ -
Note Payable through CapStar Bank	260,426	4.50%	02/01/2016	03/01/2023	118,354	-	34,256	-	84,098
Note Payable through CapStar Bank	362,745	4.50%	02/24/2016	03/24/2023	174,139	-	50,864	-	123,275
Note Payable through CapStar Bank	130,000	5.25%	05/14/2018	05/10/2025	90,450	-	18,088	-	72,362
Paycheck Protection Program	905,000	1.00%	04/30/2020	04/30/2022	905,000	-	-	905,000	-
Total Notes Payable					<u>\$ 1,787,943</u>	<u>\$ -</u>	<u>\$ 603,208</u>	<u>\$ 905,000</u>	<u>\$ 279,735</u>

See independent auditor's report.

INTREPID COLLEGE PREP  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2021

	Restricted Contributions Fund	Total Nonmajor Governmental Funds
ASSETS		
Cash and cash equivalents	\$ -	\$ -
Total assets	\$ -	\$ -
FUND BALANCES		
Restricted	-	-
Total fund balances	\$ -	\$ -

See independent auditor's report.

INTREPID COLLEGE PREP  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2021

	<u>Restricted Contribution Fund</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES		
Contributions	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>
EXPENDITURES		
Employee compensation	<u>120,000</u>	<u>120,000</u>
Total expenditures	<u>120,000</u>	<u>120,000</u>
NET CHANGE IN FUND BALANCES	(120,000)	(120,000)
FUND BALANCES, June 30, 2020	<u>120,000</u>	<u>120,000</u>
FUND BALANCES, June 30, 2021	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.



Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

To the Board of Directors  
Intrepid College Prep  
Antioch, 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, each major fund, and the aggregate fund information of Intrepid College Prep (the "School"), as of and for the period 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 March 30, 2022.

### **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 preceding paragraph 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 were not 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.

Nashville, Tennessee  
March 30, 2022



Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance for Each Major Federal  
Program and Report on Internal Control Over  
Compliance Required by the Uniform Guidance

To the Board of Directors  
Intrepid College Prep  
Antioch, Tennessee

**Report on Compliance for Each Major Federal Program**

We have audited Intrepid College Prep's (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2021. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.



### ***Opinion on Each of the Major Federal Programs***

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control Over Compliance**

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Nashville, Tennessee  
March 30, 2022

INTREPID COLLEGE PREP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021

**SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:  
Material weakness(es) identified?  yes  no  
Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal control over major programs:  
Material weakness(es) identified?  yes  no  
Significant deficiency(ies) identified not considered to be material weaknesses?  yes  none reported

Type of auditors' report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a).  yes  no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Agencies
84.425	Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee:  yes  no

INTREPID COLLEGE PREP  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None reported

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None reported

**SECTION IV – SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

None reported