LEAD PUBLIC SCHOOLS, INC.
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2021 and 2020

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

LEAD PUBLIC SCHOOLS, INC. AND AFFILIATES
TABLE OF CONTENTS

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
LEAD Public Schools, Inc. and Affiliates
Nashville, Tennessee

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of LEAD Public Schools, Inc. and Affiliates (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LEAD Public Schools, Inc. and Affiliates as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021, on our consideration of LEAD Public Schools, Inc. and Affiliate'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 LEAD Public Schools, Inc. and Affiliate'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 LEAD Public Schools, Inc. and Affiliate's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Nashville, Tennessee
December 20, 2021

LEAD PUBLIC SCHOOLS, INC. AND AFFILIATES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 12,438,933	$ 4,887,232
Accounts receivable	3,380,988	1,476,659
Prepaid expenses and other	80,811	45,698
Total Current Assets	15,900,732	6,409,589
Property and equipment, net	8,132,522	8,205,621
Total Assets	$ 24,033,254	$ 14,615,210
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	$ 1,065,088	$ 446,081
Accrued expenses	1,321,117	877,063
Notes payable, current portion	164,947	158,002
Total Current Liabilities	2,551,152	1,481,146
Notes payable, noncurrent portion	5,673,014	5,537,960
Total Liabilities	8,224,166	7,019,106
Net Assets:		
Without donor restriction	15,764,088	7,596,104
With donor restriction	45,000	-
Total Net Assets	15,809,088	7,596,104
Total Liabilities and Net Assets	$ 24,033,254	$ 14,615,210

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

LEAD PUBLIC SCHOOLS, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
Public Support and Revenue:			
District funding	$ 37,074,425	$ -	$ 37,074,425
Federal grants	4,885,320	-	4,885,320
Contributions and other	482,742	300,000	782,742
Net assets released from restrictions	255,000	(255,000)	-
Total Public Support and Revenue	42,697,487	45,000	42,742,487
Expenses:			
Student instruction and services	30,610,836	-	30,610,836
Administration	3,644,565	-	3,644,565
Fundraising	274,102	-	274,102
Total Expenses	34,529,503	-	34,529,503
Change in net assets	8,167,984	45,000	8,212,984
Net assets, beginning of year	7,596,104	-	7,596,104
Net assets, end of year	$ 15,764,088	$ 45,000	$ 15,809,088

LEAD PUBLIC SCHOOLS, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
Public Support and Revenue:			
District funding	$ 29,788,783	$ -	$ 29,788,783
Federal grants	2,886,114	-	2,886,114
Contributions and other	1,101,824	-	1,101,824
Net assets released from restrictions	400,000	(400,000)	-
Total Public Support and Revenue	34,176,721	(400,000)	33,776,721
Expenses:			
Student instruction and services	29,872,795	-	29,872,795
Administration	3,305,392	-	3,305,392
Fundraising	262,316	-	262,316
Total Expenses	33,440,503	-	33,440,503
Change in net assets	736,218	(400,000)	336,218
Net assets, beginning of year	6,859,886	400,000	7,259,886
Net assets, end of year	$ 7,596,104	$ -	$ 7,596,104

LEAD PUBLIC SCHOOLS, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

		Supporting Services		
	Student Instruction and Services	Administration	Fundraising	Total Expenses
Salaries, wages, and benefits	$ 22,389,857	$ 1,829,703	$ 183,007	$ 24,402,567
Occupancy	2,417,364	103,811	-	2,521,175
Professional and service fees	1,051,126	968,811	56,645	2,076,582
Transportation	1,783,813	3,385	-	1,787,198
Depreciation	1,255,027	69,205	-	1,324,232
Instructional	645,426	114,114	6,919	766,459
Office supplies and equipment	490,944	108,293	1,452	600,689
Organizational development	145,388	88,790	12,892	247,070
Authorizer fees	-	360,503	-	360,503
Interest cost	242,358	-	-	242,358
Athletic cost	83,679	-	-	83,679
Outreach	63,682	11,238	-	74,920
Miscellaneous	42,172	(13,288)	-	28,884
Staff development	-	-	13,187	13,187
Total Expenses	$ 30,610,836	$ 3,644,565	$ 274,102	$ 34,529,503

LEAD PUBLIC SCHOOLS, INC. AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Student Instruction and Services	Supporting Services: Administration	Supporting Services: Fundraising	Total Expenses
Salaries, wages, and benefits	$ 21,017,494	$ 1,349,409	$ 186,276	$ 22,553,179
Occupancy	2,379,600	84,391	-	2,463,991
Professional and service fees	1,321,907	929,814	37,021	2,288,742
Transportation	2,012,224	9,868	322	2,022,414
Depreciation	1,175,302	139,330	-	1,314,632
Instructional	566,467	191,665	3,621	761,753
Office supplies and equipment	649,235	91,270	448	740,953
Organizational development	223,483	167,939	27,113	418,535
Authorizer fees	-	320,184	-	320,184
Interest cost	251,796	-	-	251,796
Athletic cost	220,667	-	-	220,667
Outreach	34,570	6,101	-	40,671
Miscellaneous	20,050	15,421	-	35,471
Staff development	-	-	7,515	7,515
Total Expenses	$ 29,872,795	$ 3,305,392	$ 262,316	$ 33,440,503

LEAD PUBLIC SCHOOLS, INC. AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 8,212,984	$ 336,218
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,324,232	1,314,632
Changes in operating assets and liabilities:		
Accounts receivable	(1,904,329)	60,657
Prepaid expenses and other	(35,113)	414,364
Accounts payable	619,007	84,046
Accrued expenses	444,054	(797,806)
Other current liabilities	-	(127,304)
Net cash flows from operating activities	8,660,835	1,284,807
Cash flows from investing activities:		
Purchase of property and equipment	(1,251,133)	(1,612,082)
Net cash flows from investing activities	(1,251,133)	(1,612,082)
Cash flows from financing activities:		
Proceeds from notes payable	300,000	-
Payments on notes payable	(158,001)	(162,616)
Net cash flows from financing activities	141,999	(162,616)
Net change in cash and cash equivalents	7,551,701	(489,891)
Cash and cash equivalents, beginning of year	4,887,232	5,377,123
Cash and cash equivalents, end of year	$ 12,438,933	$ 4,887,232
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 242,358	$ 251,796

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

Note 1—Nature of operations and summary of significant accounting policies

LEAD Public Schools, Inc. ("LPS") was incorporated during 2010 as a charter management organization that starts and operates public charter schools in Middle Tennessee. Public charter schools in Tennessee are public schools operated under a charter contract with a local district, statewide district, or the state board of education, and governed under a nonprofit Board of Directors separate from the district. Currently, LPS operates five charter schools as single member limited liability corporations consisting of LEAD Academy, Nonprofit, LLC (the "Academy"); Cameron College Prep, Nonprofit, LLC ("Cameron"); Brick Church College Prep, Nonprofit, LLC ("Brick Church"); LEAD Prep Southeast, Nonprofit, LLC ("Southeast"); and Neely's Bend College Prep, Nonprofit, LLC ("Neely's Bend"). In addition, LPS operates a real estate holding company, LEAD Real Estate Holdings, Nonprofit, LLC ("LEAD Real Estate").

The Academy, Cameron, Brick Church, Southeast, and Neely's Bend were organized in accordance with Section 6(1)(a) of the Tennessee Public Charter School Act of 2002 (the "Act"). Pursuant to the Act, public charter schools are part of the state's public education program offering an alternative means within the public school system for accomplishing necessary outcomes of education. The Academy entered into a Charter School Agreement with the Metropolitan Nashville Board of Education on July 23, 2006 to operate a charter school in Nashville, Tennessee. The Academy began classes in July 2007 with fifth and sixth grade classes. The Academy has since added a grade each year until it reached twelfth grade. Cameron entered into a Charter School Agreement with the Metropolitan Nashville Board of Education on October 1, 2010, to operate a charter school in Nashville, Tennessee. Cameron began classes in August 2011 with fifth grade and has since added a grade each year through the eighth grade. Brick Church entered into a Charter School Agreement with the Tennessee Achievement School District ("ASD") on June 1, 2012 to operate a charter school in Nashville, Tennessee. Brick Church began classes in August 2012 with fifth grade and has since added a grade each year through the eighth grade. Southeast entered into a Charter School Agreement with the Metropolitan Nashville Board of Education on October 25, 2011, to operate a charter school in Nashville, Tennessee. Southeast began classes in August 2013 and currently enrolls students from fifth grade through the twelfth grade. Neely's Bend entered into a Charter School Agreement with the Tennessee Achievement School District on May 21, 2015, to operate a charter school in Madison, Tennessee. Neely's Bend began classes in August 2015 with fifth grade and has since added a grade each year through the eighth grade.

In accordance with the charter agreements of the Academy, Cameron, and Southeast enrollment is open to any student within the Metropolitan Nashville Public Schools ("MNPS") System who resides in Davidson County. Brick Church and Neely's Bend enrollment is restricted to students who would have been zoned to Brick Church Middle School, Neely's Bend Middle School, respectively, or other ASD Priority School. If space exists after planned enrollment of zoned students, other eligible students may enroll or be included in an enrollment lottery pursuant to T.C.A. Section 49-13-106. The Academy currently enrolls students in grades nine through twelve. The Academy's charter provides for a total enrollment of 472. Cameron currently enrolls students in grades five through nine. Cameron's charter provides for a total enrollment of 683. Brick Church currently enrolls students in grades five through nine. Brick Church's charter provides for a total enrollment of 332. Southeast currently enrolls students in grades five through twelve. Southeast's charter provides for a total enrollment of 865. Neely's Bend currently enrolls students in grades five through nine. Neely's Bend's charter provides for a total enrollment of 488.

Basis of Presentation – The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The consolidated financial statements present the financial position and results of operations of LPS, the Academy, Cameron, Brick Church, Southeast, Neely's Bend, and LEAD Real Estate (collectively, the "Organization").

Note 1—Nature of operations and summary of significant accounting policies (continued)

The Organization presents its consolidated financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") guidance for not-for-profit organizations. Under this guidance, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction – Net assets that are not subject to donor-imposed stipulations. All contributions are considered available for general use unless specifically restricted by the donor.

Net Assets With Donor Restriction – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restriction. Additionally, some net assets are subject to a donor-imposed stipulation that they be held in perpetuity by the Organization. There were no net assets that were required to be held in perpetuity at June 30, 2021 or 2020.

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements, and the reported amounts of revenues and expenses and allocation of functional expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the consolidated statements of cash flows, the Organization considers all highly-liquid investments with original maturities when purchased of less than three months to be cash equivalents. The cash accounts are held primarily by financial institutions and at times may exceed amounts that are federally insured.

Accounts Receivable – Accounts receivable represent amounts due from grants or other sources which have been approved but not received. Management considers all accounts collectible and, therefore, an allowance for doubtful accounts has not been recognized in the consolidated financial statements.

Property and Equipment – Property and equipment are recorded at acquisition cost less accumulated depreciation, if purchased, or the fair value on the date received, if donated. The cost of routine maintenance and repairs is expensed as incurred. Expenditures which materially extend the economic lives, change capacities, or improve the efficiency of the related assets are capitalized. Upon sale or retirement, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss, if any, is included in the consolidated statement of activities. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from three to seven years, or over the term of the lease for leasehold improvements, if less.

Donated Materials, Services, and Assets – Donated materials and services, if any, are reflected as contributions in the accompanying consolidated financial statements at their estimated values at the date of receipt. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, and are recorded at their fair values in the period received.

Note 1—Nature of operations and summary of significant accounting policies (continued)

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as net assets without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as net assets with donor restriction. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restriction to net assets without donor restriction at that time.

Contributions – Contributions and unconditional promises to give are recognized as revenue when made or a written promise to give is conveyed, whichever is earliest. Contributions of assets other than cash are recorded at estimated fair value at the date of donation. Contributions received with donor stipulations that restrict the use of the assets and promises to give that have time or purpose restrictions are reported as revenue with donor restrictions. When the use or time restriction is met, the amount is reported as revenue without donor restrictions and a reduction in revenue with donor restrictions. The Organization recognizes contributions when cash, securities, or other assets or an unconditional promise to give are received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. At December 31, 2021 and 2020, the Organization did not have any conditional promises to give.

Grants – The Organization receives federal financial assistance through state agencies. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Functional Allocation of Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consist primarily of salaries and wages which are allocated based on time and effort.

Income Taxes – The Organization is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and, accordingly, no provision for income taxes is included in the consolidated financial statements.

The Organization follows FASB ASC guidance clarifying the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying consolidated financial statements.

Note 1—Nature of operations and summary of significant accounting policies (continued)

Adoption of New Accounting Pronouncement – Accounting Policies for Future Pronouncements – In May 2014, FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the year ending June 30, 2021. The adoption of this standard did not have a significant impact on the Organization's consolidated financial statements.

Accounting Policies for Future Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the year ending June 30, 2023. The Organization is currently evaluating the effect of the implementation of this new standard.

Subsequent Events – The Organization evaluated subsequent events through December 20, 2021, when these consolidated financial statements were available to be issued.

Note 2—Liquidity and availability of resources

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures. The Organization maintains a line of credit with maximum borrowings of $1,000,000 (see Note 6) with a financial institution that is drawn upon during the year to manage cash flow, if needed. Financial assets available for general expenditure, that is, without donor restriction or other restrictions limiting their use within one year of the consolidated statements of financial position, comprise the following at June 30:

	2021	2020
Financial assets at June 30:		
Cash and cash equivalents	$ 12,438,933	$ 4,887,232
Accounts receivable	3,380,988	1,476,659
Total financial assets	15,819,921	6,363,891
Less amounts not available to be used for general expenditures within one year	(45,000)	-
Financial assets available to meet cash needs for general expenditures within one year	$ 15,774,921	$ 6,363,891

Note 3—Property and equipment

Property and equipment, net consists of the following at June 30:

	2021	2020
Land	$ 542,960	$ 542,960
Buildings and improvements	8,207,072	8,159,459
Computer equipment	3,487,863	2,687,904
Furniture and fixtures	425,304	421,224
Office equipment	184,162	138,962
Textbooks	166,177	166,177
Leasehold improvements	1,665,092	1,357,296
School buses	426,284	426,284
	15,104,914	13,900,266
Less accumulated depreciation	(6,972,392)	(5,694,645)
	$ 8,132,522	$ 8,205,621

Depreciation expense totaled $1,324,233 and $1,314,632 for the years ended June 30, 2021 and 2020, respectively.

Note 4—Operating leases

During 2014, Cameron entered into a lease arrangement with MNPS for certain educational facilities starting July 1, 2014 and expires June 30, 2021. The lease requires monthly rent payments of $31,417 subject to annual increases of 2%. Effective July 1, 2015, this lease was amended permitting the Academy's ninth grade to use a portion of Cameron's leased space. The amendment required monthly rental payments of $25,957 from Cameron and $10,347 from the Academy subject to annual increases of 2%. The amendment also gave the Organization the right to terminate the lease subject to a 60-day written notice. Effective July 1, 2017, the lease was amended permitting the Academy's tenth through twelfth grades to use a portion of Cameron's leased space. The amendment requires monthly rental payments of $21,982 from Cameron and $23,371 from the Academy subject to annual increases of 2%. Effective July 1, 2018, the lease was amended reducing the monthly rental payment to $21,468 subject to annual increases of 2%. Effective July 1, 2021, the lease was amended increasing the monthly rental payment to $31,459 subject to annual increases of 3% and expiring June 30, 2031. Under the terms of the lease, rent expense totaled $290,828 and $262,768 for the years ended June 30, 2021 and 2020, respectively.

As of June 30, 2021, future minimum operating lease payments required are as follows:

Year Ending June 30,	
2022	$ 377,505
2023	388,830
2024	400,495
2025	412,510
2026	424,885
Thereafter	2,323,446
	$ 4,327,671

Note 5—Notes payable

In February 2014, the Organization entered into a note payable with a financial institution for the purchase of certain real estate. During September 2015, this note payable was restructured to a term loan with total borrowings of $3,900,000 requiring monthly payments of $24,753 including interest calculated at 4.00%. During July 2017, this term loan was amended to allow additional borrowings of $2,460,000 and requiring new monthly payments of $33,363 including interest calculated at 4.25%. Total outstanding amounts plus accrued and unpaid interest are due on October 27, 2022. The agreement is secured by a deed of trust and a negative pledge of the Organization's assets. Amounts outstanding under this note totaled $5,537,961 and $5,695,962 at June 30, 2021 and 2020, respectively. Additionally, the agreement contains restrictive covenants that are tested annually on June 30. At June 30, 2021, management believes the Organization was in compliance with the other covenants.

During June 2020, the Organization entered into a loan agreement with CSGF Tennessee, LLC. In July 2020, under terms of the loan, the Organization received $300,000 to be used for general support and management of the Organization. This note bears no interest. Amounts outstanding under the agreement totaled $300,000 at June 30, 2021. Total outstanding amounts are due on November 30, 2021.

Future principal payments on the notes are as follows at June 30, 2021:

Years Ending June 30,		
2022	$	464,947
2023		5,373,014
	$	5,837,961

Note 6—Line of credit

The Organization's line of credit has a $1,000,000 maximum availability and requires interest-only payments in monthly installments at the bank's prime rate with minimum rate of 4.5% until maturity in April 2023 at which time all outstanding principal and interest will be due. There was no balance outstanding on the line of credit as of June 30, 2021 or 2020.

Note 7—Federal grants

The Organization receives federal pass-through funding from various grantor agencies to help meet objectives and accomplish its mission as a charter school. Total federal awards received during the years ended June 30 2021 and 2020 totaled $4,885,320 and $2,886,114, respectively.

Note 8—Concentrations

For the years ended June 30, 2021 and 2020, the Organization received $36,537,917 (85%) and $29,190,456 (86%), respectively, 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 enrollment.

Note 9—Retirement plans

Teacher Legacy Pension Plan of TCRS

Plan Description – The Tennessee Consolidated Retirement System ("TCRS") was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at *https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies*. Teachers employed by the Organization with membership in the TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a 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 ("LEA") after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

Benefits Provided – Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive-year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 if vested. Members are vested with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service-related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments ("COLA") after retirement. A COLA is granted each July for annuitants retired prior to 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%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than ½%. A 1% COLA is granted if the CPI change is between ½% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions – Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5% of salary. LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Organization for the year ended June 30, 2021 and 2020, to the Teacher Legacy Pension Plan were $227,037 and $213,306, respectively, which 10.63% and 9.60% of covered payroll, respectively. 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.

Note 9—Retirement plans (continued)

Teacher Retirement Plan of TCRS

Plan Description – The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained *at* https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies. Teachers employed by the Organization with memberships in TCRS before July 1, 2014 are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing, multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan.

Benefits Provided – Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire with an unreduced benefit at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive-year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service-related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic COLAs after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the CPI during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than ½%. A 1% COLA is granted if the CPI change is between ½% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions – Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5% of salary. LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer-contribution rate cannot be less than 4%, except for in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Organization for the years ended June 30, 2021 and 2020, to the Teacher Retirement were $139,522 and $114,333, respectively, which is 2.03% of covered payroll for both years. 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.

Members of the Teacher Retirement Plan are also included in a 401(k) component whereby employer contributions are made at 5% of covered payroll.

Note 9—Retirement plans (continued)

Other Plan

The Organization’s noncertified employees are covered under a 403(b) plan. Under terms of the plan, employee contributions are matched 200% up to a maximum match of 6% of eligible compensation by the Organization.

Employer contributions for all retirement plans totaled $1,007,316 and $1,116,608 for the years ended June 30, 2021 and 2020, respectively.

Note 10—Commitments and contingencies

During 2020, an outbreak of a novel strain on coronavirus (“COVID-19”) emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen that could negatively impact the Organization's revenue and operations for an indeterminable time period. Other financial impacts could occur that are unknown at this time.