



Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Independent Auditor's Report on the Basic Financial Statements and
Accompanying Supplementary Information

For the Year Ended June 30, 2022

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I. Introductory Section

Governance Officials & Administration for Fiscal Year 2022

BOARD OF DIRECTORS

Officers:

Chairman	Mr. Greg Bethel
Vice Chairman	Mr. Stan Burton
Corporate Secretary	Mrs. Carolyn Goodwin Willett
Treasurer	Ms. Stephanie Walker

BOARD MEMBERS:

Judge Walter L. Evans, Sr.
Mr. Arvin Glass
Ms. Tanya Incio
Mr. Arnell Morris

ADMINISTRATION:

Founder & Executive Administrator	Mrs. Elise R. Evans
Principal	Mrs. Debra Jones
Assistant Principal	Mrs. Sheila Moss

MANAGEMENT OFFICIALS:

Founder & Executive Administrator	Mrs. Elise R. Evans
Principal	Mrs. Debra Jones
Assistant Principal	Mrs. Sheila Moss
Operations Specialist	Ms. Denise Dill
Accounting Business Consultant	Mrs. Cammille Hubbard
Payroll Specialist	Ms. Shenecia McCoy
Human Resource Specialist	Ms. Lois Madison
COVID-19 / Special Projects Coord.	Mrs. Ervilin Pace-Myles

II. Financial Section

A. Report on Basic Financial Statements



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Booker T. Camper Jr., CPA PLLC

Independent Auditor's Report

The Board of Directors

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Report on the Audit of the Financial Statements

Opinions

I have audited the financial statement of the governmental activities and the major fund of **Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts** (charter school), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise **Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts'** basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of **Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts**, as of June 30, 2022, and the respective changes in financial position, ad, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing statements generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards). My responsibilities under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of my report. I am required to be independent of Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Responsibility of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, I:

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

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

Report on Other Legal and Regulatory Requirements

None

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts. The introductory section information, the combining schedules, other supplementary information, listed in the table of contents, combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for the purposes of additional analysis and are not required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with GAAS. In my opinion the schedule of expenditures of federal awards is fairly stated, in all material respects, in relations to the financial statements as a whole.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the other information such as the introductory and statistical sections but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, I conclude that an uncorrected material misstatement of the information exists, I am requested to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated July 21, 2023, on my consideration of the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts. The purpose of that report is *solely* to describe the scope of my 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 Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' 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* Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Booker T. Camper, Jr." with a long horizontal flourish extending to the right.

Booker T. Camper, Jr. CPA & CGMA
Memphis, Tennessee
July 21, 2023

II. Financial Section

B. Management's Discussion & Analysis

Management's Discussion and Analysis

A. Description of Financial Statements and Relationships

Introduction and Overview of the Financial Statements

This discussion and analysis serve as an introduction to the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' (SACS) basic financial statements, which include government-wide financial statements, fund financial statements and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information. This section presents the Charter School's financial performance during the fiscal year ended June 30, 2022. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the Charter School's financial performance.

Government-wide Financial Statements

The government-wide statements are designed to provide the reader with a broad overview of the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

The government-wide financial statements outline functions of the Charter School that are principally supported by grants, contributions, and fees and charges for services (governmental activities). The government activities of the Charter School include education and pension expenses. The Charter School is a publicly funded, nonsectarian, public, elementary school that operates free of many of the regulations, restrictions, and mandates of traditional public schools. Charter schools are established under state law. They contract as separate legal entities and are accountable for their results at the end of the contract period. They are considered to be governmental non-profit organizations.

Management's Discussion and Analysis

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Charter School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Charter School are divided into one category, governmental funds.

Government Funds - Most of the Charter School's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the Charter School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the Charter School's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between government funds and governmental activities.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds.

Capital outlay spending results in capital assets on government-wide financial statements but is reported as expenditures on the governmental funds financial statements.

Certain other outflows represent either an increase or decrease in liabilities on the government-wide financial statements but are reported as expenditures on the governmental funds financial statements.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Management's Discussion and Analysis

B. Condensed Financial Information is detailed below:

The School's change in net position increased \$ 692,692 from 2021 to 2022 due to excess revenue over expenses and GASB Standard No. 68 and 71 Accounting and Reporting for Pensions. Furthermore, the School's net position of \$ 1,319,798 for the year including depreciation of \$ 170,866 and pension transactions, which is an improvement over the activities for year 2020. The Academy uses the capital assets of \$ 1,126,328 to provide learning programs for the students serviced. Restricted net assets of \$ 13,384 are restricted for internal school fund purposes and unrestricted assets of \$ 93,536 are for educational purposes for the year ended. Presented below is the organization's statement of net position as of June 30, 2022, derived from audited financial statements prepared by the Certified Public Accountant.

Condensed Statement of Net Position As of June 30, 2022

	Governmental Activities		Private-Type Activities		Total Private & Government	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$659,742	\$767,958	\$ -	\$ -	\$659,742	\$767,958
Pension Assets	1,512,003	511,889			1,512,003	511,889
Deferred Outflows	580,719	243,348			580,719	243,348
Capital Assets	1,126,328	274,305	-	-	1,126,328	274,305
Total Assets	<u>3,878,792</u>	<u>1,797,500</u>	<u>-</u>	<u>-</u>	<u>3,878,792</u>	<u>1,797,500</u>
Deferred Inflows	1,233,947	181,781	-	-	1,233,947	181,781
Pension Liability	-	-	-	-	-	-
Other Liabilities	1,325,047	1,207,750	-	-	1,325,047	1,207,750
Total Liabilities	<u>2,558,994</u>	<u>1,389,531</u>	<u>-</u>	<u>-</u>	<u>2,558,994</u>	<u>1,389,531</u>
Net Position:						
Invested in Capital Assets	275,851	274,305	-	-	275,851	274,305
Restricted	950,411	68,267	-	-	950,411	68,267
Unrestricted	93,536	65,397	-	-	93,536	65,397
Total Net Position	<u>\$1,319,798</u>	<u>\$407,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,319,798</u>	<u>\$407,969</u>

1. The School's condensed statement of activities for the fiscal year ended June 30, 2022 is derived from the audited financial statements prepared by the external Certified Public Accountant. They reflect current change in net position of \$ 911,829 for the fiscal year ended June 30, 2022. Net position measures whether the Academy's financial position is improving. The total net position for 2022 is \$ 1,319,798 and change in net position as of June 30, 2022 is \$ 692,626, representing a positive increase in net position.

Management's Discussion and Analysis

C. Analysis of Financial Position and results in operation:

1. The financial position of the Charter School also looks favorable and shows significant Improvements in 2022 with positive change in net position of \$ 692,626, which is an indication of the strength of the organization after adoption of the new pension standards. The School has continued payments on its debt and has a positive net position is \$ 1,319,798.
2. With continued funding from both private grants and Shelby County Schools, the Charter School expects continued growth and improvements in its programs and services to the community.

D. Analysis of Balances and Transaction of Major Individual Funds:

Cash increased by \$ 143,107 from 2021 to 2022, with the ending cash balance of \$ 556,586. The overall net position increased by \$ 911,829 in 2022 as restated by GASB Standard No. 68 and 71 Accounting and Reporting for Pensions and prior period adjustments. Deferred Outflows Assets increased by \$ 337,371 because of the GASB Standard for Pension and Deferred Outflows increased by \$ 1,052,166. Also, the other liabilities increased by \$ 117,297, whereas the Deferred Outflows decreased by \$ 146,454. The Charter School shows a positive net change in position of \$ 692,626 during the current year and an overall net position is \$ 1,319,798 at year end. The change in net position represents excess revenue over operating expenses, including pension expenses. The expenses include depreciation of \$ 170,866 and accrued expenses. The School is bringing its operating expenses in line with its revenues in view of the restatement beginning net position due to pension related transactions. Therefore, the School has a positive net position for the fiscal year to provide the organization with better operating tools to execute its mission objectives.

E. Budgeted Amounts Compared to Actual results:

1. The expenditures incurred during the period did not exceed the budgeted amounts in all categories by no more than ten percent, which follows State of Tennessee regulations.

F. Description of Significant Capital Asset and Long-Term Debt:

1. The net fixed assets of \$ 1,126,328, which includes capital and lease assets, as of June 30, 2022 allowed the Charter School to utilize these resources in servicing the needs of the students.
2. The Charter School has long-term debt for improvement of educational facilities and non-recurring operating expenses and the current liabilities are incurred for normal operating expenses. Current liabilities are typically paid within the 30 to 90 days' range and the notes payable are payable over a three to five-year period.

Management's Discussion and Analysis

G. Other information:

Description of current known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations:

1. Please refer to the notes to the financial statements and findings and questioned costs section of the Audited Financial Statements for the organization.
2. The Charter School is expected to receive funding from the State of Tennessee, Shelby County Board of Education, and Department of Education on a current and continued basis.
3. Funding from private contributors, grants from corporations and individuals, and from program services, are expected to continue at various levels into the future, dependent on general economic conditions.

II. Financial Section

C. Financial Statements

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Statement of Net Position

June 30, 2022

	Primary Government Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 556,586
Cash - Restricted for Internal School Funds	13,384
Accounts Receivable, Net	11,520
Restricted Assets - Stabilization Funds	78,252
Capital Assets, Net Accumulated Depreciation of \$ 1,521,067	444,784
Intangible Lease Assets, Net Accumulated Amortization of \$ 24,828	681,544
Total Assets	1,786,070
Pension Assets	1,512,003
Total Assets	\$ 3,298,073
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	580,719
Total Deferred Outflows of Resources	\$ 580,719
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 3,878,792
<u>LIABILITIES</u>	
Accounts Payable	\$ 260,401
Pension Payable	124
Long-Term Liabilities:	
Notes Payable	622,795
Lease Payable	102,818
Interest Payable - Building	302,875
Interest Payable - Other Equipment	36,034
Total Liabilities	\$ 1,325,047
DEFERRED INFLOWS OR RESOURCES	
Pension Related	1,233,947
Total Deferred Inflows of Resources	\$ 1,233,947
TOTAL LIABILITIES AND DEFERRED INFLOWS	\$ 2,558,994
NET POSITION	
Invested in Capital Assets	275,851
Restricted:	
Internal School Funds	13,384
Stabilization Trust funds	78,252
Pension	858,775
Unrestricted	93,536
Total Net Position	\$ 1,319,798

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

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Statement of Activities

For the Year Ended June 30, 2022

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Assets</u>	
		<u>Fees and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	
				<u>Activities</u>	<u>Total</u>
Primary Government					
Government Activities:					
Education	\$ 4,958,468	\$ -	\$ 4,905,593	\$ (52,875)	\$ (52,875)
Pension	(173,072)	-	-	173,072	173,072
Internal School Expenditures	22,279	-	-	(22,279)	(22,279)
Total Governmental Activities	4,807,675	-	4,905,593	97,918	97,918
 Total Primary Government	 \$ 4,807,675	 \$ -	 \$ 4,905,593	 \$ 97,918	 \$ 97,918
General Revenues:				\$ -	\$ -
Internal School Funds				27,981	27,981
Total General Revenues				27,981	27,981
Change in Net Position				125,899	125,899
Net Position - Beginning				407,969	407,969
Prior Period Adjustment - Pension & Lease				785,930	785,930
Restated Net Position Beginning				1,193,899	1,193,899
Net Position - Ending				\$ 1,319,798	\$ 1,319,798

FUND FINANCIAL STATEMENTS

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Balance Sheet
 Governmental Funds
 June 30, 2022

<u>ASSETS</u>	<u>General Fund</u>
Cash and Cash Equivalents	\$ 556,586
Cash - Restricted for Internal School Funds	13,384
Accounts Receivable, Net	11,520
Restricted Assets - Stabilization Funds	<u>78,252</u>
TOTAL ASSETS	<u>\$ 659,742</u>
<u>LIABILITIES AND FUND BALANCES</u>	
LIABILITIES:	
Accounts Payable and Accrued Expenses	<u>\$ 260,401</u>
TOTAL LIABILITIES	<u>\$ 260,401</u>
FUND BALANCES:	
Fund Balances:	
Nonspendable:	
Inventory	\$ 25,500
Restricted:	
Education Activities	
Internal School Funds	13,384
Stabilization Trust Fund	78,252
Assigned:	
Equipment Projects	151,500
Unassigned:	<u>130,705</u>
TOTAL FUND BALANCES	<u>399,341</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 659,742</u>

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

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Reconciliation of the Balance Sheet – Governmental Fund to Statement of Net Position
For Year Ended June 30, 2022

Total Fund Balances - Total Governmental Funds	\$ 399,341
Total Net Assets reported for Governmental Activities in the Statement of Net Position is different because of the following:	
financial resources and therefore are not reported in the funds. Those assets consist of:	
include the following:	
Total Capital Assets	1,250,732
Prior Period Adjustment related to Pension Activities	(1,189,050)
Net Pension Assets recognized and recorded in the current period and therefore not reported in the funds	1,512,003
Deferred outflows of resources related to pensions are applicable to future periods	580,719
Deferred inflows of resources related to pension are applicable to future periods	<u>(1,233,947)</u>
Total Net Position of Government Activities	<u><u>\$ 1,319,798</u></u>

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

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Statement of Revenues, Expenditures, and Changes in Fund Balance

For the Year Ended June 30, 2022

<u>REVENUES</u>	<u>Note No.</u>	<u>General Fund</u>
Contributions and Gifts		\$ 6,440
Income from Forgiveness of PPP Loan		467,320
Miscellaneous income		46,688
Internal School Fund		27,981
Grants and Contracts	Sched. A	4,315,950
Total Revenues		<u>\$4,864,379</u>
 EXPENDITURES		
Current:		
Education		4,594,804
Internal School Funds		22,279
Capital Outlay		<u>189,517</u>
Total Expenditures		<u>4,806,600</u>
Excess (Deficiency) of Revenues over Expenditures		57,779
 OTHER FINANCING SOURCES AND USES		
Transfers		<u>-</u>
Total other Financing Sources and Uses		-
Net Change in Fund Balances		<u>57,779</u>
Fund Balances - Beginning		(436,654)
Prior Period Adjustments		<u>778,216</u>
Fund Balances - Ending		<u>\$ 399,341</u>

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

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance –
Governmental Fund to the Statement of Activities**

For the Year Ended June 30, 2022

Net Change in Fund Balances -

Total Government Funds	\$ 57,779
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The change in Net Assets reported for Governmental Activities in the Statement of Activities is different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$341,345) is less than depreciation and amortization (\$209,208) in the current period.

132,137

Under the modified accrual basis of accounting used in the Government Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when the financial resources are available.

This adjustment combines the net changes of the following:

Prior Period Adjustments	(349,856)
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Pension credit not requiring the use of current financial resources are not reported as expenditures in the funds

173,072

Employer's Contribution

112,767

Changes in Net Position of Governmental Activities

\$ 125,899

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

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts is a Tennessee non-profit organization in the State of Tennessee organized as a charter school. The Academy is exempted from federal income tax under Internal Revenue Code Section 501 C 3.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts (SACS) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of SACS's accounting policies are described below.

a. Basis of Presentation

In June 2012, the GASB issued GASB Statement No. 68 Accounting and Financial Reporting for Pensions. This statement establishes standards for measuring and recognizing liabilities, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, note disclosure and required supplementary information requirements about pensions also are addressed. This Statement is effective for fiscal years beginning after June 15, 2014.

b. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, SACS is considered by law and contract to be a separate legal entity and has its own governing board for financial accountability.

For financial reporting purposes, SACS has included all funds. SACS has included all funds for which it is financially accountable, and any exclusion will cause SACS's financial statement to be misleading or incomplete. The Governmental Accounting Standards Boards has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of SACS to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on SACS.

c. Government-wide and Financial Statements

The statement of net of position and the statement of activities reports information about all of the activities of entity (SACS). These statements include the primary government (Charter School) and it has no component units or fiduciary funds. Government activities generally are financed by basic education program allotment per student from the State of Tennessee and various grants, contracts, and contributions from governmental agencies and private donors.

The Statement of Net Position presents SACS's assets and liabilities, with the difference reported as net position. Net Position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of notes payable attributable to the acquisition, construction or improvement of those assets.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consisted of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers for services and goods related to education, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Certain indirect costs are included in the program expense reported for individual functions and activities due to the allocation of overhead for certain grants.

Fund Financial Statements: Separate financial statements are provided for governmental funds, even though the funds are excluded from government-wide financial statements. The fund financial statements of the reporting entity are organized into the general fund, which is considered to be a separate accounting entity. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, expenditures and/or expenses. The fund is a primary and only operating fund, which is categorized as a governmental fund.

Governmental Fund is the following major fund:

General Fund.

The General Fund is SACS's primary operating fund. The general fund is used to account for and report all financial resources of the Charter School. Basic Education Program, grants, contracts and contributions finance the operations.

d. Measurement Focus, Basis of Accounting, and Financial Statement

Presentation

In the governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within 60 days after the year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

Federal and state reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal and state regulations, which include subjecting grants to financial and compliance audits.

- e. Capital asset acquisitions are recorded as expenditures in the government funds.

Assets, Liabilities, Deferred Outflows/Inflows, and Net Position/Fund Balances

1. Cash and Cash Equivalents

SACS's cash and cash equivalents are considered to be cash on hand and demand deposits.

2. Investments

State statutes authorize TCRS Board of Trustee to invest in obligations of the U. S. Treasury, obligations issued or guaranteed by the U. S. Government agency, certificates of deposits at Tennessee and federal chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as underlying securities, prime banker's acceptances and prime commercial paper. The maximum maturity is two years. The SACS's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The TCRS Board of Trustee uses valuation technique(s) that best represents fair value in the circumstances using one of the three approaches: Market, Cost, or Income.

3. Due from Grant and Contracts

Due from grants and contracts which due from other agencies for expenses paid by SACS.

4. Capital Assets

Capital assets include leasehold improvements, equipment and furniture, fixtures and equipment and all have initial useful lives extending beyond a single reporting period. Capital assets are reported in the governmental column in the government-wide Statement of Net Position.

Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

4. Capital Assets - continued

The costs of normal maintenance and repair that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets are defined by SACS as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities' column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except for land.

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimate Useful Life
Land	-0-	-0-
Buildings	50,000	40 years
Buildings Improvements	25,000	20 years
Improvements other than Buildings	25,000	20 years
Equipment	5,000	5-10 years
Furniture and Fixtures	5,000	3-7 years
Leasehold Improvements	5,000	3-7 years

See Note F for details.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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.

See Note O for further details.

6. Long-Term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities.

See Note H for details.

NOTES TO THE FINANCIAL STATEMENTS

7. Pensions - TRP

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 Teacher Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan. Investments are reported at fair value.

Pensions - TLPP

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 Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS.

For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Legacy Pension Plan. Investments are reported at fair value.

8. Fund Balances

Fund balance for government funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable. This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted. This classification includes amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors or the laws or regulations of other governments.

Committed. This classification includes amounts that can be spent only for specific purposes pursuant to constraints imposed by formal action of the Academy. Such formal action may be in the form of an ordinance or resolutions and may only be modified or rescinded by a subsequent formal action.

NOTES TO THE FINANCIAL STATEMENTS

Assigned. This classification includes amounts that are intended by the Academy to be used for specific purposes but are neither restricted nor committed. Assignments may be made only by the governing body or official.

Unassigned. This classification represents the residual positive balance within the General Fund, which has not been restricted, committed or assigned. In funds other than the General Fund, unassigned fund balances are limited to negative residual balances. The Academy uses restricted amounts first when both restricted and unrestricted fund balances are available. When expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is SACS's general policy to use restricted resources first.

When expenditures are incurred are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is SACS's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

NOTE C – ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

NOTE D – CASH DEPOSITS

The School's cash and equivalents are considered to be cash on hand, demand deposits and short-term investment with original maturities of three months or less from the date of acquisition.

	Government-wide Statement of Net Assets
Bank Deposits	<u>\$ 556,586</u>

At June 30, 2022, the carrying amount (recorded on the School's books) of the School's demand deposits was \$ 556,586 and the bank balance was \$ 505,157.

Legal Provisions

Deposits must be collateralized by the federal depository insurance, the Tennessee Bank collateral Pool, collateral held by the School's agent in SACS's accounts, collateral held by the Federal Reserve Banks acting as third-party agents, or a combination of these methods. State statutes requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the uninsured amount of the deposits. All deposits are secured in accordance with the requirements of *Tennessee Code Annotated, Title 9, Chapter 4*.

Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. As of June 30, 2022, the school has eight (8) bank accounts of a total balance of \$ 505,157, in which all accounts were insured by FDIC.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

NOTE E – ACCOUNTS RECEIVABLE

The following accounts receivable and grant are due from the following:2

	FY 2022
Grants Receivable - Title I	\$ 11,520
	<u>\$ 11,520</u>

No provision for doubtful accounts was made as of June 30, 2022; is Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts expects to collect the entire balance.

NOTE F – INVESTMENTS AND FAIR VALUE MEASUREMENT

TCRS STABILIZATION TRUST

Legal Provisions. The is Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The is Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts 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 is Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The is Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts 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.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

Investments are reported at fair value or amortized which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair Securities and securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2022, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

Investments using the Net Asset Value ("NAV") per share have no readily determinable fair value and have been determined using amortized cost which approximates fair value.

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

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

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date.

Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade data having limited trading volume.

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

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

NOTE F – INVESTMENTS AND FAIR VALUE MEASUREMENT - Continued

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute (“MAI”), or its equivalent, every three (3) years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type.

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

At June 30, 2022, the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts had the following investments held by the trust on its behalf.

Investment	Percentage Target Investment	Fair Value
U.S. Equity	31%	\$24,258
Developed Market International Equity	14%	10,955
Emerging Market International Equity	4%	3,131
Private Equity and Strategic Lending	20%	15,650
U.S. Fixed Income	20%	15,560
Real Estate	10%	7,825
Short-Term Securities	1%	873
		\$78,252

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

STABILIZATION TRUSTS FAIR VALUE MEASUREMENTS

<u>Investment By Fair Value Level</u>	<u>Fair Value 6/30/2021</u>	<u>Fair Value Measurements Using</u>			<u>Amortized Cost</u>
		<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Observable Inputs (Level 3)</u>	<u>NAV</u>
U.S. Equity	\$ 24,258	\$ 24,258	\$ -	\$ -	\$ -
Developed Market					
International Equity	10,955	10,955	-	-	-
Emerging Market					
International Equity	3,131	3,131	-	-	-
U.S. Fixed Income	15,650	-	15,650	-	-
Real Estate	7,825	-	-	7,825	-
Short Term Securities	783	-	783	-	-
Private Equity and Strategic Lending	15,650	-	-	-	15,650
Total	\$ 78,252	\$ 38,344	\$ 16,433	\$ 7,825	\$ 15,650

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 Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts 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.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts 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. Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts 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 Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts to pay retirement benefits of the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts employees.

For further information concerning the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at: <https://treasury.tn.gov/Portals/0/Documents/Retirement/CARF%20Reports/2021/2021TCRSReportFull%20Report.pdf>

NOTE G – CAPITAL ASSETS

Capital Assets activities for the year ended June 30, 2022 with annual depreciation expenses of \$ 170,866 as follows:

	7/1/2021 Beginning Balance	Increase	Decrease	6/30/2022 Ending Balance
Governmental Activities:				
Capital Assets, not being Depreciated:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Capital Assets being Depreciated:	-	-	-	-
Leasehold Improvements	391,484	-	-	391,484
Textbooks	436,860	-	-	436,860
Equipment – Classroom	58,360	-	-	58,360
Equipment – Technology	305,046	341,345	-	646,391
Equipment – Computer Processors	202,669	-	-	202,669
Furniture, Fixtures and Equipment	227,087	-	-	227,087
Total Assets being Depreciated	<u>1,624,506</u>	<u>341,345</u>	<u>-</u>	<u>1,965,851</u>
Less Accumulated Depreciation for:				
Leasehold Improvements	14,350	13,050	-	27,400
Textbooks	392,936	72,576	-	465,512
Equipment – Classroom	64,739	9,235	-	73,974
Equipment – Technology	73,829	10,635	-	84,464
Equipment – Computer Processors	218,886	36,481	-	255,367
Furniture, Fixtures and Equipment	456,531	28,889	-	485,420
Total Accumulated Depreciation	<u>1,350,271</u>	<u>170,866</u>	<u>-</u>	<u>1,521,067</u>
Total Capital Assets being Depreciated, Net Excluding Lease Assets	<u>\$ 274,305</u>	<u>\$ 170,479</u>	<u>\$ -</u>	<u>\$ 444,784</u>
Lease Assets, Net (Page 65)				<u>\$ 681,544</u>
Total Capital Assets, Net as Reported in the Statement of Net Position				<u>\$ 1,126,328</u>

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

NOTE H – FUND BALANCE CATEGORIES AND CLASSIFICATION

	General Fund	Total Government Fund
Fund Balance:	\$0	\$0
Nonspendable:		
Inventories	\$25,500	\$25,500
Restricted:		
Internal School Funds	13,384	13,384
Stabilization Trust Funds	78,252	78,252
Fund Balance:		
Assigned:		
Equipment Projects	151,500	151,500
Unassigned	130,705	130,705
Total Fund Balances	399,341	399,341

The Academy’s policy is to use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used.

NOTE I – FUND-RAISING

SACS did not incur any fund-raising expenses in the fiscal year 2022.

NOTE J – RELATED PARTY TRANSACTIONS

There were no related party transactions for the year ended June 30, 2022.

NOTE K – ADVERTISING

SACS did not incur any advertising for 2022.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

NOTE L - LONG-TERM DEBT

Description	Beginning Balance	Increase Payments	Decreases Borrowings	Ending Balance	Due Within One Year
	Beg. Balance	Loans	Repayment	Ending Balance	Due Within One Year
Tri-State Bank	\$ 149,900	\$ -	\$ (149,900)	\$ -	\$ -
FHB, LOC	20,067	-	(6,296)	13,771	13,771
FHB, 6.25%	62,235	-	(62,235)	-	
Small Business Administration, 2.5%	-	500,000	-	500,000	14,400
Pinnacle Bank, LOC	532,411		(463,773)	68,638	68,638
Pinnacle Bank, LOC	99,474		(59,447)	40,027	40,027
Loan from Executive	12,359		(12,000)	359	359
	<u>\$ 876,446</u>	<u>\$ 500,000</u>	<u>\$ (753,651)</u>	<u>\$ 622,795</u>	<u>\$ 137,195</u>

Total maturity of long-term obligation is as follows:

	Principal & Interest Payments
2023	\$ 237,521
2024	237,521
2025	147,753
2026	-
and thereafter	-
Total	<u>\$ 622,795</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE M – DEFINED BENEFIT PLAN

Teacher’s Retirement Plan of the TCRS

General Information about the Pension Plan

Pensions. 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 Teacher Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the TCRS.

For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan. Investments are reported at fair value.

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 SACS with membership in the Tennessee Consolidated Retirement System (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 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 or pursuant to the rule of 80.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

Members are vested with five years of service credit. Service-related disability benefits are provided regardless of the length of service. Five years of service is required for non-service-related disability eligibility. The service related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement.

A COLA is granted each July for annuitants retired prior to the 2ND of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent.

A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers contribute 5 percent of their salary. The Local Education Agencies (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 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts for the year ended June 30, 2022 to the Teacher Retirement Plan were \$ 21,525.00 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.

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

Pension liabilities (assets). At June 30, 2022, Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts reported a liability (asset) of \$ (65,145) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. SACS's proportion of the net pension asset was based on SACS's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2021, SACS's proportion was 0.060140 percent. The proportion measured as of June 30, 2020 was 0.073215%.

Pension expense. For the year ended June 30, 2022, SACS recognized pension expense of \$ 8,908.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$1,133	\$11,920
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	37,499
Changes in Assumptions	23,497	-
Changes in Proportion of Net Pension Liability (Asset)	14,043	4,441
LEA's Contributions Subsequent to the Measurement Date of June 30, 2021	21,525	(Not Applicable)
Total	\$60,198	\$53,860

SACS's employer contributions of \$21,525, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2023	(\$7,239)
2024	(\$7,034)
2025	(\$6,976)
2026	(\$7,919)
2027	\$2,083
Thereafter	\$11,899

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

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

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

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

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	4.88%	31%
Developed Market International Equity	5.37%	14%
Emerging Market International Equity	6.09%	4%
Private Equity and Strategic Lending	6.57%	20%
U.S. Fixed Income	1.20%	20%
Real Estate	4.38%	10%
Short-Term Securities	0.00%	1%
		100%

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

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

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute.

Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts’ proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75 percent, as well as what Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts’ proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
SACS’s Proportionate Share of the Net Pension Liability (Asset)	\$22,395	(\$65,145)	(\$129,708)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

Payable to the Pension Plan

At June 30, 2022, Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts reported a payable of \$ 107 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

Teacher’s Legacy Plan of the TCRS

Pensions. 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 Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Legacy Pension Plan. Investments are reported at fair value.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

General Information about the Pension Plan

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

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of their salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. 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 SACS for the year ended June 30, 2022 to the Teacher Legacy Pension Plan were \$ 42,630 which is 10.27 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

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

Pension liabilities (assets). At June 30, 2022, Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts reported a liability (assets) of (\$688,219) 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 value as of that date. Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' proportion of the net pension liability was based on Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2021 Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' proportion was 0.015956 percent. The proportion measured as of June 30, 2020 was 0.017067 percent.

Pension expense. For the year ended June 30, 2022, Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts recognized pension expense (negative pension expense) of (\$94,498.00).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$2,313	\$ 57,400
Changes in Assumptions	183,881	-
-Net Difference Between Projected and Actual Earnings on Pension Plan Investments		548,839
Changes in Proportion of Net Pension Liability (Asset)	\$9,205	\$ -0-
LEA's Contributions Subsequent to the Measurement Date of June 30, 2019	\$ 42,630	(Not applicable)
Total	\$238,029	\$606,239

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts employer contributions of \$42,630 reported as pension related deferred outflows of resources subsequent to the measurement date will be recognized as an increase of net pension liability (asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2023	(\$95,911)
2024	(\$ 91,109)
2025	(\$ 75,705)
2026	(\$148,116)
2027	-
Thereafter	-

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

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

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

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

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

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

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

The best-estimated 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	4.88%	31%
Developed Market International Equity	5.37%	14%
Emerging Market International Equity	6.09%	4%
Private Equity and Strategic Lending	6.57%	20%
U.S. Fixed Income	1.20%	20%
Real Estate	4.38%	10%
Short-Term Securities	0.00%	1%
		100%

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

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

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75 percent, as well as what SACS's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
SACS's Proportionate Share of the Net Pension Liability (Asset)	\$122,480	(\$688,219)	(\$1,159,027)

Payable to the Pension Plan

At June 30, 2022, Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts reported a payable of (\$124) for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

Hybrid Pension Plan (Defined Contribution Component)

1. Plan Description

Teachers and employees with membership in the TCRS after June 30, 2014 are provided with pensions through a hybrid plan which consists of a legally separate plan referred to as the teacher Retirement Plan (the defined benefit component) and a 401(k) Defined Contribution Plan as a condition of employment. Teachers and employees are eligible to participate on an optional basis in the 401(k) Defined Contribution Plan. For information on the retirement plan, please visit the plan's website, which, as of July 1, 2014, is <http://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies> and see Note C.

2. Contributions

The Defined Contribution Plan is administered by Great-West Financial. SACS is required to contribute five percent to an employee's account and the amount is not subject to any matching employee contributions.

New employees are auto enrolled to contribute 2 percent of salary with the ability to opt out. The total amount contributed to the Defined Contribution Plan by the employee and employer is 100 percent vested immediately. Employer contribution for the fiscal year 2022 was \$9,059.

3. Payable to the Hybrid Plan

As of June 30, 2022, a payable of \$0.00 was reported for the Defined Contribution Pension Plan administered by Great-West Financial.

NOTES TO THE FINANCIAL STATEMENTS

Public Employee Retirement Plan

General Information about the Pension Plan

Pensions. 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 SACS's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from SACS's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of the TCRS. Investments are reported at fair value.

Plan description. Employees of SACS are provided a defined benefit pension plan through the Public Employee Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. This Plan participates as a proportion of Shelby County's (The "Unified School District Plan") TCRS pension plan. SACS's proportionate percentage of the collective net pension Liability (Assets) is 0.3899%. 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 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 <http://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits provided. Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute.

Members 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. Reduced benefits for early retirement are available at age 55 and vested.

Members vest with five years of service credit. Service-related disability benefits are provided regardless of the 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.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

Employees covered by benefit terms. At the measurement date of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	-
Active employees	25
	25

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5.00 percent of their salary. SACS makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, the employer contributions for SACS were \$ 39,553 based on a rate of 5% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept SACS's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are 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.

Net Pension Liability (Asset)

SACS's net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

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

Inflation	2.25 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent (use only if COLA is Provided)

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

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

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

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

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

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	4.88%	31%
Developed Market International Equity	5.37%	14%
Emerging Market International Equity	6.09%	4%
Private Equity and Strategic Lending	6.57%	20%
U.S. Fixed Income	1.20%	20%
Real Estate	4.38%	10%
Short-Term Securities	0.00%	1%
		100%

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

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from SACS 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.

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)	
Balance at 6/30/21	<u>\$3,322,746</u>	<u>\$4,081,385</u>	<u>(\$758,639)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of SACS calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
SACS			
Net Pension Liability (Asset)	(\$327,203)	(\$758,639)	(\$1,114,171)

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

Negative Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2022, SACS recognized negative pension expense of \$87,482.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, SACS reports outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$10,614	\$121,738
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		452,110
Changes in Assumptions	232,325	-
LEA's Contributions Subsequent to the Measurement Date of June 30, 2021	39,553	(Not applicable)
Total	\$282,492	\$573,848

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2021," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Year Ended June 30:

2023	(\$89,153)
2024	(\$93,555)
2025	(\$72,628)
2026	(\$75,572)
2027	-
Thereafter	-

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

Payable to the Pension Plan

At June 30, 2022, SACS reported a payable of \$ -0- for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2022.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

NOTES TO THE FINANCIAL STATEMENTS

NOTE N- EFFECT OF DEFERRED AMOUNTS ON NET POSITION

The unrestricted net position amount of \$580,719 includes the effect of deferring the recognition of expense resulting from a deferred outflow from pensions. The \$580,719 balance of deferred outflow of resources at June 30, 2022 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of \$1,233,947 includes the effect of deferring the recognition of revenues resulting from a deferred inflow from pensions. The \$1,233,947 balance of deferred inflow of resources at June 30, 2022 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

NOTE O - COMMITMENTS AND CONTINGENCIES

There are no commitments and contingencies as of December 21, 2022.

NOTE P - CONCENTRATIONS OF RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation. SACS deposits its cash with high quality financial institutions, and management believes the organization is not exposed to significant credit risk on those amounts.

A significant portion, approximately 88.8% of SACS's annual funding comes from Basic Education Program from the State of Tennessee. The Academy received Direct Public Support from corporate, business and private grants of \$ 6,440. Funding of 25.3% is from federal grants. As such, SACS's ability to generate resources via contributions and grants comprising Direct Public Support is dependent upon the economic health of the area, the state of Tennessee and funding from Shelby County Schools. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in State funding for SACS's services.

NOTE Q- SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 21, 2023, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. As of the date of the audit report, SACS has experienced an unauthorized disbursement of \$23,550 made by a former payroll clerk from the period September 15, 2021 through August 15, 2022, of which none has been repaid. Accordingly, she has been officially charged for embezzlement on August 19, 2022. However, the investigation of the defalcation has not been finalized as to the Audit Department of the State of Tennessee.

D. Schedules of Required Supplementary Information

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability (Assets)

Teacher Retirement Plan of TCRS

Fiscal Years Ended June 30*

	2015	2016	2017	2018	2019	2020	2021
SACS's Proportion of the Net Pension Liability (Asset)	0.000000%	0.110873%	0.080078%	0.072056%	0.062229%	0.073215%	0.064014%
SACS's Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ (11,542)	\$ (21,126)	\$ (32,608)	\$ (35,127)	\$ (41,633)	\$ (65,145)
SACS's Covered-Employee Payroll	\$ -	\$ 487,844	\$ 25,583	\$ 629,688	\$ 658,499	\$ 802,593	\$ 850,461
SACS's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll	0.0000%	2.37%	-4.02%	-5.19%	-5.3300%	-5.19%	-7.66%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	0.00%	121.88%	126.81%	126.97%	123.07%	116.52%	-121.53%

*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Required Supplementary Information
 Schedule of Contributions*
 Teacher Retirement Plan of TCRS

Fiscal Years Ended June 30

	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially Determined Contributions (ADC)	\$ 7,963	\$ 12,212	\$ 20,891	\$ 25,187	\$ 12,775	\$ 18,756	\$ 17,533	\$ 21,632
Contributions in relation to the actuarially determined contribution	\$ 12,741	\$ 19,514	\$ 20,891	\$ 25,187	\$ 12,775	\$ 18,756	\$ 17,533	\$ 21,525
Contribution Deficiency (Excess)	\$ <u>(4,778)</u>	\$ <u>(7,302)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>107</u>
SACS's Covered-Employee Payroll	\$ 318,537	\$ 487,844	\$ 522,282	\$ 629,688	\$ 658,499	\$ 802,593	\$ 850,461	\$ 1,070,894
Contributions as a percentage of SACS's covered-employee payroll	4.00%	4.00%	4.00%	4.00%	1.94%	2.34%	2.06%	2.02%

*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior year's data, if needed.

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

In FY 2021 the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts 's placed the actuarially determined contribution rate (2.02%) of the covered payroll into the pension plan and placed 1.98% of covered payroll into the Pension Stabilization Reserve Trust.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Required Supplementary Information Schedule of Proportionate Share of the Net Pension Liability (Asset) Teacher Legacy Pension Plan of TCRS

Fiscal Years Ended June 30*

	2015	2016	2017	2018	2019	2020	2021
SACS's Proportion of the Net Pension Liability (Asset)	0.000000%	0.194240%	0.024606%	0.025176%	0.017672%	0.017067%	0.015956%
SACS's Proportionate Share of the Net Pension Liability (Asset)	\$ -	\$ 121,391	\$ (8,053)	\$ (88,593)	\$ (181,700)	\$(130,147)	\$(688,219)
SACS's Covered-Employee Payroll	\$ -	\$ 701,178	\$ 869,806	\$ 881,587	\$ 592,566	\$ 467,646	\$ 523,701
SACS's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll	0.000000%	17.31%	-0.93%	-10.05%	-3066.00%	-27.83%	-131.41%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	0.000000%	97.14%	100.14%	101.49%	104.28%	103.09%	116.13%

*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Required Supplementary Information
 Schedule of Contributions*
 Teacher Legacy Pension Plan of TCRS

Fiscal Years Ended June 30

	2015	2016	2017	2018	2019	2020	2021	2022
Actuarially Determined Contributions (ADC)	\$ 58,656	\$ 63,386	\$ 79,278	\$ 80,048	\$ 61,983	\$ 60,381	\$ 53,784	\$ 42,506
Contributions in relation to the actuarially determined contribution	58,656	63,386	78,763	80,048	61,983	60,381	53,784	42,630
Contribution Deficiency (Excess)	\$ -	\$ -	\$ 515	\$ -	\$ -	\$ -	\$ -	\$ (124)
SACS's Covered-Employee Payroll	\$ 648,853	\$ 701,178	\$ 876,922	\$ 881,587	\$ 592,566	\$ 467,646	\$ 523,701	\$ 413,881
Contributions as a percentage of SACS's covered-employee payroll	9.04%	9.04%	9.04%	9.08%	10.46%	12.91%	10.27%	10.27%

*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior year's data, if needed.

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability (Asset)

Public Employee Pension Plan of TCRS – Non Teacher

Fiscal Years Ended June 30

	2017	2018	2019	2020	2021
SACS's Proportion of the Net Pension Liability (Asset)	0.324000%	0.434260%	0.388500%	0.388540%	0.389932%
SACS's Proportionate Share of the Net Pension Liability (Asset)	(\$167,408)	(\$231,774)	(\$331,819)	(\$340,109)	(\$758,639)
SACS's Covered-Employee Payroll	\$499,442	\$692,672	\$614,239	\$658,027	\$679,232
SACS's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-employee payroll	-33.52%	-33.46%	49.59%	-51.69%	-113.68%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	107.19%	107.06%	111.28%	111.65%	122.83%

*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Changes of assumptions. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment salary growth and mortality improvements.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Required Supplementary Information

Schedule of Contributions*

Public Employee Pension Plan of TCRS – Non Teacher

Fiscal Years Ended June 30, 2022

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially Determined Contributions (ADC)	\$ 46,348	\$ 48,487	\$ 42,997	\$ 34,875	\$ 35,140	\$ 39,553
Contributions in relation to the actuarially determined Contribution	\$ <u>46,348</u>	\$ <u>48,487</u>	\$ <u>36,854</u>	\$ <u>39,556</u>	\$ <u>39,856</u>	\$ <u>39,553</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>6,143</u>	\$ <u>(4,681)</u>	\$ <u>(4,716)</u>	\$ <u>-</u>
SACS's Covered-Employee Payroll	\$ 499,442	\$ 692,672	\$ 614,239	\$ 658,027	\$ 679,232	\$ 659,220
Contributions as a percentage of SACS's covered-employee payroll	9.28%	7.00%	7.00%	5.93%	5.97%	6.00%

*GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior year's data, if needed.

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return 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.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Notes to Schedules of Required Supplementary Information

Valuation date: Actuarially determined contribution rates for Fiscal Year 2022 were calculated based on the June 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	Varies by Year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 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 investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.25 percent

Changes of assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return 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.

Supplementary Information

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

BUDGETARY COMPARISON SCHEDULE For the Year Ended June 30, 2022

REVENUES	Original Budget (Cash)	Final Budget (Cash)	Actual	Variance with Final Budget Positive (Negative)
State Education Funds	\$ 3,275,000	\$ 3,619,224	\$ 3,268,946	\$ (350,278)
Other State Funds	301,566	301,566		(301,566)
School Nutrition Funds (USDA SNP)	45,000	45,000	31,791	(13,209)
Private Grant Funds	95,000	95,000	6,440	(88,560)
Local Funds				-
Other Sources - Pay Check Protection Program	370,000	370,000	467,320	97,320
Program Service Revenues	48,000	48,000	42,878	(5,122)
Federal Funds Received thru State	1,050,000	1,050,000	1,047,004	(2,996)
				-
Total Revenues	5,184,566	5,528,790	4,864,379	(664,411)
 EXPENDITURES				
INSTRUCTION				
Regular Instruction Program	1,510,000	1,510,000	1,503,314	(6,686)
	1,510,000	1,510,000	1,503,314	(6,686)
 SUPPORT SERVICES				
Regular Support Services	650,500	650,000	615,410	(34,590)
Office of Principal	500,000	500,000	498,257	(1,743)
Fiscal Services	295,500	295,500	294,225	(1,275)
Operation of Plant	695,150	695,150	686,357	(8,793)
General Administration	75,000	75,000	61,303	(13,697)
Transportation	67,500	67,500	66,703	(797)
Food Services	49,500	49,500	47,732	(1,768)
Capital Outlays	185,000	185,000	184,500	(500)
Debt Service	36,500	36,500	35,750	(750)
	2,554,650	2,554,150	2,490,237	(63,913)
				-
Total Expenditures	\$ 4,064,650	\$ 4,064,150	\$ 3,993,551	\$ (70,599)

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

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

OBJECT EXPENSE CATEGORY	PROGRAM SERVICES				SUPPORTING SERVICES				TOTAL
	Classrooms	Instructional Support	Office of Principal	Program Subtotal	Management & General	Fiscal Services	Community Services	Supporting Subtotal	
Regular Instruction	\$ 1,616,115	\$ -	\$ -	\$ 1,616,115	\$ -	\$ -	\$ -	-	\$ 1,616,115
Regular Instruction - Instructional Supplies	30,591	-	-	30,591	-	-	-	-	30,591
Regular Instruction - Student Activities	7,473	-	-	7,473	-	-	-	-	7,473
Support Services - Student Support	-	190,953	-	190,953	-	-	-	-	190,953
Support Services -Instructional Staff	-	658,419	-	658,419	-	-	-	-	658,419
Support Services - Administration	-	-	527,126	527,126	-	-	-	-	527,126
General Administration - Board of Education	-	196,272	-	196,272	-	-	-	-	196,272
Employer's Contributions - Pension	(112,767)	-	-	(112,767)	-	-	-	-	(112,767)
Business Administration	-	-	-	-	-	534,986	-	534,986	534,986
Total Personnel Expenses	1,541,412	1,045,644	527,126	3,114,183	-	534,986	-	534,986	3,649,169
Operation & Maintenance of Plant	-	-	-	-	762,690	-	-	762,690	762,690
Transportation	-	18,299	-	18,299	-	-	-	-	18,299
Food Service	-	-	-	-	84,738	-	-	84,738	84,738
Miscellaneous	-	-	-	-	-	-	-	-	-
Subtotal	1,541,412	1,063,943	527,126	3,132,481	847,428	534,986	-	1,382,414	4,514,895
Interest Expense	-	-	-	-	243,219	-	-	243,219	243,219
Amortization Expense	-	-	-	-	29,548	-	-	29,548	29,548
Depreciation	-	-	-	-	170,806	-	-	170,806	170,806
Total Functional Expenses	\$ 1,541,412	\$ 1,063,943	\$ 527,126	\$ 3,132,481	\$ 1,291,001	\$ 534,986	\$ -	\$ 1,825,987	\$ 4,958,468

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

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

SCHEDULE A

Schedule of Expenditures of Federal Awards and State Financial Assistance For the Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor	Program/Cluster Name	FALN Number	Contract Number	Passed Through to Subrecipients	Expenditures
<u>Federal Awards</u>					
Direct Funding:					
U.S. Department of Education					\$ -
Pass-through Funding:					
State Department of Education	Title 1 Grants	84.010	N/A		174,124
COVID-19 Elementary & Secondary School Emergency Relief Fund (ESSER)	ESSER 11	84.425D	N/A		\$ 523,323
COVID-19 Elementary & Secondary School Emergency Relief Fund (ESSER)	ESSER 111	84.425U	N/A		<u>\$ 317,766</u>
TOTAL U. S. DEPARTMENT OF EDUCATION					\$ 1,015,213
Direct Funding:					
U.S. Department of Agriculture	National School Breakfast Program	10.553	N/A		\$ 31,791
TOTAL FEDERAL AWARDS					<u>\$ 1,047,004</u>
<u>State Financial Assistance</u>					
BEP Charter, including Capital Outlay		N/A	N/A		\$ 3,268,946
Other State Awards, Facilities Grant		N/A	N/A		-
TOTAL STATE AWARDS					<u>3,268,946</u>
TOTAL FEDERAL & STATE AWARDS					<u>\$ 4,315,950</u>

Note 1: The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance summarizes the expenditures of Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts under the programs of the federal and state governments for the fiscal year ended June 30, 2022. The schedule is presented using the modified accrual basis of accounting.

Note 2: The School has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the School's management expects such amounts, if any, to be immaterial.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

SCHEDULE OF LEASE OBLIGATIONS, PRINCIPAL AND INTEREST REQUIREMENTS

For the Year Ended June 30, 2022

	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Restated Outstanding 7-1-21	Issued During Period	Paid and/or Matured During Period	Remeasurements	Outstanding 6-30-22
<u>Lease Liabilities</u>									
A Summary of the Changes in the Lease Liabilities During the Year Ended June 30, 2022 is as Follows:									
<u>Lease liabilities:</u>									
Democrat Road Building Rental	\$ 173,027	4%	4/15/2010	6/30/2025	\$ 0	\$ 173,027	\$ 76,020	\$ 0	\$ 97,007
					\$ 0	\$ 173,027	\$ 76,020	\$ 0	\$ 97,007
Copiers - 2022	7,179	4%	8/31/2021	3/31/2026	\$ 7,179	\$ 0	\$ 1,368	\$ 0	\$ 5,811
					\$ 7,179	\$ 173,027	\$ 77,388	\$ 0	\$ 102,818
TOTAL	180,206				\$ 7,179	\$ 173,027	\$ 77,388	\$ 0	\$ 102,818

The future minimum payments through 2025 are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 4,920	\$ 14,495	\$ 19,415
2024	4,920	14,495	19,415
2025	4,920	14,495	19,415
Total	\$ 14,760	\$ 43,485	\$ 58,245

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

SCHEDULE OF SUMMARY OF INTANGIBLE RIGHT TO USE LEASE ASSETS For the Year Ended June 30, 2022

INTANGIBLE RIGHT -TO-USE LEASE ASSETS

A Summary of Lease Assets Activity During the Year Ended June 30, 2022 is as Follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Lease Assets:			682,766.28		682,766.28
Building			28,327.00		28,327.00
Equipment - Printer			711,093.28		711,093.28
Total Lease Assets			711,093.28		711,093.28
Less Accumulated Amortization:					
Lease Assets:					
Building			24,828.00		24,828.00
Equipment - Printer			4,721.00		4,721.00
Total Accumulated Amortization			29,549.00		29,549.00
Total Lease Assets, Net			681,544.28		681,544.28

Non-Financial Information



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INDEPENDENT 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

Board of Directors

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

I 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 the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of SOUTHERN AVENUE CHARTER ELEMENTARY SCHOOL OF ACADEMIC EXCELLENCE & CREATIVE ARTS, which comprise SOUTHERN AVENUE CHARTER ELEMENTARY SCHOOL OF ACADEMIC EXCELLENCE & CREATIVE ARTS's statements of financial position as of June 30, 2023, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon October 14, 2023.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered SOUTHERN AVENUE CHARTER ELEMENTARY SCHOOL OF ACADEMIC EXCELLENCE & CREATIVE ARTS'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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SOUTHERN AVENUE CHARTER ELEMENTARY SCHOOL OF ACADEMIC EXCELLENCE & CREATIVE ARTS'S internal control. Accordingly, I do not express an opinion on the effectiveness of SOUTHERN AVENUE CHARTER ELEMENTARY SCHOOL OF ACADEMIC EXCELLENCE & CREATIVE ARTS'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of SOUTHERN AVENUE CHARTER ELEMENTARY SCHOOL OF ACADEMIC EXCELLENCE & CREATIVE ARTS'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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items, 2022-001, 2022-002 and 2022-003 that I consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SOUTHERN AVENUE CHARTER ELEMENTARY SCHOOL OF ACADEMIC EXCELLENCE & CREATIVE ARTS 's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of the 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts 's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts 's response to the findings identified in my audit and described in the accompanying schedule of findings and responses – significant deficiencies. Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts 's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SOUTHERN AVENUE CHARTER ELEMENTARY SCHOOL OF ACADEMIC EXCELLENCE & CREATIVE ARTS '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 SOUTHERN AVENUE CHARTER ELEMENTARY SCHOOL OF ACADEMIC EXCELLENCE & CREATIVE ARTS 's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Booker T. Camper, Jr. CPA
Memphis, Tennessee
July 21, 2023



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2022. The Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion on compliance for each major federal program. My audit does not provide a legal determination of the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' federal programs.

Auditor's Responsibilities for the Audit of Compliance

My objectives are to obtain reasonable about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Non-compliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' internal control. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other things, the planned scope and timing of the audit, significant audit findings, and certain internal controls-related matters that I identified during the audit.

Report on 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 a 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.

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I considered to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

I have audited the financial statements of the government activities, the business-type activities, and each major fund of the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise the Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts' basic financial statements. I issued my report thereon, dated July 21, 2023, which contained an unmodified opinion on those financial statements. My audit was conducted for the performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subject to the auditing procedures applied in the audit of the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink, reading "Booker T. Camper, Jr.", with a long horizontal flourish extending to the right.

Booker T. Camper, Jr.

Memphis, Tennessee

July 21, 2023

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
Year Ended June 30, 2022

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? Three (3) reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major program:

Federal Assistance

Listing Numbers Name of Federal Program or Cluster

84.425D & 84.428U U. S. Department of Education EESER II & III

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000
9. Auditee qualified as low-risk auditee? No.

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

FINDINGS RELATED TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2022

Significant Deficiencies in Internal Control over financial reporting Three (3) Reported

1. 2022-001: Cash Shortage of \$23,550.00 by the payroll specialist as unauthorized abstraction of funds for personal benefit was reported for FY22 to the Tennessee Comptroller of the Treasury and the Memphis & County Police Department. Although a promissory note has been received, no restitution payments have been returned to the Academy as of June 30, 2022.
2. 2022-002: The Academy do not have in place written procedures over cash balances to ensure that cash balances will not exceed FDIC Limits.
3. 2022-003: Accounting records were not available for audit after two (2) months of the close of the fiscal year in accordance with Section 9-2-102, TCA.

All instances of fraud and illegal acts

Unless clearly inconsequential None Reported

Material violations of provisions

Of contracts and grant agreements None Reported

Material abuse None Reported

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Summary Schedule of Audit Findings & Correction Action Plan
Year Ended June 30, 2022

Internal Control over Financial Reporting and on Compliance and Other Matters

2022-001 Cash Shortages

2022-002 Cash Balances

2022-003 Closing Accounting Records

Contact Person Responsible for Correction Action Plan
Mrs. Elise R. Evans, Founder & Administrator

Correction Action Planned

Management will establish and implement an update management plan and review to improve the financial accountability over internal controls over cash and cash balances and timely closing of the accounting records.

Anticipated Completion Date: June 30, 2023

Summary Schedule of Prior Audit Findings

Southern Avenue Charter Elementary School of Academic Excellence & Creative Arts

Prior Audit Findings

For the Fiscal Year Ended June 30, 2022

There were no prior audit findings.