



THE MARSTON GROUP, PLC

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL
FINANCIAL STATEMENTS
JUNE 30, 2023

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

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MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

*Board of Directors and Administration
June 30, 2023*

BOARD OF DIRECTORS

Tate Wilson, Chair
JoElle Thompson, Secretary
Matt Harrell
Michael Joyner
Cecil Carney
Rebecca Nenon
Tom Marino
Shaniqua Taylor
Isabella Wilson
Princess Woodard

ADMINISTRATION

Crystal Tuggle, Executive Director*
Cassandra Schuyler, Managing Director of Academics
Nadja Marion, Director of School Operations
Kimberly Williams, Director of Culture
Jasmine Thornton, Director of Finance and Operations*

* - Employee with financial oversight responsibility



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Memphis Delta Preparatory Charter School
Memphis, Tennessee

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and the general fund information of Memphis Delta Preparatory Charter School (a nonprofit organization) (the School) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Memphis Delta Preparatory Charter School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Memphis Delta Preparatory Charter School, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Memphis Delta Preparatory Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying schedule of expenditures of federal

awards, schedule of changes in long-term debt by individual issue, and schedule of changes in lease obligations are presented for purposes of additional analysis as required by the State of Tennessee Comptroller of the Treasury, *Audit Manual*, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2023, on our consideration of Memphis Delta Preparatory Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Memphis Delta Preparatory Charter School's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "The Comptroller General, PLC". The signature is stylized and fluid.

Memphis, Tennessee
December 22, 2023

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Management's Discussion and Analysis (Unaudited) *June 30, 2023*

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of Memphis Delta Preparatory Charter School (the School) activities and financial performance provides the reader with an introduction and overview to the financial statements of the School for the year ended June 30, 2023. This information should be considered within the context of the accompanying financial statements and related notes to the financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

Financial Highlights

- The assets of the School exceeded its liabilities at the end of the fiscal year by \$2,477,267 (net position).
- The School's total net position increased by \$462,395.
- The School's total revenues increased by \$1,474,101, primarily due to an increase in operating grants and contributions.
- The School's per-pupil funding increased by \$213,565.

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

Reporting the School as a Whole

The Statement of Net Position and Statement of Activities:

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

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

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Management's Discussion and Analysis (Unaudited) *June 30, 2023*

Reporting the School's Funds

Fund Financial Statements:

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

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

FINANCIAL ANALYSIS

A summary of the School's financial position for its governmental activities as of June 30, 2023 and 2022 is as follows:

	2023	2022	Increase (Decrease)
Assets and deferred outflows	\$ 3,623,009	\$ 4,856,430	\$ (1,233,421)
Liabilities and deferred inflows	1,145,742	2,841,558	(1,695,816)
Net position			
Net investment in capital assets	143,256	160,518	(17,262)
Restricted	416,195	1,553,318	(1,137,123)
Unrestricted	1,917,816	301,036	1,616,780
Total net position	\$ 2,477,267	\$ 2,014,872	\$ 462,395

A summary of the School's governmental activities related to operations for the years ended June 30, 2023 and 2022 is as follows:

	2023	2022	Increase (Decrease)
Revenues	\$ 7,124,391	\$ 5,650,290	\$ 1,474,101
Expenses	6,661,996	5,748,477	913,519
Change in net position	\$ 462,395	\$ (98,187)	\$ 560,582

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Management's Discussion and Analysis (Unaudited) *June 30, 2023*

Revenues

Operational funding for the School comes primarily through the per-pupil allocation from the Shelby County Schools Board of Education. During the current fiscal year, the School received significant grants under the ESSER program. An analysis of current year governmental activities revenue for the years ended June 30, 2023 and 2022 is as follows:

	2023	2022	Increase (Decrease)
Shelby County Schools funding	\$ 3,887,132	\$ 3,673,567	\$ 213,565
Operating grants and contributions	3,040,983	1,806,045	1,234,938
Capital grants and contributions	161,000	150,000	11,000
Other income	35,276	20,651	14,625
Interest income	-	27	(27)
Total	<u>\$ 7,124,391</u>	<u>\$ 5,650,290</u>	<u>\$ 1,474,101</u>

Expenses

An analysis of the changes between current year and prior year governmental activity expenditures for the years ended June 30, 2023 and 2022 is as follows:

	2023	2022	Increase (Decrease)
Personal services and benefits			
Student instruction and services	\$ 3,178,494	\$ 2,579,578	\$ 598,916
General and administrative	685,093	731,664	(46,571)
Instructional	1,031,941	1,421,390	(389,449)
General and administrative	<u>1,766,468</u>	<u>1,015,845</u>	<u>750,623</u>
Total	<u>\$ 6,661,996</u>	<u>\$ 5,748,477</u>	<u>\$ 913,519</u>

Instructional expenses consist of school supplies, including workbooks, textbooks, and other instructional materials needed and school uniforms, as well as an allocation of facilities and depreciation costs.

General and administrative expenses include salaries, wages and benefits paid to administrative staff, professional fees for accounting and other contracted pay, professional development expenses, marketing and advertising, telephone and internet expense, repairs and maintenance, lease expenses, printing and office supplies, board expenses, interest expense and depreciation expense related to administrative office furniture, fixtures and equipment, website development and design, and leasehold improvements.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Management's Discussion and Analysis (Unaudited)
June 30, 2023

Economic Factors

Significant economic factors affecting the School are as follows:

- The amount of State funding received per student for the year. This amount per student can fluctuate from year to year based on total funds available to the State and the number of students enrolled during the school year.
- The continued funding of other programs and grants.
- Inflationary pressure on utility rates, supplies, insurance, and other costs.
- Local labor supply and demand, which can affect salary and wage rates.

Request for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School. Questions concerning any of the information provided in this report may be addressed to the office of:

Memphis Delta Preparatory Charter School
1237 College Street
Memphis, TN 38106
Telephone 901-251-1010

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Statement of Net Position June 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,065,769
Accounts receivable	788,254
Prepaid expenditures	5,890
Pension asset, net	280,571
Investment - Stabilization Reserve Trust	135,624
Capital assets, net	905,268
Total assets	3,181,376
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	441,633
LIABILITIES	
Accounts payable	214,918
Accrued liabilities	49,560
Lease liabilities	
Due within one year	265,046
Due beyond one year	496,966
Total liabilities	1,026,490
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	119,252
NET POSITION	
Net investment in capital assets	143,256
Restricted	
Net pension asset	280,571
Stabilization Reserve Trust	135,624
Unrestricted	1,917,816
Total net position	\$ 2,477,267

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Statement of Activities Year Ended June 30, 2023

School Activities	Total	Functions	
		Student Instruction and Services	General and Administrative
Program expenses			
Personnel services	\$ 3,038,565	\$ 2,499,765	\$ 538,800
Employee benefits	825,022	678,729	146,293
Contracted services	1,822,327	323,664	1,498,663
Supplies and materials	323,878	121,293	202,585
Other charges	130,117	116,890	13,227
Depreciation and amortization	348,584	313,726	34,858
Utilities	80,810	72,729	8,081
Debt service	90,541	81,487	9,054
Expenditures - internal school funds	2,152	2,152	-
Total program expenses	6,661,996	4,210,435	2,451,561
Program revenues			
Operating grants and contributions	3,040,983	3,040,983	-
Capital grants and contributions	161,000	144,900	16,100
Revenues - internal school funds	2,152	2,152	-
Total program revenues	3,204,135	3,188,035	16,100
Net program expenses	(3,457,861)	\$ (1,022,400)	\$ (2,435,461)
General revenue			
Shelby County Schools funding	3,887,132		
Other	33,124		
Total general revenues	3,920,256		
Change in net position	462,395		
Net position - beginning of year	2,014,872		
Net position - end of year	\$ 2,477,267		

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

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Balance Sheet – Governmental Fund June 30, 2023

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,065,769
Accounts receivable	788,254
Investment - Stabilization Reserve Trust	135,624
Prepaid expenditures	<u>5,890</u>
Total assets	<u><u>\$ 1,995,537</u></u>
LIABILITIES	
Accounts payable	\$ 214,918
Accrued liabilities	<u>49,560</u>
Total liabilities	264,478
FUND BALANCE	
Nonspendable	5,890
Restricted	135,624
Unassigned	<u>1,589,545</u>
Total fund balance	1,731,059
Total liabilities and fund balance	<u><u>\$ 1,995,537</u></u>

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

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Reconciliation of the Balance Sheet – Governmental Fund to the Statement of Net Position June 30, 2023

Total governmental fund balance	\$ 1,731,059
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension assets are not a financial resource in the current period and, therefore, are not reported in the fund	280,571
Deferred outflows related to pensions are not carried on the fund balance sheet	441,633
Deferred inflows related to pensions are not carried on the fund balance sheet	(119,252)
Long-term lease liabilities are not due and payable in the current period and, therefore, are not reported in the fund	(762,012)
Capital and right-to-use assets used in governmental activities are not financial resources and, therefore, are not reported in the fund	<u>905,268</u>
Net position of governmental activities	<u>\$ 2,477,267</u>

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund Year Ended June 30, 2023

	General Fund
Revenues	
Shelby County Schools funding	\$ 3,887,132
Operating grants and contributions	3,040,983
Capital grants and contributions	161,000
Other income - internal school funds	2,152
Other income	33,124
Total revenues	<u>7,124,391</u>
Expenditures	
Current:	
Student instruction and services	3,666,348
General and administration	2,382,436
Other expenditures - internal school funds	2,152
Debt service:	
Principal payments on long-term and lease liabilities	242,496
Interest	90,541
Capital Outlay:	
Current expenditures	40,859
Total expenditures	<u>6,424,832</u>
Other financing sources	
Payments on debt during the year	<u>(150,000)</u>
Change in fund balance	549,559
Fund balance - beginning of year	<u>1,181,500</u>
Fund balance - end of year	<u><u>\$ 1,731,059</u></u>

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

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund to the Statement of Activities Year Ended June 30, 2023

Net change in fund balance - governmental fund	\$ 549,559
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report debt borrowed as other financing sources. This is the amount the School borrowed in debt in the current year.	150,000
Principal payments on long-term and lease liabilities	242,496
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of net position	40,859
Pension costs are recognized when contributions are made to the plan, but are recognized on the accrual basis for the statement of activities	(171,935)
Depreciation expense on governmental capital assets is included only in the governmental activities in the statement of activities	<u>(348,584)</u>
Change in net position of governmental activities	<u>\$ 462,395</u>

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

*Notes to Financial Statements
June 30, 2023*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Memphis Delta Preparatory Charter School (the School) was formed in 2015, as a Tennessee non-profit corporation with an exemption from federal income taxation under section 501(c)(3) of the Internal Revenue Code. Pursuant to the provisions of the Tennessee Public Charter Schools Act of 2002 (the Act), T.C.A. Section 49-12-101, et seq., the School has been approved as a public charter school. Pursuant to the Act, public charter schools are part of the state's public education program offering an alternative means within the public school system for accomplishing necessary outcomes of education. The School entered into a Charter School Agreement with the Board of Education of the Shelby County Schools effective July 21, 2015, to operate a charter school in Memphis, Tennessee. The School is located at 1237 College Street, Memphis, TN, 38106 during the year ended June 30, 2023. The initial Charter School Agreement has a ten-year term and is subject to renewal at the discretion of the Board of Education for the Shelby County Schools.

Measurement Focus, Basis of Accounting and Presentation

The School prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The School's basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the primary government. Governmental activities normally are supported by taxes and inter-governmental revenues and are paid to the School through the Board of Education of the Shelby County Schools. The government-wide financial statements of the School have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting. Revenues under the modified accrual basis are recognized when measurable and available. 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 School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related liability is incurred, as under accrual accounting.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

*Notes to Financial Statements
June 30, 2023*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Government-wide Financial Statements

In the government-wide statement of net position, activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The statement of net position presents the financial condition of the School at year-end.

GASB requires the classification of net position into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances (if any) of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that do not meet the definition of *restricted* or invested in capital assets, net of related debt. When both restricted and unrestricted assets are available for use, it is the School's policy to utilize restricted assets first, then unrestricted assets as needed.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students for lunches, school supplies, after school care, athletic programs, and other services; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment; and 3) contributions that are generally unrestricted.

The primary sources of the School's revenue are from the following:

Shelby County Schools – The School receives funds from Shelby County Schools (SCS) based on a per-pupil allocation. The per-pupil allocation received for the year ended June 30, 2023 was \$3,887,132.

Federal and State Awards – The School receives Title I Federal grant proceeds, proceeds under the USDA School Lunch Program, and other various federal and state awards. The School recognizes grant income when it was earned.

Contributions – Contributions are recognized as support when they are pledged or received. The School reports gifts of cash and other assets as unrestricted support unless they are received with donor stipulations that limit the use of the donated assets.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Notes to Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental Fund Financial Statements

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

The General Fund is the primary operating fund of the School and accounts for all financial resources of the general government, except those required to be accounted for in another fund, if any.

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

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

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

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

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

*Notes to Financial Statements
June 30, 2023*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Assigned – This classification consists of all fund balances that are not in the general fund or classified as non-spendable, restricted, or committed. In addition, general fund balances that the School intends to use for specific purposes are classified as assigned. The School gives the authority to assign amounts for specific purposes to the School's office manager and/or Director and personnel under their supervision tasked with financial recording responsibilities.

Unassigned – This classification consists of all fund balances in the general fund that are not reported as non-spendable, restricted, committed or assigned.

The costs of providing various programs and other services have been reported on a functional basis in the statement of revenues, expenditures and changes in fund balance – governmental funds. Accordingly, certain costs have been allocated among the programs based on estimates made by management.

Pensions

The School maintains three defined benefit retirement plans sponsored by the Tennessee Consolidated Retirement System (TCRS). 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 above-named pension plans in the 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. Expenses of the plans, such as investment fees, trustee fees, and audit fees, are paid by the plan. However, certain administrative functions are performed by employees of the School and are not reimbursed by the plans. Benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the plans. Investments are reported at fair value.

Cash and Cash Equivalents

The School considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents.

Accounts Receivable

Grants Receivable primarily represents amounts due under federal and state grant programs totaling \$787,285. An allowance for doubtful accounts is maintained based upon collection experience and a review of the collectability of specific outstanding receivables. Receivables are charged against the allowance when they are determined to be uncollectible by management. There is no allowance for doubtful accounts as of June 30, 2023, as management believes all amounts are collectible.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Notes to Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

Capital assets acquired by the School are considered to be owned by the School. However, State funding sources may maintain equitable interest in the capital assets purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State's equitable interest is in capital assets with an acquisition cost which equals or exceeds \$5,000 and an estimated useful life of more than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets purchased are stated at cost, if purchased, or the estimated value on the date received, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 39 years. The School follows the practice of capitalizing all expenditures for property and equipment items over \$5,000.

Accrued Compensation Absences

No accrual of compensated absences is necessary for the School's faculty/staff because the summer months, during which classes are not in session, are considered employees' vacation. The administrative employees of the School follow the same schedule as the employees of the charter school; therefore, no compensated absences accrual for any of the employees of the School is appropriate.

Income Taxes

The Internal Revenue Service has ruled that the School qualifies under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to federal income tax under present income tax laws. The School is also exempt from state income tax. In accordance with U.S. GAAP, if applicable, the School would recognize interest expense and penalties related to uncertain tax positions as an expense. No amounts have been recognized in expenses for the year ended June 30, 2023. Informational tax returns for 2020 and subsequent years are subject to examinations by tax authorities.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then.

In addition to liabilities, the statement of net position reports 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 revenue until then.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Notes to Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-Term Obligations

In the government-wide financial statements, debt and other obligations are reported as liabilities in the applicable governmental activities and statement of net position.

In the fund financial statements, any obligations secured by capital assets are not reflected.

Leases

The School has lease agreements in which it is the lessee of facilities and equipment and recognizes a lease liability and an intangible right to use asset in the government-wide financial statements.

At the commencement of a lease, the Organization initially measures the lease liability at the present value of payment expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Organization determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes noncancelable periods of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School is reasonable certain to exercise.

The School recognizes lease expense in the period incurred for leases with a valuation of \$5,000 or less based on the greater of the right of use lease asset or liability balance. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset and do not have any residual value.

Estimates and Uncertainties

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

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Notes to Financial Statements
June 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budgetary Comparison

Under GASB Statement 34, budgetary comparison information is required to be presented for the general fund with a legally adopted budget. The School is not legally required to adopt a budget for the general fund with the State of Tennessee. Therefore, budgetary comparison information is not included in the School's financial statements.

Concentrations

Approximately 55% of the School's funding during the year ended June 30, 2023, was from the Board of Education of the Shelby County Schools for their per-pupil allocation.

Subsequent Events

The School has evaluated subsequent events for potential recognition and disclosure through December 22, 2023, the date the financial statements were approved for issuance and no subsequent events have occurred requiring accrual or disclosure.

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS

The School's deposits are governed by the State of Tennessee statutes, which allow depositories to collateralize excess deposits above federal depository coverage provided by the Federal Deposit Insurance Corporation (FDIC) by ensuring 105% of all deposits exceeding the federal depository insurance coverage are collateralized with securities held by the School's agency in the School's name or ensuring the financial institution holding the deposits is a member of the State of Tennessee Collateral Pool.

At June 30, 2023, the School's carrying amount of deposits was \$1,065,769 and the bank balance was \$1,285,707. The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The funds are maintained at an institution that is a participant in the State of Tennessee Collateral Pool. Interest and non-interest bearing accounts are insured by the Federal Deposit Insurance Corporation up to an aggregate of \$250,000. The School has not experienced any losses in such accounts nor does management of the School believe there is any significant credit risk on cash and cash equivalents.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned to it. The School's policy for custodial risk is to follow state guidelines. As of June 30, 2023, all bank deposits were entirely insured by federal depository insurance and collateralized by the Tennessee Bank Collateral Pool.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Notes to Financial Statements June 30, 2023

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated and amortized:				
Computer equipment	\$ 228,557	-	-	\$ 228,557
Furniture and fixtures	397,375	-	-	397,375
Playground equipment	5,610	-	-	5,610
Leasehold improvements	29,203	21,044	-	50,247
Infrastructure	36,030	-	-	36,030
Buildings improvements	175,112	19,815	-	194,927
Right-to-use assets, equipment	169,110	-	-	169,110
Right-to-use assets, building	1,312,270	-	-	1,312,270
Total	<u>2,353,267</u>	<u>40,859</u>	<u>-</u>	<u>2,394,126</u>
Less accumulated depreciation and amortization:				
Computer equipment	(228,557)	-	-	(228,557)
Furniture and fixtures	(167,163)	(72,584)	-	(239,747)
Playground equipment	(2,182)	(1,869)	-	(4,051)
Leasehold improvements	(16,548)	(6,192)	-	(22,740)
Buildings improvements	(146,919)	(19,539)	-	(166,458)
Right-to-use assets, equipment	(18,790)	(56,364)	-	(75,154)
Right-to-use assets, building	(560,115)	(192,036)	-	(752,151)
Total	<u>(1,140,274)</u>	<u>(348,584)</u>	<u>-</u>	<u>(1,488,858)</u>
Net capital assets	<u>\$ 1,212,993</u>	<u>\$ (307,725)</u>	<u>\$ -</u>	<u>\$ 905,268</u>

Depreciation and amortization expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Student instruction and services	\$ 313,726
General and administrative	<u>34,858</u>
Total depreciation and amortization expense	<u>\$ 348,584</u>

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Notes to Financial Statements June 30, 2023

NOTE 4 – LINE OF CREDIT

The School has a \$400,000 demand line of credit with Truist Bank with an interest rate of 7.84%. The line of credit had a balance of \$0 at June 30, 2023. The line of credit is secured by all assets of the School.

NOTE 5 – LONG-TERM OBLICATIONS

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the fiscal year ended June 30, 2023 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease Liabilities	<u>\$ 1,004,508</u>	<u>\$ -</u>	<u>\$ (242,496)</u>	<u>\$ 762,012</u>	<u>\$ 265,046</u>

Leases Payable

During the year ended June 30, 2023, the School was a lessee in two lease arrangements, including a facility lease and equipment lease. A summary of the lease terms for the year ended June 30, 2023 was as follows:

<u>Description</u>	<u>Term</u>	<u>Monthly Payments</u>	<u>Interest Rate</u>
Building	Monthly through May 1, 2026	\$ 21,750	7.25%
Copier	Monthly through February 1, 2025	\$ 5,241	9.40%

Future principal and interest payments required under the lease agreements noted above are as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 323,882	\$ 265,046	\$ 58,836
2025	302,936	268,588	34,348
2026	<u>239,251</u>	<u>228,378</u>	<u>10,873</u>
Total lease payments required	<u>\$ 866,069</u>	<u>\$ 762,012</u>	<u>104,057</u>

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Notes to Financial Statements
June 30, 2023

NOTE 6 – RISK MANAGEMENT

The School is exposed to the normal risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School's policy is to minimize these risks through the purchase of commercial insurance. Settled claims have not exceeded the commercial insurance coverage in the past three years.

NOTE 7 – PENSION PLANS

Employees of the School participate in the following defined benefit, multiple-employer Public Employee Retirement Plans administered by the Tennessee Consolidated Retirement System (TCRS).

- TCRS Agent Plan – Certain administrative employees of the School are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent, multiple-employer pension plan. The Board of Education of Shelby County, Tennessee is the primary employer of the plan. Memphis Delta Preparatory Charter School is a separate employer reported within the Board of Education of Shelby County, Tennessee and is allocated a proportionate share of the net pension asset based on the employer contributions to the plan.
- Teacher Legacy Pension Plan – Teachers with membership in TCRS prior to July 1, 2014 are included in the Teacher Legacy Pension Plan. The plan was closed to new membership on June 30, 2014 but continues to provide benefits to existing members. The plan is a cost sharing, multiple-employer plan.
- Teacher Retirement Plan – Teachers with membership in TCRS beginning July 1, 2014 and after are included in the Teacher Retirement Plan. The plan is a hybrid plan which features both a defined contribution element and a pension plan element. The plan is a cost-sharing, multiple-employer pension plan.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Notes to Financial Statements
June 30, 2023

NOTE 7 – PENSION PLANS - CONTINUED

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>. 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.

General Information about the Pension Plans

Benefits provided – Under the TCRS Agent Plan and Teacher Legacy Pension Plan 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. Under the Teacher Retirement Plan, members 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. A reduced early retirement benefit is available at age 60 and vested pursuant to the rule of 80.

Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (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%, 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 Legacy Pension Plan and 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.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Notes to Financial Statements
June 30, 2023

NOTE 7 – PENSION PLANS - CONTINUED

Contributions – Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or, for the Teacher Retirement Plan, by automatic cost controls set by law. Employee participants contribute 5% of salary. The School makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for each plan are required to be paid. The TCRS may intercept the School's state shared taxes if the required employer contributions are not remitted. 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. Per the statutory provisions governing TCRS, the employer contribution rate for the Teacher Retirement Plan cannot be less than 4.0%, except in years when the maximum funded level, as established by the TCRS Board of Trustees is reached.

Employer contributions to each plan for the year-ended June 30, 2023 were as follow:

	TCRS Agent Plan	Teacher Legacy Pension Plan	Teacher Retirement Plan
Employer contributions	\$ 16,038	\$ 24,424	\$ 68,907
Covered payroll	267,306	281,053	2,400,942
As a percentage of covered payroll	6.00%	8.69%	2.87%

Actuarial Assumptions for the Pension Plans

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including Inflation
Cost-of Living Adjustment	2.125%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement. In 2021, the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions.

The actuarial assumptions used in the June 30, 2022, 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.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Notes to Financial Statements *June 30, 2023*

NOTE 7 – PENSION PLANS - CONTINUED

Investment policy

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%.

The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>	<u>Target Allocation</u>
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%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% 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%. 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 the School 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.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Notes to Financial Statements
June 30, 2023

NOTE 7 – PENSION PLANS - CONTINUED

Net Pension Liability (Asset)

The net pension liability (asset) for each TCRS plan was measured as of June 30, 2022 and the total pension liability (asset) used to calculate the net pension liability (asset) of the School was determined by an actuarial valuation as of that date. The proportion of the net pension liability (asset) was based on the School's contributions to each plan relative to the contributions of all participating Local Education Agencies and are as follows:

	Agent Plan	Cost-sharing Plans	
	TCRS	Teacher Legacy	Teacher
	Agent Plan	Pension Plan	Retirement Plan
Proportionate share of net pension liability (asset)	\$ (101,258)	\$ (145,876)	\$ (33,437)
Proportionate share at June 30, 2022 measurement date	0.120830%	0.011895%	0.110379%
Proportionate share at June 30, 2021 measurement date	0.310900%	0.017824%	0.072938%

Detailed information about each cost-sharing pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate – The following presents Memphis Delta Preparatory proportionate share of the net pension liability (asset) calculated using the discount rate of 6.75%, as well as what Memphis Delta Preparatory 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%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease	Current	1% Increase
	(5.75%)	Discount Rate	(7.75%)
		(6.75%)	
Proportionate share of net pension liability (asset)			
TCRS Agent Plan	\$ 41,726	\$ (101,258)	\$ (218,894)
Teacher Legacy Pension Plan	288,930	(145,876)	(508,041)
Teacher Retirement Plan	175,523	(33,437)	(186,041)

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Notes to Financial Statements
June 30, 2023

NOTE 7 – PENSION PLANS - CONTINUED

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

For the year ended June 30, 2023, Memphis Delta Preparatory reported pension expense, deferred outflows of resources, and deferred inflows of resources related to each plan from the following sources:

	TCRS Agent Plan	Teacher Legacy Pension Plan	Teacher Retirement Plan
Pension expense (negative pension expense)	(4,934)	\$ 19,681	\$ 45,192
Deferred outflows of resources			
Differences between expected and actual experience	20,622	23,996	1,828
Changes in assumptions	53,993	91,384	39,169
Net difference between projected and actual earnings on pension plan investments	1,158	2,494	10,539
Changes in proportion of net pension liability (asset)	-	76,823	10,258
Contributions subsequent to the measurement date of June 30, 2022	16,038	24,424	68,907
	<u>\$ 91,811</u>	<u>\$ 219,121</u>	<u>\$ 130,701</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 24,319	\$ 24,649	\$ 20,315
Changes in proportion of net pension liability (asset)	-	17,430	32,539
	<u>\$ 24,319</u>	<u>\$ 42,079</u>	<u>\$ 52,854</u>

The amounts shown above for contributions subsequent to the measurement date of June 30, 2022 will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Notes to Financial Statements
June 30, 2023

NOTE 7 – PENSION PLANS - CONTINUED

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the years ending June 30:

	<u>TCRS</u> <u>Agent Plan</u>	<u>Teacher Legacy</u> <u>Pension Plan</u>	<u>Teacher</u> <u>Retirement Plan</u>
Year Ending June 30:			
2024	\$ 2,602	\$ 32,474	\$ (1,295)
2025	9,086	43,661	(1,188)
2026	8,174	(508)	(2,920)
2027	31,592	76,993	(15,437)
2028	-	-	(126)
Thereafter	-	-	(968)

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

Payable to the Pension Plans

At June 30, 2023 Memphis Delta Preparatory reported a payable of \$6,480 to the Teacher Legacy Pension Plan, a payable of \$18,283 to the Teacher Retirement Plan, and a payable of \$4,255 to the Non-Teacher Retirement plan for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2023.

NOTE 8 – DEFINED CONTRIBUTION 401(K) PLAN

The Teacher Retirement Plan provides a combination of a defined benefit plan and a defined contribution plan. The defined benefit portion of the Teacher Retirement Plan is managed by TCRS. The defined contribution assets are deposited into the State of Tennessee's 401(k) plan where employees may manage the related investments. Enrolled employees may contribute 2% of their salaries and employers are required to contribute 5% to the defined contribution portion of the Teachers Retirement Plan. Contributions are made on a tax deferred basis. Throughout 2023, the total employer contributions to the 401(K) Plan were \$113,695. Employees are immediately invested in contributions and, therefore, there are no forfeitures in the plan. The payable to the plan was \$8,066 as of June 30, 2023.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Notes to Financial Statements
June 30, 2023

NOTE 9 – RECONCILIATION OF NET PENSION ASSETS AND LIABILITIES AT JUNE 30, 2023

The following will reconcile Note 7 (as well as the required supplemental schedules) to the Statement of Net Position on page 9, including deferred outflows and inflows of resources:

	Net Pension Asset	Asset Deferred Outflows of Resources	Liability Deferred Inflows of Resources
TCRS Agent Plan	\$ 101,258	\$ 91,811	\$ 24,319
Teacher Legacy Pension Plan	145,876	219,121	42,079
Teacher Retirement Plan	33,437	130,701	52,854
Total assets and liabilities	<u>\$ 280,571</u>	<u>\$ 441,633</u>	<u>\$ 119,252</u>

NOTE 10 – TCRS STABILIZATION TRUST

Legal Provisions – The School is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The School has placed funds into the irrevocable trust as authorized by statute under Tennessee Code Annotated (TCA), Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the School.

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The School may not impose any restrictions on investments placed by the trust on their behalf.

Investment Balances – Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (TRGT). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Notes to Financial Statements
June 30, 2023

NOTE 10 – TCRS STABILIZATION TRUST - CONTINUED

Investments are reported at fair value or amortized value 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 value of securities. Securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT at June 30, 2023 represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between 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 input, (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 principle-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 management of the TRGT developed a fair value committee that worked in conjunction with the plan's custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes to be represented in the table 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.

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

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Notes to Financial Statements
June 30, 2023

NOTE 10 – TCRS STABILIZATION TRUST - CONTINUED

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

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

At June 30, 2023, the School had the following investments held by the trust on its behalf.

Investment	Weighted Average Maturity (Days)	Maturities	Fair Value
Investments at Fair Value:			
U.S. Equity	N/A	N/A	\$ 42,045
Developed Market International Equity	N/A	N/A	18,987
Emerging Market International Equity	N/A	N/A	5,428
U.S. Fixed Income	N/A	N/A	27,125
Real Estate	N/A	N/A	13,559
Short-term Securities	N/A	N/A	1,355
Investments at Amortized Cost using the NAV:			
Private Equity and Strategic Lending	N/A	N/A	27,125
			<u>\$ 135,624</u>

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Notes to Financial Statements
June 30, 2023

NOTE 10 – TCRS STABILIZATION TRUST - CONTINUED

Investment by Fair Value Level	Fair Value 06/30/23	Fair Value Measurements Using			NAV
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
U.S. Equity Developed Market	\$ 42,046	\$ 42,046	\$ -	\$ -	\$ -
International Equity Emerging Market	18,987	18,987	-	-	-
International Equity	5,428	5,428	-	-	-
U.S. Fixed Income	27,124	-	27,124	-	-
Real Estate	13,559	-	-	13,559	-
Short-term Securities	1,355	-	1,355	-	-
Private Equity and Strategic Lending	27,125	-	-	-	27,125
	<u>\$ 135,624</u>	<u>\$ 66,461</u>	<u>\$ 28,479</u>	<u>\$ 13,559</u>	<u>\$ 27,125</u>

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

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

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

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

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

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Schedule of Proportionate Share of the Net Pension Liability (Asset) – Teacher Legacy Pension Plan of TCRS Fiscal Year Ending June 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net pension liability (asset)	0.011895%	0.017824%	0.012747%	0.015565%	0.012043%
Proportionate share of the net pension liability (asset)	\$ (145,876)	\$ (768,800)	\$ (97,205)	\$ (160,041)	\$ (42,378)
Covered-employee payroll	\$ 391,445	\$ 585,020	\$ 423,685	\$ 521,931	\$ 421,704
Proportionate share of the net pension asset as a percentage of its covered employee payroll	-37.27%	-131.41%	-22.94%	-0.31%	-0.10%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.42%	116.13%	103.09%	104.28%	101.49%
	<u>2017</u>				
Proportion of the net pension liability (asset)	0.011231%				
Proportionate share of the net pension liability (asset)	\$ (3,674)				
Covered-employee payroll	\$ 397,031				
Proportionate share of the net pension asset as a percentage of its covered employee payroll	-0.93%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	100.14%				

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Schedule of Contributions – Teacher Legacy Pension Plan of TCRS Fiscal Year Ending June 30

	2023	2022	2021	2020	2019
Contractually required contribution	\$ 24,424	\$ 40,319	\$ 60,082	\$ 45,405	\$ 54,594
Contribution in relation to the contractually determined contribution	24,424	40,319	60,082	45,405	54,594
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 281,053	\$ 391,445	\$ 585,020	\$ 502,268	\$ 521,931
Contributions as a percentage of covered-employee payroll	8.69%	10.30%	10.27%	9.04%	10.46%
	2018	2017			
Contractually required contribution	\$ 38,291	\$ 35,892			
Contribution in relation to the contractually determined contribution	38,291	35,892			
Contribution deficiency (excess)	\$ -	\$ -			
Covered-employee payroll	\$ 421,704	\$ 397,031			
Contributions as a percentage of covered-employee payroll	9.08%	9.04%			

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

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

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Schedule of Proportionate Share of the Net Pension Liability (Asset) Based on Participation in the Public Employee Pension Plan of TCRS – Non-Teacher Fiscal Year Ending June 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net pension liability (asset)	0.120830%	0.310900%	0.402770%	0.333000%	0.000000%
Proportionate share of the net pension liability (asset)	\$ (101,258)	\$ (604,877)	\$ (360,489)	\$ (284,670)	
Covered-employee payroll	\$ 267,306	\$ 468,250	\$ 529,633	\$ 463,516	\$ -
Proportionate share of the net pension asset as a asset as a percentage of its covered employee payroll	-39.76%	-113.68%	-51.69%	-49.59%	0.00%
Plan fiduciary net position as a percentage of the total pension liability (asset)	109.32%	122.83%	111.65%	111.28%	0.00%
	<u>2017</u>				
Proportion of the net pension liability (asset)	0.000000%				
Proportionate share of the net pension liability (asset)					
Covered-employee payroll	\$ -				
Proportionate share of the net pension asset as a asset as a percentage of its covered employee payroll	0.00%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	0.00%				

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS – Non-Teacher Fiscal Year Ending June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 16,038	\$ 28,095	\$ 31,778	\$ 27,811	\$ 41,927
Contribution in relation to the contractually required contribution	<u>16,038</u>	<u>28,095</u>	<u>31,778</u>	<u>27,811</u>	<u>41,927</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>2018</u>				
Contractually required contribution	\$ -				
Contribution in relation to the contractually required contribution	<u>-</u>				
Contribution deficiency (excess)	<u>\$ -</u>				

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

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

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Schedule of Contributions – Teacher Retirement Plan of TCRS Fiscal Year Ending June 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Proportion of the net pension liability (asset)	0.110379%	0.072938%	0.078781%	0.072031%	0.089366%
Proportionate share of the net pension liability (asset)	\$ (33,437)	\$ (79,007)	\$ (44,798)	\$ (40,661)	\$ (40,530)
Covered-employee payroll	\$ 1,884,975	\$ 1,092,325	\$ 994,140	\$ 762,230	\$ 780,951
Proportionate share of the net pension asset as a percentage of its covered-employee payroll	-1.77%	-7.23%	-4.51%	-0.53%	-0.52%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.55%	121.53%	116.52%	123.07%	126.97%
	<u>2017</u>				
Proportion of the net pension liability (asset)	0.103520%				
Proportionate share of the net pension liability (asset)	\$ (27,314)				
Covered-employee payroll	\$ 679,435				
Proportionate share of the net pension asset as a percentage of its covered-employee payroll	-0.40%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	126.81%				

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Schedule of Contributions – Teacher Retirement Plan of TCRS Fiscal Year Ending June 30

	2023	2022	2021	2020	2019
Contractually required contribution	\$ 68,907	\$ 37,887	\$ 21,264	\$ 20,181	\$ 14,787
Contribution in relation to the contractually required contribution	68,907	37,887	21,264	20,181	14,787
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,400,942	\$ 1,884,975	\$ 1,092,325	\$ 994,140	\$ 762,230
Contributions as a percentage of covered-employee payroll	2.87%	2.01%	1.95%	2.03%	1.94%
	2018	2017			
Contractually required contribution	\$ 12,735	\$ 27,178			
Contribution in relation to the contractually required contribution	31,238	27,178			
Contribution deficiency (excess)	\$ (18,503)	\$ -			
Covered-employee payroll	\$ 780,951	\$ 679,435			
Contributions as a percentage of covered-employee payroll	4.00%	4.00%			

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available. In fiscal year 2022, the actuarially determined contribution rate of 2.02% of covered payroll was placed into the pension plan and 1.98% of covered payroll was placed into the Pension Stabilization Reserve Trust. In fiscal year 2023, the actuarially determined contribution rate of 2.87% of covered payroll was placed into the pension plan and 1.13% of covered payroll was placed into the Pension Stabilization Reserve Trust.

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

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Schedule of Changes in Long-Term Debt by Individual Issue Fiscal Year Ending June 30, 2023

<u>Discription of Indebtedness</u>	<u>Original Issue Amount</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Outstanding 6/30/2022</u>	<u>Issued During Period</u>	<u>Paid During Period</u>	<u>Outstanding 6/30/2023</u>
<u>Governmental Activities</u>								
Payable through General Fund								
Direct Borrowings:								
Line of Credit	\$ 400,000	7.84%	11/3/2022	Demand	<u>\$ 150,000</u>	<u>\$ -</u>	<u>\$ (150,000)</u>	<u>\$ -</u>

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Schedule of Changes in Lease Obligations Fiscal Year Ending June 30, 2023

Discription of Indebtedness	Original Issue Amount	Interest Rate	Date of Issue	Maturity Date	Restated Outstanding 6/30/2022	Issued During Period	Paid During Period	Outstanding 6/30/2023
<u>Governmental Activities</u>								
Leases Payable								
Payable through General Fund								
Building	\$1,312,270	7.25%	7/1/2019	5/1/2026	\$ 852,428	\$ -	\$ (188,871)	\$ 663,557
Copier	\$ 169,110	9.40%	2/1/2022	2/1/2025	152,080	-	(53,625)	98,455
					<u>\$1,004,508</u>	<u>\$ -</u>	<u>\$ (242,496)</u>	<u>\$ 762,012</u>

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Schedule Expenditures of Federal Awards and State Financial Assistance Fiscal Year Ending June 30, 2023

<u>Grantor Agency</u>	<u>Assistance Listing Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>Federal Awards</u>			
U.S. Department of Education			
Passed through Shelby County Schools			
Title I Grant to Local Education Agencies	84.010	N/A	\$ 336,610
ESSER 2	84.425D	N/A	198,996
ESSER 3	84.425U	N/A	1,645,191
Total U.S. Department of Education			<u>2,180,797</u>
U.S. Department of Agriculture			
Passed through State of Tennessee			
National School Lunch Program	10.555	N/A	248,470
National School Breakfast Program	10.553	N/A	131,444
National School Snack Program	10.555	N/A	74,437
Total U.S. Department of Agriculture			<u>454,351</u>
Total Expenditures of Federal Awards			<u><u>2,635,148</u></u>
<u>State Financial Assistance</u>			
Tennessee Department of Education			
Passed through Shelby County Schools			
Basic Education Program Per-Pupil Funding	N/A	N/A	3,887,132
BEP capital allocation	N/A	N/A	161,000
Total state financial assistance			<u>4,048,132</u>
Total awards and assistance			<u><u>\$ 6,683,280</u></u>

NOTE 1 – BASIS OF PRESENTATION

The schedule of expenditures of federal awards and state financial assistance (the "Schedule") includes the federal grant activity of the School under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented for purposes of additional analysis as required by the State of Tennessee Comptroller of the Treasury, Audit Manual.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (the "Uniform Guidance"), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Schedule Expenditures of Federal Awards and State Financial Assistance Fiscal Year Ending June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Pass-through entity contract numbers are presented where available. There were no federal awards passed through to subrecipients. The school has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance. The School was not required to perform a single audit for money awarded for reimbursable expenses from ESSER 2 and 3 funds due to those funds coming from the Federal government through Memphis-Shelby County Board of Education.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Directors
Memphis Delta Preparatory Charter School
Memphis, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Memphis Delta Preparatory Charter School, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Memphis Delta Preparatory Charter School's basic financial statements, and have issued our report thereon dated December 22, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "The Crispin Group, PLC". The signature is stylized and cursive.

Memphis, Tennessee
December 22, 2023

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

*Schedule of Findings and Responses
Year Ended June 30, 2023*

No matters were reported as findings and responses for the period ended June 30, 2023.

MEMPHIS DELTA PREPARATORY CHARTER SCHOOL

Schedule of Prior Year Findings and Responses Year Ended June 30, 2023

No matters were reported as findings and responses for the period ended June 30, 2022.