

SIGNATURE PREPARATORY

AUDITED FINANCIAL STATEMENTS

AND

SUPPLEMENTAL REPORT ON COMPLIANCE WITH
GOVERNMENT REPORTING STANDARDS AND
UNIFORM GUIDANCE

FOR THE YEAR ENDED JUNE 30, 2023

(With Independent Auditor's Report Thereon)

*The report accompanying these financial statements
was issued by Watkins Jackson CPAs, PLLC,
a Nevada Professional Limited Liability Company.*

STRICTLY PRIVATE AND CONFIDENTIAL

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WATKINS JACKSON CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Signature Preparatory
Henderson, Nevada

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Signature Preparatory (the "School"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the 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, each major fund, and the aggregate remaining fund information of Signature Preparatory, 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 Opinions

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 the 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 the 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 Responsibilities 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 the 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 the 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 and other required supplemental information, 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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis 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 schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2023, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Watkins Jackson CPAs". The signature is written in a cursive, flowing style.

Watkins Jackson CPAs

November 30, 2023

Las Vegas, Nevada

SIGNATURE PREPARATORY MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

The Management's Discussion and Analysis ("MD&A") serves to introduce the financial reports for the Signature Preparatory ("School"). The MD&A is required as an element of the Governmental Accounting Standards Board (GASB) in Statement No. 34 and subsequent Statements No. 37 and No. 38 governing the presentation of the financial statements, MD&A, and note disclosure for state and local governments. The MD&A is designed to provide an overview of the School's financial activities.

Financial Highlights

- Revenues received in 2023 were \$10,968,983.
- The School's average daily enrollment weighted for the School's third year of operations, which is the basis for the School's proportionate share of the State of Nevada's Distributive School Fund, was 969 for 2023.

Overview of the Financial Statements: This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the 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 (i.e., uncollected taxes and earned but unused vacation leave).

In many government entities, the government-wide financial statements distinguish functions that are supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges by reporting them as business-type activities. The School has no functions in the business type category resulting in the entire statement representing governmental activities.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. To provide a better understanding of the relationship between the fund statements and government-wide statements, reconciliation is provided between the two statement types.

SIGNATURE PREPARATORY MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

Proprietary Funds: Proprietary funds are comprised of enterprise funds and internal service funds. As reported previously, the School has no business-type activities to be accounted for in enterprise fund and internal service funds.

Notes to the Financial Statements: The notes provide required disclosure and information necessary to understand the School's activities.

Major Features of Government-Wide and Fund Financial Statements

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire School (except fiduciary funds)	Activities of the School that are not proprietary or fiduciary	Activities of the School that are operated similar to private business	Instances in which the School is the trustee agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual Accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus

**SIGNATURE PREPARATORY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Signature Preparatory's Net Position

	FISCAL YEAR 2023
Assets	
Cash & cash equivalents	\$ 4,269,614
Other current assets	274,648
Capital assets, net	<u>23,151,127</u>
Total assets	<u>27,695,389</u>
 Deferred outflows of resources	 <u>6,305,075</u>
Liabilities	
Current liabilities	748,247
Long-term liabilities	<u>35,146,414</u>
Total liabilities	<u>35,894,661</u>
 Deferred inflow of resources	 <u>5,669</u>
Net Position	
Investment in capital assets	(2,448,873)
Unrestricted	<u>549,007</u>
Total net position (deficit)	<u>\$ (1,899,866)</u>

Net Position Highlights:

- Other current assets include \$212,999 in amounts due from governments and \$24,212 in prepaid expenses.
- Current liabilities consists of \$262,252 in general accounts payable and \$438,735 in accrued expenses.
- Long-term liabilities consist of School's the bond payable, including unamortized premiums and discounts on bonds payable issuance, of \$27,210,636 and pension liability of \$7,935,778.

SIGNATURE PREPARATORY MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

Signature Preparatory's Statement of Activities

	FISCAL YEAR 2023
Revenues	
Program revenues:	
Operating grants and contributions	\$ 1,886,078
General revenues	
State & Local school support taxes	7,464,809
Other income	1,618,096
Total revenues	<u>10,968,983</u>
Expenses	
Instruction	
Regular instruction	5,193,936
Special instruction	451,993
Support services	
Administration & operations	4,274,979
Depreciation and amortization	543,179
Interest	1,286,000
Total expense	<u>11,750,087</u>
Increase (decrease) in net position	(781,104)
Net deficit, beginning - restated	(1,118,762)
Net deficit, ending	\$(1,899,866)

Statement of Activities Highlights:

- Total general revenues increased by \$591,217 from the prior year due to an increase in state and local funding. The increase is due to an increase in enrollment from the prior year of 61 students.
- Instruction expenses increased by \$1,616,346 as a result of additional staffing associated with the increased enrollment.
- The other income of \$1,618,096 represents funds received by the School for the Employee Retention Credit.

Budgetary Highlights

The School is required by the State of Nevada Department of Education to adopt a tentative budget by April 15th and a final budget no later than June 8th of each year. During the fiscal year, budgeted expenses exceeded actual amounts less debt service by \$1,038,205.

Revenue Budget Methodology

In order to determine the budget revenue numbers, the school's previous year enrollment is analyzed and then compared to currently completed enrollment forms to create a projected enrollment number for the upcoming year.

**SIGNATURE PREPARATORY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Appropriate adjustments are made to the budget based on unanticipated revenue increases or shortfalls due to Federal, State, and Department of Education requirements and/or legislation, lack of contributions, etc.

Economic Factors

The School originally received authorization in 2019 from the Nevada State Board of Education to operate as a grade K-8 school. The School receives a majority of its funding from the State of Nevada Department of Education and the School is dependent on student counts and funding levels from State of Nevada.

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 government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrator of the Signature Preparatory, 498 S. Boulder Hwy, Henderson, NV 89015, Telephone Number 702-224-2809.

In closing, without the leadership and support of the governing body of the School and its employees, the preparation of this report would not have been possible.

SIGNATURE PREPARATORY
STATEMENT OF NET POSITION
GOVERNMENT ACTIVITIES - GENERAL
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash	\$ 2,523,914
Cash - restricted	1,745,700
Due from other governments	212,999
Other accounts receivable	37,437
Prepaid expenses and other current assets	24,212
Capital assets, net of accumulated depreciation of \$968,478	<u>23,151,127</u>
Total assets	<u>27,695,389</u>
Deferred outflows of resources	
Pension contribution	<u>6,305,075</u>
LIABILITIES	
Accounts payable	262,252
Accrued payroll and benefits	438,735
Due to other governments	47,260
Premiums on issuance of bonds, net of discounts	1,610,636
Bonds payable	25,600,000
Net pension liability	<u>7,935,778</u>
Total liabilities	<u>35,894,661</u>
Deferred inflows of resources	
Pension related	<u>5,669</u>
NET POSITION	
Investment in capital assets	(2,448,873)
Net deficit unrestricted	<u>549,007</u>
TOTAL NET POSITION	<u>\$ (1,899,866)</u>

See Accompanying Notes to the Financial Statements

SIGNATURE PREPARATORY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Functions	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position Governmental Activities
Governmental activities				
Program instruction	\$ 5,645,929	\$ -	\$ 1,886,078	\$ (3,759,851)
Support services	4,274,979	-	-	(4,274,979)
Interest expense	1,286,000	-	-	(1,286,000)
Depreciation and amortization	543,179	-	-	(543,179)
Total Charter School	<u>\$ 11,750,087</u>	<u>\$ -</u>	<u>\$ 1,886,078</u>	<u>\$ (9,864,009)</u>
General revenues				
Distributive school account				7,259,313
Local aid unrestricted				205,496
Other income				<u>1,618,096</u>
Total general revenues				<u>9,082,905</u>
Change in net position				(781,104)
Net deficit beginning of year				<u>(636,098)</u>
Prior period adjustment				(482,664)
Net deficit beginning of year - restated				<u>(1,118,762)</u>
Net deficit end of year				<u>\$ (1,899,866)</u>

See Accompanying Notes to the Financial Statements

SIGNATURE PREPARATORY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Special Education Revenue Fund	Total Governmental Funds
ASSETS			
Cash	\$ 2,523,914	\$ -	\$ 2,523,914
Cash - restricted	1,745,700	-	1,745,700
Due from other governments	212,999	-	212,999
Other accounts receivable	37,437	-	37,437
Prepaid expenses	24,212	-	24,212
Total assets	<u>\$ 4,544,262</u>	<u>\$ -</u>	<u>\$ 4,544,262</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 262,252	\$ -	\$ 262,252
Accrued payroll and benefits	438,735	-	438,735
Due to other governments	47,260	-	47,260
Total current liabilities	<u>748,247</u>	<u>-</u>	<u>748,247</u>
FUND BALANCES			
Restricted	1,745,700	-	1,745,700
Nonspendable	24,212	-	24,212
Unassigned	2,026,103	-	2,026,103
Total fund balance	<u>3,796,015</u>	<u>-</u>	<u>3,796,015</u>
Total liabilities and fund balance	<u>\$ 4,544,262</u>	<u>\$ -</u>	<u>\$ 4,544,262</u>

See Accompanying Notes to the Financial Statements

SIGNATURE PREPARATORY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balance - governmental funds	<u>\$ 3,796,015</u>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets net of the related depreciation are not reported in the Governmental Fund financial statements because they are not current financial resources, but they are reported in the statement of net position.

Capital assets	24,119,606	
Less: Accumulated Depreciation	<u>(968,479)</u>	
		23,151,127

Bonds payable are not reported in the Governmental Fund financial statements

Premiums and discounts on bonds issuance	(1,696,047)	
Less: Accumulated Amortization	<u>85,411</u>	
		(1,610,636)

Bonds payable		(25,600,000)
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Deferred outflows/inflows of resources are not current financial resources or liabilities and, therefore, not reported in the Governmental Fund financial statements.

Deferred outflows related to pensions	6,305,075	
Deferred inflows related to pensions	<u>(5,669)</u>	
		6,299,406

Net pension liability is not due and payable in the current period and therefore is not reported in the Governmental Fund financial statements.

	<u>(7,935,778)</u>
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Total net position - governmental activities	<u><u>\$ (1,899,866)</u></u>
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SIGNATURE PREPARATORY
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General	Special Education Revenue Fund	Total Governmental Funds
	<u>General</u>	<u>Revenue Fund</u>	<u>Funds</u>
REVENUE			
Local sources	\$ 205,496	\$ -	\$ 205,496
State sources	7,259,313	451,993	7,711,306
Federal sources	1,434,085	-	1,434,085
Other income	<u>1,618,096</u>	<u>-</u>	<u>1,618,096</u>
Total Revenue	10,516,990	451,993	10,968,983
EXPENDITURES			
Programs instruction			
Salaries	2,589,177	451,993	3,041,170
Benefits	999,839	-	999,839
Supplies	<u>690,835</u>	<u>-</u>	<u>690,835</u>
Total program expenditures	4,279,851	451,993	4,731,844
Support services			
Administration and staff support	743,908	-	743,908
Administration and staff benefits	212,858	-	212,858
Purchased services	1,477,830	-	1,477,830
Operating services	<u>1,687,687</u>	<u>-</u>	<u>1,687,687</u>
Total support services	<u>4,122,283</u>	<u>-</u>	<u>4,122,283</u>
NONOPERATING EXPENSES			
Debt service	<u>1,286,000</u>	<u>-</u>	<u>1,286,000</u>
Total nonoperating expenses	<u>1,286,000</u>	<u>-</u>	<u>1,286,000</u>
Total expenditures	<u>9,688,134</u>	<u>451,993</u>	<u>10,140,127</u>
CHANGES IN FUND BALANCES	828,856	-	828,856
FUND BALANCES, beginning of year	<u>2,967,159</u>	<u>-</u>	<u>2,967,159</u>
FUND BALANCES, end of year	<u><u>\$ 3,796,015</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,796,015</u></u>

See Accompanying Notes to the Financial Statements

SIGNATURE PREPARATORY
RECONCILIATION OF THE STATEMENT OF ACTIVITIES TO THE STATEMENT OF REVENUE
EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
JUNE 30, 2023

Net change in fund balance - total governmental fund	<u>\$ 828,856</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.	
Less current year depreciation and amortization expense	(543,179)
Capital asset lease current year amortization	
Bonds payable are not reported in the Governmental Fund financial statements	
Current year bond premium amortization	55,560
Pension contributions are reported as expenditures in the governmental funds when paid; however, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net Pension expense, which is the change in the net pension liability adjusted for changes in pension liability is measured a year before the school's report date. Outflows and inflows of resources related to pensions, is reported in the Statement of Activities.	
Pension expense - difference between actuarially determined liability and actual contributions made	<u>(1,122,341)</u>
Change in net position - governmental activities	<u>\$ (781,104)</u>

SIGNATURE PREPARATORY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies

The financial statements of the Signature Preparatory (the “School”) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) applicable to government units, with the exception of the criteria mandated by the Nevada Department of Education requiring charter schools to expense all asset purchases under \$5,000. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting entity – Signature Preparatory is a “charter school”, established in 2018 under Nevada Revised Statutes, including but not limited to, NRS 386.500 to 386.610. The School received approval by the Nevada Department of Education to operate as a charter school. The School’s major operation is to offer an educational environment where learning is maximized through individual instruction, interdisciplinary projects and access to a full spectrum of technological resources for kindergarten through eighth grade in Southern Nevada.

The School receives funding from state and federal government sources and must comply with the requirements of these funding sources. However, the School is not included in any other governmental “reporting entity,” as defined in GASB pronouncements, since its Governing Body has decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

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 nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Any interfund activities related to services provided and used between functions are not eliminated. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

The major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus and basis of accounting – The term, “basis of accounting,” refers to the method used for revenues and expenditure recognition in the accounts and reporting in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied. Under GAAP, all governmental funds are accounted using a modified accrual basis of accounting under which revenues are recognized when they become measurable and available as net current assets. Expenditures are recognized generally under the modified accrual basis of accounting in use when the related fund liability is incurred.

Government-wide Financial Statements. The government-wide financial statements are reported on a consolidated basis and using the economic resources measurement focus. The government-wide financial statements report information on all activities of the School except for fiduciary activity using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

SIGNATURE PREPARATORY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies (continued)

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The School has the following fund categories (further divided by fund type) and account groups:

General Fund – The General Fund is the general operating fund for the School. It is used to account for all financial resources not accounted in other funds.

Special Education Fund – The Special Education Fund is used to account for revenues received and expenditures made to fund the special education program. Financing is provided through the State Public Charter School Authority funded by the U.S. Department of Education.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All governmental and business-type activities and enterprise funds of the School follow FASB Accounting Standards Codifications ("ASC"), Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

Revenue Recognition

State funding

The School receives funding from the State of Nevada as administered by the Nevada Department of Education based on the number of students enrolled in its schools. The State provides unrestricted funding for normal school operations. The School receives additional weighted categorical funding based on the prior year number of students. State revenue is recognized in the period as designated by the State.

Federal grants

The School has received federal grants, which are paid through the Nevada Department of Education. Funds are generally received on a reimbursement basis and, accordingly, revenues related to these federal grants are recognized when qualifying expenditures have been incurred and when all other grant requirements have been met.

Other Revenue

Revenues from auxiliary services are recognized as services are provided. Other revenues are recognized as earned.

SIGNATURE PREPARATORY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies (continued)

Cash – The School considers cash equivalents to be those securities with an original maturity of three months or less.

Cash - restricted – The School considers cash held for bonds payable reserve purposes to be restricted cash, which as of June 30, 2023 totaled \$1,745,700.

Other accounts receivable – Represents a vendor overpayment, which is required to be reimbursed to the School.

Prepaid expenses and other current assets – Prepaid expenses and other current assets include payments to vendors for services applicable to future accounting periods.

Due from other governments – This account includes amounts due from other governments for grants, which are expected to be received within the subsequent year. The balance as of June 30, 2023 totaled \$212,999. All other outstanding balances between funds are reported as “due to/from other funds.”

Accounts payable and accrued liabilities – Consists of liabilities to record expenses incurred during the current fiscal year, but paid for in the subsequent fiscal year.

Due to other governments – This account includes amounts due to other governments for per-pupil funding, which are expected to be paid within the subsequent year. The balance as of June 30, 2023 totaled \$47,260.

Compensated absences – It is the School’s policy to permit employees to accumulate hours of paid time off (PTO); as of June 30, 2023 the School has recorded a PTO liability of \$46,239. Unused PTO of up to 5 days or 40 hours is paid out after each year ended June 30. Additional unused hours are forfeited.

Capital assets – The School's capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are listed at their estimated fair value at the date of donation. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the School to capitalize all capital assets costing more than \$5,000 with an estimated useful life of three or more years. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation over the assets’ useful lives. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated or amortized over the following estimated useful lives:

	<u>Years</u>
Equipment	5
Building and improvements	39

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents the consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources until that time. The School reflects deferred outflows of resources which are related to pensions reported in the statement of net position under the accrual basis of accounting.

SIGNATURE PREPARATORY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies (continued)

In addition to liabilities, the statement of net 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School reflects deferred inflows of resources which are related to pensions reported in the statement of net position under the accrual basis of accounting.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Nevada (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Net assets/ Fund balances – In March 2009, the GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund-type definitions. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned.

- Non-spendable fund balance represents amounts that are not in a spendable form. The nonspendable fund balance represents inventories or prepaid items.

- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).

- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.

- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body.

- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

Net position – In the government-wide statements, Net Position on the Statement of Net Position is displayed in three components:

SIGNATURE PREPARATORY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. Summary of significant accounting policies (continued)

- Invested in Capital Assets, Net of Related Debt. This is the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.
- Restricted. The component of net position that reports the constraints placed on the use of assets by the external parties such as creditors, grantors, contributors, and/or enabling legislation.
- Unrestricted. All other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Expenditure line items – The statements of revenues, expenditures, and changes in fund balances, as well as the statement of activities summarize current expenditure data by major program classifications pursuant to the provisions of *Financial Accounting for Local and State School Systems* as adopted by the Nevada Department of Education. Below is a brief description of these expenditure classifications.

- Regular programs consist of activities designed to provide elementary and secondary students with learning experiences to prepare them as citizens, family members, and non-vocational workers.
- Special programs consist of activities designed primarily to deal with students having special needs. The special programs include kindergarten and elementary services for the gifted and talented, mentally challenged, physically handicapped, emotionally disturbed, culturally different, learning disabled, bilingual, and special programs for other types of students.
- Support services represent all charges not readily assignable directly to a program. Student and instructional staff support as well as the overall general and administrative costs of the School are classified as support services. Also included in this line item are costs of operating, maintaining and constructing the physical facilities of the School.

Advertising costs – All costs associated with advertising and promotions are expensed in the year incurred. For the year ended June 30, 2023 these expenses totaled \$52,933.

Income taxes – The School is exempt from federal income taxes as a governmental entity.

2. Compliance with Nevada revised statutes and the Nevada Administrative Code

Budgetary information – The School is required by the State of Nevada Department of Education (Department) under NRS 386.550(n) and the Nevada Administrative Code (NAC) 387.725 to adopt a tentative budget by April 15th and a final budget no later than June 8 of each year under NAC 386.370, but is not required by the Department to augment the budget during the year. Further, the School is not required under NRS 386.550 to adopt a final budget pursuant to NRS 354.598 or otherwise comply with any provisions of Chapter 354 of the NRS. In essence, augmentation of the School’s budget is neither required nor prohibited. The School augmented its budget on July 27, 2023. The original and final budgets are presented in the Budgetary Comparison schedules.

Actual Expenditures compared to Budget Appropriations

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
General Fund	\$ 9,688,134	\$ 8,502,872	\$ (1,185,262)
Special Revenue Funds:			
Special Education	\$ 451,993	\$ 599,050	\$ 147,057

SIGNATURE PREPARATORY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

2. Compliance with Nevada revised statutes and the Nevada Administrative Code (continued)

See attached schedule of budget versus actual for detail.

3. Cash

The School maintains cash balances at two financial institutions with accounts insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2023, total uninsured cash balances totaled \$2,323,067, none of which was collateralized. The School has not suffered any losses in these accounts. The School has no policy for interest rate, credit, or custodial risk.

4. Capital assets

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

Governmental Activities:	Beginning Balance July 1	Increases	Decreases	Ending Balance June 30
Land, building and improvements	\$ 23,961,296	\$	\$ -	\$ 23,961,296
Equipment	158,309	-	-	158,309
Less: accumulated depreciation	(432,053)	(536,425)	-	(968,478)
Governmental capital assets, net	<u>\$ 23,687,552</u>	<u>\$ (536,425)</u>	<u>\$ -</u>	<u>\$ 23,151,127</u>

Undistributed depreciation expense was \$536,425 for the year ended June 30, 2023.

5. Bonds payable

In October 2021, the School entered into an education revenue bond issue, issued by the Public Finance Authority to finance the purchase of the School's building and campus facilities. The bonds are secured by a loan agreement dated October 1, 2021 and a deed of trust on the School's campus.

Payments commence on November 1, 2021 and are paid to the trustee and placed in a restricted fund until bond interest and principal payments are due. Interest payments are paid semi-annually on December 15th and June 15th and principal payments are made annually on June 15th beginning in June 2024.

Series	Date Issued	Cusip	Maturity	Amount	Int Rate
A-1	October 14, 2021	74442EHA1	June 15,2031	\$ 1,440,000	5.00%
A-2	October 14, 2021	74442EHB9	June 15,2041	\$ 5,945,000	5.00%
A-3	October 14, 2021	74442EHC7	June 15,2051	\$ 9,685,000	5.00%
A-4	October 14, 2021	74442EHD5	June 15,2056	\$ 6,930,000	5.00%
B-1	October 14, 2021	74442EHE3	June 15,2028	\$ 1,600,000	5.375%
				<u>\$ 25,600,000</u>	

SIGNATURE PREPARATORY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

5. Bonds payable (continued)

Principal payments commence in 2024. The initial 5 year principal payment schedule is as follows:

Year	Principal
2024	\$ 315,000
2025	330,000
2026	350,000
2027	370,000
2028	385,000
Thereafter	23,850,000
	\$ 25,600,000

The bonds issuance included premiums of \$1,930,731, which amortizes over the 35 year payment period of the bonds payable through 2056. The unamortized balance totaled \$1,833,501 as of June 30, 2023.

The bonds issuance included discounts of \$234,684, which amortizes over the 35 year payment period of the bonds payable through 2056. The unamortized balance totaled \$222,865 as of June 30, 2023.

6. Charter School Management Agreement

The School entered into a Charter School Services and Support Agreement with Charter One NV, LLC (the Management Company), effective July 1, 2023. The Management Company was to provide management and administrative services to the School. Services include, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of books and records, bookkeeping, budgeting and financial reporting. Under the terms of the management agreement, the School agrees to pay a fee of \$760 per full time equivalent (FTE) student per year. The School had \$885,625 in expenses for these services during the year ended June 30, 2023.

7. Defined benefit pension plan

The School contributes to the Public Employees' Retirement System of the State of Nevada (PERS) (System). PERS administers a cost-sharing, multiple-employer, defined benefit pension plan. PERS was established by the Nevada Legislature in 1947, effective July 1, 1948. PERS is administered to provide a reasonable base income to qualified employees who have been employed by a public employer and whose earning capacities have been removed or substantially impaired by age or disability.

Benefits Provided

Benefits, as required by the Nevada Revised Statutes (NRS or statute), are determined by the number of years of accredited service at time of retirement and the member's highest average compensation in any thirty-six consecutive months with special provisions for members entering the System on or after January 1, 2010, and July 1, 2015. Benefit Payments to which participants or their beneficiaries may be entitled under the plan include pension benefits, disability benefits, and survivor benefits.

Monthly benefit allowances for members are computed as 2.5% of average compensation for each accredited year of service prior to July 1, 2001. For service earned on and after July 1, 2001, this service time factor is 2.67% of average compensation. For members entering the System on or after January 1, 2010, there is a 2.5% service time factor and for regular members entering the System on or after July 1, 2015, there is a 2.25% service time factor. The System offers several alternatives to the unmodified service retirement allowance which, in general, allow the retired employee to accept a reduced service retirement allowance payable monthly during his or her lifetime and various optional monthly payments to a named beneficiary after his or her death. Post-retirement increases are provided by authority of NRS 286.575 - .579.

SIGNATURE PREPARATORY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

7. Defined benefit pension plan (continued)

Vesting

Regular members entering the System prior to January 1, 2010, are eligible for retirement at age 65 with five years of service, at age 60 with 10 years of service, or at any age with 30 years of service. Regular members entering the System on or after January 1, 2010, are eligible for retirement at age 65 with 5 years of Public Employees' Retirement System of Nevada service, or age 62 with 10 years of service, or any age with 30 years of service. Regular members who entered the System on or after July 1, 2015, are eligible for retirement at age 65 with 5 years of service, or at age 62 with 10 years of service or at age 55 with 30 years of service or any age with 33 1/3 years of service.

The normal ceiling limitation on monthly benefits allowances is 75% of average compensation. However, a member who has an effective date of membership before July 1, 1985, is entitled to a benefit of up to 90% of average compensation. Members become fully vested as to benefits upon completion of five years of service.

Contributions

The authority for establishing and amending the obligation to make contributions and member contribution rates, is set by statute. New hires, in agencies which did not elect the Employer-Pay Contribution (EPC) plan prior to July 1, 1983, have the option of selecting one of two contribution plans. One plan, provides for matching employee and employer contributions, while the other plan provides for employer-pay contributions only. Under the matching Employee/Employer Contribution plan, a member may, upon termination of service for which contribution is required, withdraw employee contributions which have been credited to their account. All membership rights and active service credit in the System are canceled upon withdrawal of contributions from the member's account. If EPC was elected, the member cannot convert to the Employee/Employer Contribution plan and cannot withdraw these contributions.

The System's basic funding policy provides for periodic contributions at a level pattern of cost as a percentage of salary throughout an employee's working lifetime in order to accumulate sufficient assets to pay benefits when due.

Although the System receives an actuarial valuation on an annual basis indicating the contribution rates required to fund the System on an actuarial reserve basis, contributions actually made are in accordance with the required rates established by the Nevada Legislature. These statutory rates are increased/decreased pursuant to NRS 286.421 and 286.450.

The actuarial funding method used is the Entry Age Normal Cost Method. It is intended to meet the funding objective and results in a relatively level long-term contribution requirement as a percentage of salary. For the fiscal year ended June 30, 2022, the Statutory Employer/Employee matching rate was 15.50% for Regular employees. The Employer-pay contribution (EPC) rate was 29.75% for Regular employers.

The School's contributions were \$483,485 for the year-ended June 30, 2023.

Investment Policy

The System policies which determine the investment portfolio target asset allocation are established by the PERS Board. The asset allocation is reviewed annually and is designed to meet the future risk and return needs of the System.

SIGNATURE PREPARATORY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

7. Defined benefit pension plan (continued)

The following was the PERS Board adopted policy target asset allocation as of June 30, 2022:

Asset Class	Target Allocation	Long-Term Geometric Expected Real Rate of Return
U.S. stocks	42%	5.50%
International stocks	18%	5.50%
U.S. bonds	28%	0.75%
Private markets	12%	6.65%

As of June 30, 2022, PERS' long-term inflation assumption was 2.50%.

Net Pension Liability

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's allocation percentage of the net pension liability was based on the total contributions due on wages paid during the measurement period. Each employer's proportion of the net pension liability is based on their employer contributions relative to the total employer contributions for all employers for the year ended June 30, 2022. At July 1, 2022, the School's proportion was 0.04395%.

Pension Liability Discount Rate Sensitivity

The following presents the net pension liability of the School as of June 30, 2022, calculated using the discount rate of 7.25%, as well as what the School's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current discount rate:

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Net Pension Liability	\$ 12,184,015	\$ 7,935,778	\$ 4,430,345

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the PERS Comprehensive Annual Financial Report, available on the PERS website.

Actuarial Assumptions

The System's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation Rate	2.50%
Productivity Pay Increase	0.50%
Projected Salary Increases Regular:	4.20% to 9.10%, depending on service Rates include inflation and productivity increases
Investment Rate of Return	7.25%
Other Assumptions	Same as those used in the June 30, 2022 funding actuarial valuation.

SIGNATURE PREPARATORY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

7. Defined benefit pension plan (continued)

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of the experience study for the period July 1, 2016 through June 30, 2020.

The discount rate used to measure the total pension liability was 7.25% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed plan contributions will be made in amounts consistent with statutory provisions and recognizing the plan's current funding policy and cost-sharing mechanism between employers and members. For this purpose, all contributions that are intended to fund benefits for all plan members and their beneficiaries are included, except that projected contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan 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 as of June 30, 2022.

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

For the year ended June 30, 2022 (Measurement Date), the School recognized pension expense of \$1,726,594. As of June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,027,552	\$ 5,669
Net difference between projected and actual earnings on pension plan investments	96,822	-
Changes of assumptions	1,019,406	-
Changes in proportion	3,367,184	-
School contributions subsequent to the measurement date	794,111	-
Total	<u>\$ 6,305,075</u>	<u>\$ 5,669</u>

The \$794,111 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) is 5.70 years.

Other estimated amounts reported as deferred (outflows) of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Amount
2024	\$ 3,517,169
2025	1,988,126
2026	1,988,126
2027	1,988,126
2028	1,427,120
2029	(5,403,372)
	<u>\$ 5,505,295</u>

SIGNATURE PREPARATORY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

7. Defined benefit pension plan (continued)

Reconciliation of Net Pension Liability

	Amount
Beginning Net Pension Liability	\$ 3,504,910
Pension Expense	1,726,594
Employer Contributions	(483,484)
Change in Deferred Outflows	308,866
Change in Deferred Inflows	2,878,892
	<hr/>
Ending Net Pension Liability	\$ 7,935,778

Additional information is located in the PERS Comprehensive Annual Financial Report (CAFR), available on the PERS' website at www.nvpers.org under Quick Links - Publications. The report may also be obtained by calling 775-687-4200.

8. Other income

During the year ended June 30, 2023 the School received funds related to Employee Retention Credit totaling \$1,618,096, which is included in other income.

9. Prior period adjustment

The School determined the bond issuance costs incurred during the year ended June 30, 2022 were not properly expensed according to GASB No. 65. This resulted in an increase in the net deficit beginning of the year balance from (\$636,098) to (\$1,118,866).

10. Compliance with Nevada revised statutes and Nevada Administrative code

The School conformed to all significant statutory constraints on the financial administration during the fiscal year.

11. Economic concentrations and other factors

Future economic and other factors may adversely affect the School's revenues and expenses. Among the factors that could have such adverse effects are: decreases in the number of students seeking to attend the School at optimum levels for each grade level; decreases in the level of payments from the State of Nevada or other student enrollment-based funding by the federal government; decline in the ability of the School and its management to provide education desired and accepted by the population served; competition from other educational institutions, private schools, and public schools.

12. Subsequent events

The School has evaluated subsequent events through the date the financial statements were issued.

SIGNATURE PREPARATORY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2023

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES			
Revenue-State Sources	\$ 7,259,313	\$ 7,097,037	\$ 162,276
Revenue from Local Sources	205,496	180,325	25,171
Revenue from Federal Sources	1,434,085	1,387,000	47,085
Other Income	1,618,096	-	1,618,096
TOTAL REVENUES	<u>10,516,990</u>	<u>8,664,362</u>	<u>1,852,628</u>
EXPENDITURES			
Personnel Services	4,545,782	3,835,182	(710,600)
Purchased Services	1,477,830	1,771,698	293,868
Supplies	690,835	1,228,432	537,597
Operating services	1,687,687	381,560	(1,306,127)
Debt service	1,286,000	1,286,000	-
TOTAL EXPENDITURES	<u>9,688,134</u>	<u>8,502,872</u>	<u>(1,185,262)</u>
TOTAL REVENUES OVER EXPENDITURES	<u>828,856</u>	<u>161,490</u>	<u>667,366</u>
FUND BALANCE, beginning of year	<u>2,967,159</u>		
FUND BALANCE, end of year	<u><u>\$ 3,796,015</u></u>		

See accompanying notes to the required supplementary information

SIGNATURE PREPARATORY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL EDUCATION REVENUE FUND (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2023

	Actual	Final Budget	Variance with Final Budget Positive (Negative)
REVENUES			
Revenue-State Sources	\$ 451,993	\$ 466,794	\$ (14,801)
TOTAL REVENUES	<u>451,993</u>	<u>466,794</u>	<u>(14,801)</u>
EXPENDITURES			
Personnel Services	451,993	274,050	(177,943)
Purchased Services	-	175,000	175,000
Supplies	-	150,000	150,000
TOTAL EXPENDITURES	<u>451,993</u>	<u>599,050</u>	<u>147,057</u>
TOTAL EXPENDITURES OVER REVENUES	<u>\$ -</u>	<u>\$ (132,256)</u>	<u>\$ 132,256</u>

See accompanying notes to the required supplementary information

SIGNATURE PREPARATORY
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023

SCHEDULE OF SIGNATURE PREPARATORY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA
LAST 10 FISCAL YEARS*

	2023	2022	2021
School's proportion of the net pension liability (asset)	0.04395%	0.03843%	0.03849%
School's proportionate share of the net pension liability (asset)	\$ 7,935,778	\$ 3,504,910	\$ 4,525,335
School's covered-employee payroll	\$ 3,538,486	\$ 3,289,342	\$ 2,722,964
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	224.270%	106.554%	166.192%
Plan fiduciary net position as a percentage of the total pension liability	75.1203%	86.5055%	77.04%

*The amounts presented for each fiscal year were determined as of 7/1.

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, SP will present information for those years for which information is available.

SCHEDULE OF SIGNATURE PREPARATORY'S CONTRIBUTIONS TO THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF NEVADA
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020
Contractually required contribution	\$ 794,111	\$ 673,342	\$ 576,780	\$ 454,553
Contributions in relation to the contractually required contribution	(794,111)	(673,342)	(576,780)	(454,553)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 3,538,486	\$ 3,289,342	\$ 2,722,964	\$ 2,312,459
Contributions as a percentage of covered-employee payroll	22.44211%	20.47042%	21.18206%	19.65669%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10 year trend is compiled, SP will present information for those years for which information is available.

SIGNATURE PREPARATORY
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through Arizona Department of Education			
National School Lunch Program	10.555	N/A	<u>\$ 418,479</u>
Total U.S. Department of Agriculture			<u>418,479</u>
U.S. Department of Health and Human Services			
Passed through Nevada Department of Education			
Advancing Wellness and Resiliency in Education	94.243	N/A	<u>\$ 1,215</u>
Total U.S. Department of Agriculture			<u>1,215</u>
U.S. Department of Education			
Passed through Nevada Department of Education			
Title I, Part A - Grants to Local Education Agencies	84.010	N/A	289,175
Title II-A Improving Teacher Quality	84.367	N/A	5,850
Individuals with Disabilities Education Act	84.027	N/A	193,421
ARP Elementary and Secondary School Emergency Relief Fund-SPCSA	84.425U	N/A	265,540
Elementary and Secondary School Emergency Relief Fund-SPCSA	84.425	N/A	<u>259,505</u>
Total U.S. Department of Education			<u>1,013,491</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,433,185</u></u>

See accompanying notes to the required supplementary information

SIGNATURE PREPARATORY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

1. Basis of Presentation

The accompanying Schedules of Expenditures of Federal Awards ("SEFA") includes the federal grant award activity of Signature Preparatory, under programs of the federal government for the year ended June 30, 2023 in accordance with the requirements of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. These expenditures reported in the SEFA follow the cost principles contained in the Uniform Guidance. The cost principles indicate the certain types of expenditures are not allowable and certain allowable costs are limited as to reimbursement. Signature Preparatory has elected to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance for certain grants.

3. Pass-Through Awards

Signature Preparatory received certain federal financial assistance from pass-through awards of the pass-through entities listed on the SEFA. There were no passed through awards to subrecipients.



WATKINS JACKSON CPAs

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

To the Board of Trustees
Signature Preparatory
Henderson, Nevada

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

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins Jackson CPAs
November 30, 2023
Las Vegas, Nevada

702-326-6424 * 5550 Painted Mirage Road, Suite 320, Las Vegas NV 89149 * www.wjcpas.net



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

To the Board of Trustees
Signature Preparatory
Henderson, Nevada

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Signature Preparatory's 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 each of Signature Preparatory's major federal programs for the year ended June 30, 2023. Signature Preparatory's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Signature Preparatory complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Signature Preparatory and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Signature Preparatory's 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 Signature Preparatory's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Signature Preparatory's compliance based on our 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting 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. Noncompliance 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 Signature Preparatory's compliance with the requirements of each major federal program as a whole.

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

- 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 Signature Preparatory's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Signature Preparatory's 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 Signature Preparatory's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we 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.

Our 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 our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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



Watkins Jackson CPAs
November 30, 2023
Las Vegas, Nevada

SIGNATURE PREPARATORY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weakness(es)?	No
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with <i>Uniform Guidance</i> ?	No
Identification of major programs:	CFDA #84.425U CFDA #84.425
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No
Section II - Financial Statement Findings	None
Section III - Federal Award Findings and Questioned Costs	None

SIGNATURE PREPARATORY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

None noted.