

DREW CHARTER SCHOOL, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

DREW CHARTER SCHOOL, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Drew Charter School, Inc.

Opinion

We have audited the accompanying statements of Drew Charter School, Inc. (the School), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Drew Charter School, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of Drew Charter School, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audits 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance; and therefore, is not a guarantee that an audit conducted in accordance with generally accepted 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, including omissions, 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Warren Averett, LLC

Atlanta, Georgia
October 24, 2023

**DREW CHARTER SCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

ASSETS		
	2023	2022
Cash and cash equivalents	\$ 32,629,994	\$ 27,317,651
Grants receivable	1,596,976	3,335,786
Pledges receivable – affiliate	1,412,729	1,861,624
Other receivables – affiliate	354,094	246,625
Prepaid expenses	183,335	67,180
Property and equipment, net	2,608,497	1,863,271
TOTAL ASSETS	\$ 38,785,625	\$ 34,692,137
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,229,697	\$ 2,279,239
TOTAL LIABILITIES	1,229,697	2,279,239
NET ASSETS		
Without donor restrictions		
Board designated	18,000,000	18,000,000
Undesignated	17,179,823	11,328,105
Total without donor restrictions	35,179,823	29,328,105
With donor restrictions	2,376,105	3,084,793
TOTAL NET ASSETS	37,555,928	32,412,898
TOTAL LIABILITIES AND NET ASSETS	\$ 38,785,625	\$ 34,692,137

See notes to the financial statements.

DREW CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(with comparative totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Atlanta Public School funding	\$ 38,039,078	\$ -	\$ 38,039,078	\$ 33,021,161
Federal ESSER funding	2,876,995	-	2,876,995	4,036,602
Bright from the Start grant	-	474,809	474,809	448,863
Facilities grant	160,858	-	160,858	101,056
Other government grants	22,384	-	22,384	675,397
Contributions	1,097,062	-	1,097,062	3,005,499
In-kind contributions	7,085,861	-	7,085,861	7,085,861
Student activities	1,039,534	-	1,039,534	696,172
Other income	125,287	-	125,287	4,646
TOTAL SUPPORT AND REVENUE	50,447,059	474,809	50,921,868	49,075,257
NET ASSETS RELEASED FROM RESTRICTIONS				
Satisfaction of restrictions	1,183,497	(1,183,497)	-	-
TOTAL SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	51,630,556	(708,688)	50,921,868	49,075,257
EXPENSES				
Program expenses				
Instructional expenses	27,133,712	-	27,133,712	26,955,181
Technology expenses	1,420,966	-	1,420,966	1,445,169
Facilities expenses	10,907,506	-	10,907,506	10,486,951
Student activities	714,279	-	714,279	415,444
Support expenses				
Management and general	5,602,375	-	5,602,375	5,914,607
TOTAL EXPENSES	45,778,838	-	45,778,838	45,217,352
CHANGES IN NET ASSETS	5,851,718	(708,688)	5,143,030	3,857,905
NET ASSETS AT BEGINNING OF YEAR	29,328,105	3,084,793	32,412,898	28,554,993
NET ASSETS AT END OF YEAR	\$ 35,179,823	\$ 2,376,105	\$ 37,555,928	\$ 32,412,898

See notes to the financial statements.

**DREW CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Atlanta Public School funding	\$ 33,021,161	\$ -	\$ 33,021,161
Federal ESSER funding	4,036,602	-	4,036,602
Bright from the Start grant	-	448,863	448,863
Facilities grant	101,056	-	101,056
Other government grants	675,397	-	675,397
Contributions	643,875	2,361,624	3,005,499
In-kind contributions	7,085,861	-	7,085,861
Student activities	696,172	-	696,172
Other income	4,646	-	4,646
TOTAL SUPPORT AND REVENUE	<u>46,264,770</u>	<u>2,810,487</u>	<u>49,075,257</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of restrictions	<u>1,206,704</u>	<u>(1,206,704)</u>	<u>-</u>
TOTAL SUPPORT, REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	<u>47,471,474</u>	<u>1,603,783</u>	<u>49,075,257</u>
EXPENSES			
Program expenses			
Instructional expenses	26,955,181	-	26,955,181
Technology expenses	1,445,169	-	1,445,169
Facilities expenses	10,486,951	-	10,486,951
Student activities	415,444	-	415,444
Support expenses			
Management and general	<u>5,914,607</u>	<u>-</u>	<u>5,914,607</u>
TOTAL EXPENSES	<u>45,217,352</u>	<u>-</u>	<u>45,217,352</u>
CHANGES IN NET ASSETS	2,254,122	1,603,783	3,857,905
NET ASSETS AT BEGINNING OF YEAR	<u>27,073,983</u>	<u>1,481,010</u>	<u>28,554,993</u>
NET ASSETS AT END OF YEAR	<u>\$ 29,328,105</u>	<u>\$ 3,084,793</u>	<u>\$ 32,412,898</u>

See notes to the financial statements.

DREW CHARTER SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(with comparative totals for 2022)

	2023							2022 Total
	Program				Total	Management and General	Total	
	Instructional	Technology	Facilities	Student Activities				
Salaries and wages	\$ 18,232,409	\$ 299,923	\$ 410,562	\$ -	\$ 18,942,894	\$ 3,562,291	\$ 22,505,185	\$ 23,498,946
Rent	81,772	-	7,085,861	-	7,167,633	-	7,167,633	7,144,784
Other employee benefits	1,436,685	57,334	63,116	-	1,557,135	252,280	1,809,415	1,818,853
Pension	4,150,837	79,305	97,879	-	4,328,021	849,826	5,177,847	4,841,714
Contracted services	1,180,557	44,369	1,215,167	-	2,440,093	-	2,440,093	1,627,504
Occupancy	22,356	384,249	1,448,777	-	1,855,382	-	1,855,382	2,012,652
Classroom supplies	932,107	520	-	-	932,627	-	932,627	821,761
Information technology	184,150	263,138	10,482	-	457,770	74,213	531,983	672,861
Depreciation	-	246,706	277,492	-	524,198	-	524,198	382,294
Payroll taxes	310,078	4,331	9,923	-	324,332	64,270	388,602	428,975
Professional development	291,240	15,963	-	-	307,203	72,727	379,930	130,835
Insurance	-	-	221,162	-	221,162	-	221,162	182,224
Office supplies	-	21,155	-	-	21,155	30,495	51,650	63,947
Transportation	-	3,268	7,088	-	10,356	-	10,356	4,425
Staffing services	6,375	-	-	-	6,375	10	6,385	50,754
Advertising and promotions	-	-	-	-	-	884	884	844
Other	305,146	705	59,997	714,279	1,080,127	695,379	1,775,506	1,533,979
TOTAL EXPENSES	\$ 27,133,712	\$ 1,420,966	\$ 10,907,506	\$ 714,279	\$ 40,176,463	\$ 5,602,375	\$ 45,778,838	\$ 45,217,352

See notes to the financial statements.

**DREW CHARTER SCHOOL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program				Total	Management and General	Total
	Instructional	Technology	Facilities	Student Activities			
Salaries and wages	\$ 18,909,900	\$ 356,243	\$ 437,510	\$ -	\$ 19,703,653	\$ 3,795,293	\$ 23,498,946
Rent	58,923	-	7,085,861	-	7,144,784	-	7,144,784
Pension	3,907,348	67,531	62,381	-	4,037,260	804,454	4,841,714
Occupancy	19,022	338,827	1,643,146	-	2,000,995	11,657	2,012,652
Other employee benefits	1,447,823	41,866	61,430	-	1,551,119	267,734	1,818,853
Contracted services	946,895	93,849	586,760	-	1,627,504	-	1,627,504
Classroom supplies	819,411	751	1,599	-	821,761	-	821,761
Information technology	285,125	286,371	8,797	-	580,293	92,568	672,861
Payroll taxes	340,165	9,118	16,261	-	365,544	63,431	428,975
Depreciation	-	203,264	179,030	-	382,294	-	382,294
Insurance	-	-	180,086	-	180,086	2,138	182,224
Professional development	48,025	12,894	-	-	60,919	69,916	130,835
Office supplies	-	34,455	-	-	34,455	29,492	63,947
Staffing services	50,764	-	-	-	50,764	(10)	50,754
Transportation	-	-	4,425	-	4,425	-	4,425
Advertising and promotions	-	-	-	-	-	844	844
Other	121,780	-	219,665	415,444	756,889	777,090	1,533,979
TOTAL EXPENSES	\$ 26,955,181	\$ 1,445,169	\$ 10,486,951	\$ 415,444	\$ 39,302,745	\$ 5,914,607	\$ 45,217,352

See notes to the financial statements.

**DREW CHARTER SCHOOL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 5,143,030	\$ 3,857,905
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	524,198	382,294
Decrease (increase) in receivables		
Grants receivable	1,738,810	(3,096,924)
Receivables – affiliate	341,426	(1,544,385)
(Increase) decrease in prepaid expenses	(116,155)	47,494
(Decrease) increase in accounts payable and accrued expenses	<u>(1,049,542)</u>	<u>751,476</u>
Net cash provided by operating activities	<u>6,581,767</u>	<u>397,860</u>
CASH FLOWS USED IN INVESTING ACTIVITIES		
Property and equipment purchases	<u>(1,269,424)</u>	<u>(889,471)</u>
Net cash used in investing activities	<u>(1,269,424)</u>	<u>(889,471)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,312,343	(491,611)
CASH AND CASH EQUIVALENTS AT:		
BEGINNING OF YEAR	<u>27,317,651</u>	<u>27,809,262</u>
END OF YEAR	<u><u>\$ 32,629,994</u></u>	<u><u>\$ 27,317,651</u></u>

See notes to the financial statements.

DREW CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

1. ORGANIZATION AND BUSINESS

Drew Charter School, Inc. (the School), a Georgia not-for-profit corporation, was organized to operate the Charles R. Drew Charter School located in the East Lake community. The mission of the School is to serve the children and families of East Lake and the surrounding communities by providing a learning environment that emphasizes high achievement and character development.

The School was granted its initial charter (the Charter) by the Atlanta Board of Education and the Georgia Board of Education in August 1999. The Charter has been renewed and amended several times. The current Charter expires on June 30, 2027. The Charter permits the School to operate as a Charter School under the Atlanta Public School (APS) system, provided the School operates within the guidelines of the Charter and the applicable state and federal laws. Under the terms of the Charter, the School receives an allocation from the APS, which is based on enrollment. The School's support comes primarily from the APS.

Average enrollment for the years ended June 30, 2023 and 2022, was 1,949 (1,861 grades K-12, 88 Pre-K) and 1,929 (1,841 grades K-12, 88 Pre-K), respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the School have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities at year-end. Net assets, revenues, expenses, gains and losses are recorded based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the School and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

Board Designated – Net assets without donor restrictions designated by the Board of Directors (the Board) to be held for specified purposes. The Board can elect to remove these designations in the future.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or passage of time.

Contributions

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with or without donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions.

DREW CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

The School uses the allowance method to determine the uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance was deemed necessary for the years ended June 30, 2023 and 2022.

Donated Goods and Services (In-kind Contributions)

The School utilizes gifts in-kind contributions to carry out its mission. All gifts in-kind contributions received during the years ended June 30, 2023 and 2022, were able to be used by the School as determined by the Board of Directors and management. Gifts in-kind contributions are included in support and revenues and facilities expenses in the accompanying statements of activities.

Contributed Services: Contributed services are recognized if the services received: (1) create or enhance nonfinancial assets; or (2) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist in the School's activities. The School receives numerous volunteer hours each year that are not valued in the financial statements because the services do not meet the criteria.

Contributed Use of Facilities: The School's facilities are leased at below market rates from a related party as described in Note 6. Contribution revenue and related program expenses have been recognized on the statements of activities for the difference between the actual rent paid and the fair value which would be paid in a market based transaction.

Revenue Recognition

Revenue from APS and revenue from program fees are recognized in the period the service is delivered. Revenue from reimbursement basis grants is recognized as related expenditures are made.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the School considers all highly liquid investments with a maturity of three months or less to be cash and cash equivalents. At times the School's cash balances exceed the federally insured limit.

Tax Status

The School is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC) and is classified as an organization which is not a private foundation under Section 509(a) of the IRC. The School qualifies for the charitable contribution deduction.

Fair Values of Financial Instruments

The School estimates that the carrying amount for cash and cash equivalents, accounts receivable and accounts payable approximates fair value because of the short-term nature of these instruments.

DREW CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

The School capitalizes all expenditures for furniture, fixtures and equipment in excess of \$1,000. Furniture and equipment are recorded at cost or fair value, if donated, and are depreciated using straight-line methods over their estimated useful lives as follows:

Building improvements	15 years
Land improvements	7 years
Furniture and fixtures	7 years
Vehicle	5 years
Computer equipment	3 years

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain indirect costs have been allocated among the programs and supporting services benefited. Personnel costs have been allocated based on estimates of time and effort. Depreciation and occupancy costs have been allocated based on usage. The School's fundraising expenses are not significant.

Reclassifications

Certain 2022 amounts have been reclassified to conform to the 2023 presentation. These reclassifications had no effect on net assets as previously reported.

Right-of-Use Assets and Lease Liabilities

Effective June 26, 2022, the School adopted FASB ASC Topic 842, *Leases* (Topic 842). Under Topic 842, a lessee is required to recognize a lease liability and a right-of-use lease asset on the statements of financial position. There was no cumulative effect adjustment to the School's retained earnings as a result of the adoption of this standard. In connection with the adoption of Topic 842, the School elected to apply the following practical expedients:

- not to reassess whether a contract includes an embedded lease at adoption;
- not to reassess the previously determined classification of a lease as operating or capital;
- not to reassess previously recorded initial direct costs;
- election of an accounting policy that permits inclusion of both the lease and non-lease components as a single lease component;
- election of an accounting policy to exclude lease accounting requirements for leases that have terms of less than 12 months; and
- the use of hindsight in determining the lease term and in assessing impairment of right of use assets.

DREW CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

In accordance with Topic 842, at lease commencement, the School initially measures the lease liability at the present value of payments expected to be made during the lease term. The right-of-use 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.

Key estimates and judgments related to leases include how the School determines: (1) the discount rate used 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 generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease, as well as expected renewal terms. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

The School monitors changes in circumstances that would require a remeasurement of its leases and will remeasure right-of-use lease assets and liabilities if certain changes occur that are expected to significantly affect the amount of any lease liability.

The School has determined that its leases are insignificant to the financial statements and do not require recording right-of-use assets and lease liabilities under Topic 842. See Note 6.

Events Occurring After Report Date

Management has evaluated events and transactions that occurred between June 30, 2023 and October 24, 2023, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

3. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2023 are as follows

Pledges receivable	\$ 1,500,000
Less unamortized discount	<u>(87,271)</u>
Net Pledges receivable	<u><u>\$ 1,412,729</u></u>

**DREW CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

3. PLEDGES RECEIVABLE – CONTINUED

The pledges receivable are due to be received from East Lake Foundation in the following years:

<u>Year Ending June 30,</u>	
2024	\$ 500,000
2025	500,000
2026	<u>500,000</u>
	1,500,000
Less unamortized discount	<u>(87,271)</u>
Total pledges receivable	<u>\$ 1,412,729</u>

Pledges receivable with due dates extending beyond one year are discounted using Treasury bill rates for similar term investments. The applicable rate at June 30, 2023 was 4.49%.

4. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2023 and 2022, is composed of the following:

	<u>2023</u>	<u>2022</u>
Building improvements	\$ 1,162,003	\$ 1,150,103
Computer equipment	1,042,080	1,302,784
Land improvements	967,437	189,896
Furniture and fixtures	513,012	2,014,902
Vehicle	<u>366,279</u>	<u>352,016</u>
	4,050,811	5,009,701
Less accumulated depreciation	<u>(1,442,314)</u>	<u>(3,526,128)</u>
	2,608,497	1,483,573
Construction in progress	<u>-</u>	<u>379,698</u>
Net property and equipment	<u>\$ 2,608,497</u>	<u>\$ 1,863,271</u>

Depreciation expense of \$524,198 and \$382,294 was recorded for the years ended June 30, 2023 and 2022, respectively.

Construction in progress as of June 30, 2022 related to work on the Elementary campus playground turf project.

**DREW CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

5. NET ASSETS – RESTRICTIONS AND DESIGNATIONS

At June 30, 2023 and 2022 \$18,000,000 of net assets without donor restrictions were designated by the Board as follows:

	<u>2023</u>	<u>2022</u>
Operations	\$ 8,000,000	\$ 8,000,000
Capital improvements	4,500,000	4,500,000
Instructional innovation	4,000,000	4,000,000
Technology infrastructure	1,500,000	1,500,000
	<u>\$ 18,000,000</u>	<u>\$ 18,000,000</u>

Donor restricted net assets at June 30, 2023 and 2022, are available as follows:

	<u>2023</u>	<u>2022</u>
Purpose restricted		
Pre-K program	\$ 2,376,105	\$ 2,927,562
STEAM	-	157,231
	<u>\$ 2,376,105</u>	<u>\$ 3,084,793</u>

A portion of the net assets restricted for the Pre-K program are also time restricted in line with the related pledge receivable as follows:

<u>Year Ending June 30,</u>	
2024	\$ 500,000
2025	500,000
2026	500,000
	<u>1,500,000</u>
Less unamortized discount	<u>(87,271)</u>
Total pledges receivable	<u>\$ 1,412,729</u>

**DREW CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

5. NET ASSETS – RESTRICTIONS AND DESIGNATIONS – CONTINUED

Net assets released from donor restrictions during the years ended June 30, 2023 and 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Pre-K program	\$ 1,026,266	\$ 982,832
STEAM	157,231	206,063
Literacy center	-	17,809
	<u>\$ 1,183,497</u>	<u>\$ 1,206,704</u>

6. COMMITMENTS

Lease Agreements

Lease of Drew Elementary Academy Facility

On July 1, 2013, Educational Real Estate II, LLC (ERE II) entered into a lease agreement with APS providing for the lease of the Drew Elementary Academy facility at which time ERE II entered into a sublease with the School. The sublease terms provide for an annual rental payment of \$10. The initial lease term expires on June 30, 2024 and automatically renews for three successive ten-year extension periods unless terminated by the School with six months advance notice. If the School's Charter is revoked or not renewed by the Atlanta Board of Education, the lease will terminate automatically on the last day that the Charter is effective. The School records rent expense based on the difference between the actual rent paid and the fair value which would be paid in a market based transaction. Rent expense was \$2,397,150 for the years ended June 30, 2023 and 2022.

Lease of Drew Junior and Senior Academy Facility

On September 17, 2013, the School entered into a lease agreement with Educational Real Estate, LLC (ERE) providing for the lease of the Drew Junior and Senior Academy facility upon its completion for an annual rental payment of \$10. The initial lease term expires on June 30, 2024, and automatically renews for three successive ten-year extension periods unless terminated by the School with six months advance notice. If the School's Charter is revoked or not renewed by the Atlanta Board of Education, the lease will terminate automatically on the last day that the Charter is effective. The School records rent expense based on the difference between the actual rent paid and the fair value which would be paid in a market based transaction. Rent expense was \$4,688,711 for the years ended June 30, 2023 and 2022.

DREW CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

6. COMMITMENTS – CONTINUED

Lease of Office Equipment

The School leases office equipment under various operating leases. Rent expense for the years ended June 30, 2023 and 2022, amounted to approximately \$11,000 and \$29,000, respectively. The future minimum lease payments which extend beyond one year are as follows:

2024	\$ 45,217
2025	45,217
2026	34,632
2027	<u>2,086</u>
	<u>\$ 127,152</u>

7. TRANSACTIONS WITH RELATED PARTIES

East Lake Foundation

The School has pledges receivable from East Lake Foundation (the Foundation) to provide funding for the School's Pre-K program. See Note 3.

Other amounts due from the Foundation to the School totaled approximately \$354,000 and \$247,000 as of June 30, 2023 and 2022, respectively. These amounts relate to programs supported by the Foundation that are conducted at the School.

Educational Holdings Foundation, Inc. (EHF)

EHF is a 501(c)(3) organization whose board is appointed 1/3 by the Foundation, 1/3 by CF Foundation and 1/3 by the School. ERE and ERE II are subsidiaries of EHF. See Note 6 regarding the School's lease agreements with ERE and ERE II.

CF Foundation, Inc.

CF Foundation has entered into a charitable pledge agreement in favor of the School whereby CF Foundation pledges to the School such amounts of funds as is necessary to enable the School to have funds required to operate each year during the ten-year period ending on June 30, 2024. The pledge is limited to \$10,000,000 and shall be reduced by the amount of any contributions received by the School from CF Foundation or other third parties during the ten-year period which are restricted to use by the School for operating expenses.

**DREW CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

8. RETIREMENT PLAN

The School participates in the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple employer defined benefit plan (the Plan), is administered by the TRS Board of Trustees. Participation is available to all full-time public school employees as defined by the Plan. Participant employees contributed 6% of their annual salary in the years ended June 30, 2023 and 2022. The School contributed 19.98% and 19.81% of each participant's annual salary for the years ended June 30, 2023 and 2022, respectively. Employer contributions totaled approximately \$4,950,000 and \$4,842,000 for the years ended June 30, 2023 and 2022, respectively.

9. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the School's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 32,629,994	\$ 27,317,651
Grants receivable	1,596,976	3,335,786
Current portion of pledges receivable – affiliate	500,000	500,000
Other receivables – affiliate	354,094	246,625
Financial assets, at year end	<u>35,081,064</u>	<u>31,400,062</u>
Less: Assets unavailable for general expenditures within one year due to:		
Board designated	18,000,000	18,000,000
Contractual or donor-imposed restrictions:		
Net assets with donor restrictions	2,376,105	3,084,793
Adjusted for: long-term pledges receivable	<u>(912,729)</u>	<u>(1,361,624)</u>
	<u>19,463,376</u>	<u>19,723,169</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 15,617,688</u></u>	<u><u>\$ 11,676,893</u></u>

The School is supported by an allocation from APS and contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the School must maintain sufficient resources to meet those responsibilities to donors. Therefore certain financial assets may not be available for general expenditures within one year. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Board designated amounts could be made available if necessary.

DREW CHARTER SCHOOL, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

10. FEDERAL CORONAVIRUS AID AND RELIEF

In early 2020 an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. On March 27, 2020 in response to the pandemic, the President signed into law the Coronavirus Aid, Relief and Economic Security (CARES) Act.

In February 2021 the School was allocated CARES funding through the Elementary and Secondary School Emergency Relief Fund (ESSER) funding totaling \$2,721,689. The funds were used for COVID-19 related costs, as directed by APS and were retroactive to March 13, 2020 and will be available through September 2023. During 2023 and 2022 the School recognized \$1,233,480 and \$1,429,492, respectively, as revenue on the statements of activities.

In May 2021 the School was allocated additional ESSER funding totaling \$6,112,525. The funds will be available through September 2024. During 2023 and 2022 the School recognized \$1,643,515 and \$2,607,110, respectively as revenue on the statements of activities.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors
Drew Charter School, Inc.

We have audited the financial statements of Drew Charter School, Inc. as of and for the year ended June 30, 2023, and our report thereon dated October 24, 2023, which expressed an unmodified opinion on those financial statements which appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary statement of net position, statement of activities, balance sheet – governmental funds, statement of revenue, expenditures and changes in fund balance – governmental funds and related reconciliations and selected notes are presented in accordance with *Government Accounting Standards Board* pronouncements as required by the Atlanta Public Schools and the Georgia Department of Education and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Warren Averett, LLC

Atlanta, Georgia
October 24, 2023

**DREW CHARTER SCHOOL, INC.
STATEMENT OF NET POSITION
JUNE 30, 2023**

ASSETS	
Cash and cash equivalents	\$ 32,629,994
Grants receivable	1,596,976
Pledges receivable – affiliate	1,412,729
Other receivables – affiliate	354,094
Prepaid items	183,335
Long-term assets	
Capital assets (net of accumulated depreciation)	2,606,985
TOTAL ASSETS	38,784,113
DEFERRED OUTFLOWS OF RESOURCES	
Related to defined benefit pension plans	25,358,813
LIABILITIES	
Accounts payable and accrued expenses	1,229,697
Long-term liabilities	
Net pension liability (see Note 3)	45,580,203
TOTAL LIABILITIES	46,809,900
DEFERRED INFLOWS OF RESOURCES	
Related to defined benefit pension plans	237,256
NET POSITION	
Net investment in capital assets	2,606,985
Restricted	
Restricted for future use	2,376,105
Nonexpendable	183,335
Unrestricted	11,929,345
TOTAL NET POSITION	\$ 17,095,770

See independent auditors' report on supplementary information.

**DREW CHARTER SCHOOL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenues</u>
		<u>Charges for</u>	<u>Operating</u>	<u>(Expenses) and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
GOVERNMENTAL ACTIVITIES				
Instruction	\$ 29,571,091	\$ -	\$ 3,603,362	\$ (25,967,729)
Support services				
Pupil services	657,926	-	652,052	(5,874)
Improvement of instructional services	1,108,971	-	-	(1,108,971)
Instructional staff training	175,654	-	175,654	-
Educational media services	123,426	-	-	(123,426)
School administration	6,232,871	-	-	(6,232,871)
Maintenance and operation of plant services	3,843,466	-	201,040	(3,642,426)
Other support services	815,767	-	1,039,534	223,767
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 42,529,172</u>	<u>\$ -</u>	<u>\$ 5,671,642</u>	<u>\$ (36,857,530)</u>
GENERAL REVENUES				
Atlanta Public Schools Board of Education				38,039,078
Investment earnings				125,287
TOTAL GENERAL REVENUES				<u>38,164,365</u>
CHANGE IN NET POSITION				1,306,835
NET POSITION AT BEGINNING OF YEAR				<u>15,788,935</u>
NET POSITION AT END OF YEAR				<u>\$ 17,095,770</u>

See independent auditors' report on supplementary information.

DREW CHARTER SCHOOL, INC.
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 32,629,994
Grants receivable	1,596,976
Pledges receivable – affiliate	1,412,729
Other receivables – affiliate	354,094
Prepaid items	<u>183,335</u>

TOTAL ASSETS \$ 36,177,128

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable and accrued expenses	<u>\$ 1,229,697</u>
---------------------------------------	---------------------

TOTAL LIABILITIES 1,229,697

FUND BALANCES

Restricted	
Restricted for future use	2,376,105
Nonexpendable	183,335
Unrestricted	<u>32,387,991</u>

TOTAL FUND BALANCES 34,947,431

TOTAL LIABILITIES AND FUND BALANCES \$ 36,177,128

See independent auditors' report on supplementary information.

**DREW CHARTER SCHOOL, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Fund Balances – Governmental Funds		\$ 34,947,431
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported as assets in governmental funds.		
These assets consist of:		
Furniture and equipment	\$ 513,012	
Computer equipment	1,042,080	
Building improvements	1,162,003	
Vehicle	366,279	
Land improvements	967,438	
Accumulated depreciation	<u>(1,443,827)</u>	
		2,606,985
Some liabilities, including pension obligations, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Net pension liability		(45,580,203)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		
These consist of:		
Deferred outflows of resources – pension plan		25,358,813
Deferred inflows of resources – pension plan		<u>(237,256)</u>
Net Position of Governmental Activities		<u><u>\$ 17,095,770</u></u>

See independent auditors' report on supplementary information.

**DREW CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

REVENUES	
Federal funding	\$ 2,900,618
State funding	642,876
Other local funding	
Contributions	1,005,490
Student activities	1,122,658
Investment earnings	125,287
Total revenues	5,796,929
EXPENDITURES	
Instruction	26,771,318
Pupil services	559,277
Improvement of instructional services	1,108,971
Educational media expenses	65,289
School administration	5,602,375
Maintenance and operation of plant services	3,245,782
Other support services	815,767
Capital outlays:	
Acquisition of capital assets	1,269,424
Total expenditures	39,438,203
EXCESS OF EXPENDITURES OVER REVENUES	(33,641,274)
OTHER FINANCING SOURCES	
Transfers from Atlanta Public Schools	38,039,078
Total other financing sources	38,039,078
NET CHANGE IN FUND BALANCE	4,397,804
FUND BALANCE AT BEGINNING OF YEAR	30,549,627
FUND BALANCE AT END OF YEAR	\$ 34,947,431

See independent auditors' report on supplementary information.

**DREW CHARTER SCHOOL, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2023**

Total Net Change in Fund Balances – Governmental Funds	\$ 4,397,804
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay	1,269,424
Depreciation expense	<u>(525,710)</u>
Excess of depreciation expense over capital outlay	743,714
Some items reported in the Statement of Activities do not require the use of current financial resources; and therefore, are not reported as expenditures in governmental funds:	
Pension expense	<u>(3,834,683)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 1,306,835</u></u>

See independent auditors' report on supplementary information.

DREW CHARTER SCHOOL, INC.
SELECTED NOTES TO FUND LEVEL STATEMENTS
JUNE 30, 2023

1. CAPITAL ASSETS

Each class of capital assets is as follows for the year ended June 30, 2023:

	<u>Cost</u>	<u>Depreciation</u>
COMPUTER EQUIPMENT		
Beginning of year balance	\$ 1,302,784	\$ 1,079,405
Acquisitions	696,903	-
Dispositions	(957,607)	(957,607)
Depreciation expense	-	246,706
End of year balance	<u>\$ 1,042,080</u>	<u>\$ 368,504</u>
FURNITURE AND FIXTURES		
Beginning of year balance	\$ 2,014,902	\$ 1,848,403
Acquisitions	148,514	-
Dispositions	(1,650,404)	(1,650,404)
Depreciation expense	-	51,584
End of year balance	<u>\$ 513,012</u>	<u>\$ 249,583</u>
BUILDING IMPROVEMENTS		
Beginning of year balance	\$ 1,150,103	\$ 163,287
Acquisitions	11,900	-
Dispositions	-	-
Depreciation expense	-	77,060
End of year balance	<u>\$ 1,162,003</u>	<u>\$ 240,347</u>
VEHICLE		
Beginning of year balance	\$ 352,016	\$ 310,825
Acquisitions	14,263	-
Dispositions	-	-
Depreciation expense	-	39,592
End of year balance	<u>\$ 366,279</u>	<u>\$ 350,417</u>
LAND IMPROVEMENTS		
Beginning of year balance	\$ 569,594	\$ 124,208
Acquisitions	397,844	-
Dispositions	-	-
Depreciation expense	-	110,768
End of year balance	<u>\$ 967,438</u>	<u>\$ 234,976</u>

DREW CHARTER SCHOOL, INC.
SELECTED NOTES TO FUND LEVEL STATEMENTS
JUNE 30, 2023

2. NET POSITION AND FUND BALANCE ACCOUNTS

Nonspendable funds at June 30, 2023, include \$183,335 in prepaid items that will be expensed during the year ended June 30, 2024.

Restricted net assets at June 30, 2023, totaled \$2,376,105 and are restricted for the Pre-K program.

3. RETIREMENT PLAN

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. 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 and in some cases NAV as a practical expedient to fair value.

Plan Description

All teachers of the Atlanta Public School District (the District) as defined in §47-3-60 of the *Official Code of Georgia Annotated* (O.C.G.A.) and certain other support personnel as defined by §47-3-63 are provided a pension through the TRS. TRS, a cost-sharing multiple employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at www.trsga.com/publications.

Benefits Provided

TRS provides service retirement, disability retirement, and survivor's benefits. Normal retirement benefits are determined as 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year, or fraction thereof, by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, may be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Options are available for distribution of the member's monthly pension, at a reduced rate, to a designated beneficiary upon the member's death.

DREW CHARTER SCHOOL, INC.
SELECTED NOTES TO FUND LEVEL STATEMENTS
JUNE 30, 2023

3. RETIREMENT PLAN – CONTINUED

Retirement benefits also include death and disability benefits, whereby the disabled member or surviving spouse is entitled to receive annually an amount equal to the member's service retirement benefit or disability retirement, whichever is greater. The benefit is based on the member's creditable service (minimum of 10 years of service) and compensation up to the time of disability. The death benefit is the amount that would be payable to the member's beneficiary had the member retired on the date of death with either a service retirement allowance or a disability retirement allowance, whichever is larger. The benefit is based on the member's creditable service (minimum of ten years of service) and compensation up to the date of death.

Contributions

Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2023. The School's contractually required contribution rate for the year ended June 30, 2023, was 19.98% of annual School payroll. The School's contributions to TRS were \$4,949,632 for the year ended June 30, 2023.

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

At June 30, 2023, the School reported a liability for its proportionate share of the net pension liability that reflected a reduction for support provided to the School by the State of Georgia for certain public school support personnel. The amount recognized by the School as its proportionate share of the net pension liability, the related State of Georgia support and the total portion of the net pension liability that was associated with the School were as follows:

School's proportionate share of the net pension liability	\$ 45,580,203
State of Georgia's proportionate share of the net pension liability associated with the School	<u>-</u>
Total	<u>\$ 45,580,203</u>

The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2021. An expected total pension liability as of June 30, 2021, was determined using standard roll-forward techniques. The School's proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2022. At June 30 2022, the School's proportion was 0.140368%, which was an increase (decrease) of 0.012178% from its proportion measured as of June 30, 2021.

DREW CHARTER SCHOOL, INC.
SELECTED NOTES TO FUND LEVEL STATEMENTS
JUNE 30, 2023

3. RETIREMENT PLAN – CONTINUED

For the year ended June 30, 2023, the School recognized pension expense of \$8,784,315 and no revenue for support provided by the State of Georgia for certain support personnel. At 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
Difference between expected and actual experience	\$ 1,892,046	\$ 237,256
Changes of assumptions	6,861,275	-
Net difference between projected and actual earnings on pension plan investments	8,955,213	-
Changes in proportion and differences between School contributions and proportionate share of contributions	2,378,104	-
School contributions subsequent to the measurement date	<u>5,272,175</u>	<u>-</u>
Total	<u><u>\$ 25,358,813</u></u>	<u><u>\$ 237,256</u></u>

School contributions subsequent to the measurement date of \$5,272,175 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources (\$25,358,813 - \$237,256 = \$25,121,557) related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2024	\$ 10,982,664
2025	4,191,851
2026	3,139,697
2027	6,807,345
2028	-
Thereafter	<u>-</u>
	<u><u>\$ 25,121,557</u></u>

DREW CHARTER SCHOOL, INC.
SELECTED NOTES TO FUND LEVEL STATEMENTS
JUNE 30, 2023

3. RETIREMENT PLAN – CONTINUED

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases, including inflation	3.00 – 8.75%
Investment rate of return	6.90%, net of pension plan investment expense, including inflation
Post-retirement benefit increases	1.50%, semi-annually

Post-retirement mortality rates for service retirements and beneficiaries were based on the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality tables (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. Post-retirement mortality rates for disability retirements were based on the Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Headcount Weighted Below Median Employee mortality table with ages set forward one year and adjusted 106% was used for death prior to retirement. Future improvement in mortality rates was assumed using the MP-2019 projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018 with the exception of the long-term assumed rate of return on assets (discount rate) which was changed from 7.50% to 7.25% effective with the June 30, 2018 valuation, and then from 7.25% to 6.90% effective with the June 30, 2021 valuation. In addition, the assumed annual rate of inflation was changed from 2.75% to 2.50%, effective with the June 30, 2018 valuation, and the payroll growth assumption was changed from 3.00% to 2.50% effective with the June 30, 2021 valuation.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges 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.

DREW CHARTER SCHOOL, INC.
SELECTED NOTES TO FUND LEVEL STATEMENTS
JUNE 30, 2023

3. RETIREMENT PLAN – CONTINUED

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

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00 %	0.20 %
U.S. large stocks	46.30	9.40
U.S. small stocks	1.20	13.40
International developed market stocks	12.30	9.40
International emerging market stocks	5.20	11.40
Alternatives	5.00	10.50
Total	<u>100.00 %</u>	

**Rates shown are net of inflation*

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of 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.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.90%) or one-percentage-point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Current discount rate (6.90%)	1% Increase (7.90%)
School's proportionate share of the net pension liability	\$ 68,765,431	\$ 45,580,203	\$ 26,646,397

DREW CHARTER SCHOOL, INC.
SELECTED NOTES TO FUND LEVEL STATEMENTS
JUNE 30, 2023

3. RETIREMENT PLAN – CONTINUED

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued TRS financial report, which is publicly available at www.trsga.com/publications.

Schedule of Proportionate Share of Net Pension Liability

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School’s proportion of the net pension liability	0.140368%	0.128190%	0.127113%	0.124125%	0.115260%	0.107299%	0.094049%	0.00084027%	0.072688%
School’s proportionate share of the net pension liability	\$ 45,580,203	\$ 11,337,550	\$ 30,791,744	\$ 26,690,231	\$ 21,394,725	\$ 19,941,850	\$ 19,402,738	\$ 12,792,276	\$ 9,183,170
State of Georgia’s proportionate share of the net pension liability associated with the School	-	-	-	-	-	-	-	-	-
Total	<u>\$ 45,580,203</u>	<u>\$ 11,337,550</u>	<u>\$ 30,791,744</u>	<u>\$ 26,690,231</u>	<u>\$ 21,394,725</u>	<u>\$ 19,941,850</u>	<u>\$ 19,402,738</u>	<u>\$ 12,792,276</u>	<u>\$ 9,183,170</u>
School’s covered-employee payroll	\$ 23,858,815	\$ 22,552,817	\$ 18,343,943	\$ 14,166,449	\$ 15,271,832	\$ 14,628,443	\$ 12,088,806	\$ 10,859,869	\$ 8,708,611
School’s proportionate share of the net pension liability as a percentage of its covered-employee payroll	191.0%	50.3%	167.9%	188.4%	140.1%	136.3%	160.5%	117.8%	105.4%
Plan fiduciary net position as a percentage of the total pension liability	72.85%	92.03%	77.01%	78.56%	80.27%	79.3%	76.1%	81.4%	84.0%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

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3. RETIREMENT PLAN – CONTINUED

Changes of Assumptions

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, withdrawal and salary increases. Effective with the June 30, 2018 valuation, the long-term assumed rate of return on assets (discount rate) was changed from 7.50% to 7.25%, and the assumed annual rate of inflation was changed from 2.75% to 2.5%. On May 13, 2020, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, and withdrawal. Effective with the June 30, 2021 valuation, the long-term assumed rate of return on assets (discount rate) was changed from 7.25% to 6.90%, and the payroll growth assumption was changed from 3.00% to 2.50%.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported (June 30, 2022 employer contributions were determined on the June 30, 2019 valuations).

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, closed
Remaining amortization period	24.9 years
Asset valuation method	Five-year smoothed fair
Inflation	2.50%
Salary increases	3.00 – 8.75%, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Post-retirement benefit increases	1.50% semi-annually

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4. GRANTS AND CONTRIBUTIONS

	Revenue	Expenditures
Federal funding - allocated by APS		
Federal ESSER funding	\$ 2,876,995	\$ 2,876,995
Title IV Funding (CFDA 84.424)	23,623	23,623
	2,900,618	2,900,618
State funding		
Facilities Grant	160,858	160,858
State of Georgia Governor’s Office of Student Achievement – Innovation Fund Implementation Grant	5,804	5,804
Bright From the Start	474,809	474,809
Other state funding	1,405	1,405
	642,876	642,876
Other funding		
Other contributions	1,005,490	
	1,005,490	
	\$ 4,548,984	

Note: This report does not include a Schedule of Expenditure of Federal Awards because the School is not considered a sub-recipient of APS’s federal funding.