INTREPID COLLEGE PREP

AUDITED FINANCIAL STATEMENTS
JUNE 30, 2015

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Independent Auditor's Report

To the Board of Directors
Intrepid College Prep
Antioch, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Intrepid College Prep (the "School"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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 Intrepid College Prep as of June 30, 2015 and the respective changes in financial position for the year ended June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note A to the financial statements, in fiscal year 2015, the School adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 – 9 and the schedule of the proportionate share of the net pension liability (asset) and schedule of employer contributions on pages 37 - 38 be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Intrepid College Prep's basic financial statements. The introductory section on page 1 and the combining nonmajor fund financial statements on pages 40 - 41 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by the State of Tennessee Comptroller of the Treasury's *Audit Manual for Local Governmental Units and Other Organizations* and are also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining nonmajor fund financial statements and the schedule of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015, 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 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 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 the School's internal control over financial reporting and compliance.

Crosslin & Associates, P.C.

Nashville, Tennessee
December 10, 2015

Our discussion and analysis of Intrepid College Prep's annual financial performance provides an overview of the School's financial activities as of and for the year ended June 30, 2015 as compared to the period from inception January 3, 2012 through June 30, 2014. This section should be read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the School exceeded its liabilities and deferred inflows of resources by $333,262.
- Net position increased $178,127 during the period.
- Total revenues of $2,129,565 were comprised of Federal and State Pass-through Funds- 14%, District Funds- 76%, and Charitable Giving/Other- 10%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

REPORTING THE SCHOOL AS A WHOLE

The Statement of Net Position and Statement of Activities:

In general, users of these financial statements want to know if the School is better off or worse off as a result of the period's activities. The Statement of Net Position and Statement of Activities report information about the School as a whole and about the School's activities in a manner that helps to answer that question. These statements include all assets and liabilities using the accrual basis of accounting. Under the accrual basis, all of the current period's revenue and expenses are taken into consideration regardless of when cash is received or paid. The statements start on page 10.

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

REPORTING THE SCHOOL'S FUNDS

Fund Financial Statements:

The School's fund financial statements, the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances, begin on page 12. They provide detailed information about the School's most significant funds, not the School as a whole. Funds are established by the School to help manage money for particular purposes and compliance with various donor and grant provisions.

The School's funds are categorized as "governmental funds." Governmental funds focus on how money flows into and out of the funds and the balances left at period-end that are available for spending in future periods. Fund financial statements are reported using an accounting method called "modified accrual" accounting, which measures cash and other financial assets that can readily be converted to cash. This basis of accounting is different from the accrual basis used in the school wide financial statements to report on the School as a whole. The relationship between governmental activities, as reported in the Statement of Net Position and the Statement of Activities, and governmental funds, as reported in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances is reconciled in the basic financial statements on pages 13 and 15.

SCHOOL WIDE FINANCIAL ANALYSIS

Net Position:

The School's assets and deferred outflows of resources exceeded the School's liabilities and deferred inflows of resources at the close of the year, resulting in net position of $333,262. The School's net position includes $360,762 of cash. The cash is available to meet the School's ongoing activities.

As of June 30, 2015, the School had invested $553,430 in capital assets. This investment includes building and improvements for instructional purposes and instructional and support furniture. Additional information on property and equipment is located in Note C to the financial statements. The Schools expects additional capital asset purchases in the 2015-2016 school year as student enrollment increases.

The School has debt in the amount of $510,426. This debt was used to fund certain capital purchases and improvements. See Note D to the financial statements for further information.

A schedule of the School's net position as of June 30, 2015 and 2014, is as follows:

	2015	2014 (restated)
Current assets	$382,722	$ 283,529
Capital assets	553,430	307,272
Total assets	936,152	590,801
Deferred outflows of resources	88,002	21,703
Current liabilities	56,490	91,710
Long-term debt, payable within one year	510,426	250,000
Net pension liability	21,418	115,659
Total liabilities	588,334	457,369
Deferred inflows of resources	102,558	-
Net position:		
Net investment in capital assets	43,004	57,272
Restricted - expendable for special purposes	-	9,000
Unrestricted	290,258	88,863
Total net position	$333,262	$155,135

The 2014 column has been restated from the implementation of Governmental Accounting Standards Board Statement (GASB) No. 68, as further described in Note A to the financial statements.

The School's total net position increased $178,127 during the year. The increase in the School's net position indicates that the School had more incoming revenues than outgoing expenses during the year.

Total revenues for fiscal year 2015 increased to $2,129,565, an increase of $480,000 when compared to fiscal year 2014. Revenues generated from government grants and district funding were $1,915,123 during the year, and increase of $762,660 when compared to 2014. The increase is primarily due to an increased enrollment with the addition of a 6th grade in fiscal 2015. Contributions from individuals and organizations of $202,076 decreased $207,190 due to a large one time grant for $250,000 in 2014. Total expenses were $1,951,438 in 2015, an increase of $644,920 also related to the addition of another grade in fiscal 2015.

The increase in net position of $178,127 in 2015 is $22,992 more than the increase in net position of $155,135 in 2014. Revenue from district funding increased in 2015 exceeding operating expenses related to the addition of the 6th grade, as anticipated.

A schedule of the School's revenue and expenses for the year ended June 30, 2015 as compared to the period from inception January 3, 2012 through June 30, 2014, is as follows. The schedule is for the School as a whole, not for the governmental funds.

	2015	2014 (restated)
Revenues:		
District funding	$1,621,571	$ 729,905
Federal and state grants	293,552	422,558
Contributions	202,076	469,266
Other	12,366	27,836
Total revenues	2,129,565	1,649,565
Expenses:		
Employee compensation	972,257	740,752
Occupancy	248,307	91,839
Transportation	121,882	58,922
Depreciation	69,649	34,953
Insurance	30,452	21,117
Office expense	37,510	40,782
Interest	15,880	10,913
Instructional	64,736	60,065
Professional services	115,767	216,290
Food services	152,027	77,263
Organizational development	72,264	116,734
Other expenses	50,707	24,800
Total expenses	1,951,438	1,494,430
Change in net position	$ 178,127	$ 155,135

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The School's funds, as presented on the balance sheet on page 12 reported a combined fund balance of $326,232. The majority of the School's total funds are in the General Fund, which is the chief operating fund of the School. The School has one other major fund consisting of the Federal and State Grants Fund.

Due to different basis of accounting, there is a difference between the amounts reported under the School's funds and the amounts reported as school wide. For the June 30, 2015 year end, the differences consist of capital assets, pension amounts, and debt, which are not reported in the School's funds.

SCHOOL ACTIVITIES

Intrepid College Preparatory Charter School (the "School") is a high performing charter school educating students in Nashville's lowest income and most educationally underserved communities in Southeast Nashville. Our mission is to equip all students in grades five through twelve with the academic foundation, financial literacy, and ethical development necessary to excel in selective colleges, earn professional opportunities, and demonstrate positive leadership.

Intrepid College Prep has grown from a campus serving 84 students in fifth grade in 2013 to a campus serving nearly 300 students in grades five through seven in 2015. Intrepid College Prep has had early success educating prepsters in Southeast Nashville. Intrepid was named a 2015 Tennessee Reward School for Progress, placing the single-site school in the top 5% of public schools in Tennessee. MNPS has named Intrepid an Excelling School under its Academic Performance Framework as well as a High-Performing School for English Language Learners (29% of the population) and a High-Performing School for Economically Disadvantaged Students (89% of population).

Intrepid's success with students who have been at the school for a minimum of two years are most impressive. 70% of prepsters at the school for two or more years are proficient in ELA. 78% of prepsters at the school for two or more years are proficient in Math. 85% of prepsters at the school for two or more years are proficient in Science.

Now in its third year, Intrepid is poised to become a proof point in Southeast Nashville that demographics do not equal destiny. Over ninety percent are zoned to under-performing neighborhood middle schools. Eighty-nine percent of our students are economically disadvantaged. 61% of our prepsters speak a language at home other than English. Yet in spite of these seemingly insurmountable odds coupled with the daily, harsh realities faced by most youth living in low-income, high-risk neighborhoods, the School students emulate the academic success of other, no-excuses schools founded with the support of Building Excellent Schools and the Tennessee Charter School Center by making significant progress and demonstrating academic excellence. The School students must - and do - make significant academic growth each year, and outperform city and state averages on standardized tests.

Table 1. TCAP Performance Comparison to Matched Schools.

Percentage Proficient/Advanced			
	Intrepid College Prep (2015)	Tennessee (2015)	MNPS (2015)
5th Grade Reading/ELA	**43.0%**	48.4%	36.9%
6th Grade Reading/ELA	**63.6%**	48.4%	41.4%
5th Grade Math	**66.9%**	55.6%	56.2%
6th Grade Math	**72.4%**	55.6%	38.8%

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide transparency and accountability to all stakeholders and interested parties in the financial management and sustainability of Intrepid College Prep. For questions about this report or additional financial information, contact the School's Founder and Executive Director, Mia Howard, by telephone at (615) 810-8443 or by email to mhoward@intrepidcollegeprep.org.

INTREPID COLLEGE PREP
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 360,762
Grants receivable	16,316
Prepaids	5,644
Capital assets, net	553,430
Total assets	936,152
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	88,002
LIABILITIES	
Accounts payable and accrued expenses	56,490
Long-term debt, payable within one year	510,426
Net pension liability	21,418
Total liabilities	588,334
DEFERRED INFLOWS OF RESOURCES	
Pensions	102,558
NET POSITION	
Net investment in capital assets	43,004
Unrestricted	290,258
Total net position	$ 333,262

See accompanying notes to financial statements.

INTREPID COLLEGE PREP
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

GOVERNMENTAL ACTIVITIES:	Total	Functions: Student Instruction and Services	Functions: Administration
EXPENSES			
Instructional	$ 64,736	$ 64,736	$ -
Occupancy	248,307	212,305	36,002
Office	37,510	-	37,510
Other	50,707	4,891	45,816
Organizational development	72,264	70,842	1,422
Professional services and fees	115,767	15,253	100,514
Employee compensation	972,257	640,940	331,317
Food services	152,027	152,027	-
Insurance	30,452	-	30,452
Interest	15,880	-	15,880
Transportation	121,882	121,882	-
Depreciation	69,649	59,202	10,447
Total expenses	1,951,438	1,342,078	609,360
PROGRAM REVENUES			
Operating grants and contributions	259,552	259,552	-
Capital grants and contributions	34,000	34,000	-
Net program expenses	1,657,886	$ 1,048,526	$ 609,360
GENERAL REVENUES			
District funding	1,621,571		
Contributions	202,076		
Other income	12,366		
Total general revenues	1,836,013		
CHANGE IN NET POSITION	178,127		
NET POSITION, as restated June 30, 2014	155,135		
NET POSITION, June 30, 2015	$ 333,262		

See accompanying notes to financial statements.

INTREPID COLLEGE PREP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Purpose School Fund	Federal and State Grants Fund	Nonmajor Governmental Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 360,762	$ -	$ -	$ 360,762
Receivables	-	16,316	-	16,316
Due from other funds	16,316	-	-	16,316
Prepaids	5,644	-	-	5,644
Total assets	$ 382,722	$ 16,316	$ -	$ 399,038
LIABILITIES				
Accounts payable	$ 18,483	$ -	$ -	$ 18,483
Accrued expenditures	38,007	-	-	38,007
Due to other funds	-	16,316	-	16,316
Total liabilities	56,490	16,316	-	72,806
FUND BALANCES				
Nonspendable	5,644	-	-	5,644
Unassigned	320,588	-	-	320,588
Total fund balances	326,232	-	-	326,232
Total liabilities and fund balances	$ 382,722	$ 16,316	$ -	$ 399,038

See accompanying notes to financial statements.

INTREPID COLLEGE PREP
BALANCE SHEET
GOVERNMENTAL FUNDS - CONTINUED
JUNE 30, 2015

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION:

Total governmental fund balances above	$ 326,232
Capital assets not reported above	553,430
Pension amounts not reported above:	
Net pension liability	(21,418)
Deferred inflows of resources for pensions	(102,558)
Deferred outflows of resources for pensions	88,002
Long-term debt	(510,426)
Net position of governmental activities in the statement of net position	$ 333,262

See accompanying notes to financial statements.

INTREPID COLLEGE PREP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Purpose School Fund	Federal and State Grants Fund	Nonmajor Governmental Fund	Total Governmental Funds
REVENUES				
Contributions	$ 202,076	$ -	$ -	$ 202,076
District funding	1,621,571	-	-	1,621,571
Federal and state grants	-	293,552	-	293,552
Other income	12,366	-	-	12,366
Total revenues	1,836,013	293,552	-	2,129,565
EXPENDITURES				
Current:				
Instructional	64,736	-	-	64,736
Occupancy	239,307	-	9,000	248,307
Office	37,510	-	-	37,510
Other	50,707	-	-	50,707
Organizational development	72,264	-	-	72,264
Professional services and fees	115,767	-	-	115,767
Employee compensation	879,994	150,245	-	1,030,239
Food services	42,720	109,307	-	152,027
Insurance	30,452	-	-	30,452
Transportation	121,882	-	-	121,882
Debt service:				
Interest	15,880	-	-	15,880
Capital outlay	281,807	34,000	-	315,807
Total expenditures	1,953,026	293,552	9,000	2,255,578
OTHER FINANCING SOURCES				
Issuance of debt	260,426	-	-	260,426
NET CHANGE IN FUND BALANCES	143,413	-	(9,000)	134,413
FUND BALANCES, June 30, 2014	182,819	-	9,000	191,819
FUND BALANCES, June 30, 2015	$ 326,232	$ -	$ -	$ 326,232

See accompanying notes to financial statements.

INTREPID COLLEGE PREP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CONTINUED
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

RECONCILIATION OF NET CHANGE IN FUND BALANCES TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES:

Net change in fund balances as reported in the governmental funds statements	$ 134,413
Amounts reported as expenditures in the governmental funds not included as expenses in the school-wide statements:	
Capital outlays	315,807
Issuance of debt recorded as revenue in the governmental funds, but reflected as long-term debt in the school-wide statements	(260,426)
Expenses in the school-wide statements not included in the governmental funds:	
Depreciation expense	(69,649)
Expenditures for pensions in the govermental funds consists of contributions made, whereas in the government-wide statement, pension expense is calculated in accordance with GASB No. 68	57,982
Change in net position of governmental activities	$ 178,127

See accompanying notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Intrepid College Prep (the "School") is a not for profit organization organized under the laws of the State of Tennessee, with an exemption from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Pursuit to Section 6(1)(a) of the Tennessee Public Charter School Act of 2002 (the "Act"), the School has been approved as a public charter school. Pursuant to the Act, public charter schools are part of the state's public education program offering an alternative means with the public school system for accomplishing necessary outcomes of education. The School entered into a Charter School Agreement with the Metropolitan Nashville Board of Education to operate a charter school in Nashville, Tennessee. The School began classes in August 2013 with a fifth grade class and intends to add an additional grade each year culminating with the addition of a twelfth grade in the 2020-2021 fiscal year. The mission of the School is to prepare every scholar for success in selected colleges and financial discipline in adulthood.

Basic Financial Statements

School-wide financial statements

The school-wide financial statements focus on the sustainability of the School as an entity and the change in the School's net position resulting from the current period's activities. In the school-wide statement of net position, amounts are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as any long-term debt and obligations. The statement of net position presents the financial condition of the School at period end.

When applicable, the School's net position is reported in three categories - net investment in capital assets; net position - restricted; and net position - unrestricted. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

The school-wide statement of activities reports both the gross and net cost of the School's functions. The functions are also supported by general government revenues (general revenues are primarily made up of district Basic Education Program ("BEP") funding and donations to the General Purpose School Fund). The statement of activities reduces gross expenses by related function revenues, including operating grants and contributions and capital grants and contributions. Program revenues must be directly associated with the function. The net costs by function are normally covered by general revenue.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund financial statements

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

The emphasis in fund financial statements is on the major funds. When applicable, nonmajor funds by category are summarized in a single column. Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, sets forth minimum criteria for the determination of major funds. The School reports the following major governmental funds:

The General Purpose School Fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

The Federal and State Grants Special Revenue Fund is used to account for the receipt and disbursement of federal and state grants where unused balances, if any, are returned to the grantor at the close of specified project periods.

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

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

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Assigned - This classification consists of all fund balances that are not in the General Purpose School Fund or classified as nonspendable, restricted or committed. In addition, General Purpose School Fund balances that the School intends to use for specific purposes are also classified as assigned. The School gives the authority to assign amounts to specific purposes to the School's accountant and personnel under the supervision of the accountant tasked with financial recording responsibilities.

Unassigned - This classification consists of all fund balances in the General Purpose School Fund that are not reported as nonspendable, restricted, committed or assigned.

Basis of Accounting

The School's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB.

The School is considered a special purpose governmental entity engaged in governmental type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared in the same manner as general purpose governments.

The School's basic financial statements include both school-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). The School's primary activities are all considered to be governmental activities and are classified as such in the school-wide and fund financial statements.

The school-wide financial statements have been prepared on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting. Revenues under the modified accrual basis are recognized when measurable and available and expenditures are recognized when the related liability is incurred. "Available" means collectible within the current period or within 60 days after the end of the period.

Since the governmental funds financial statements are presented on a different basis than the school-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to convert the fund financial statements into the school-wide financial statements.

A. 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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the useful lives of property and equipment.

Cash and Cash Equivalents

The School considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents. As of June 30, 2015, the School's cash and cash equivalents were deposited with a financial institution. The School may, from time to time, maintain deposit balances in excess of federally insured limits. See Note B.

Receivables

Receivables represent amounts due from grants or funding which have been approved but not received. All receivables are reported at estimated collectible amounts.

Capital Assets

On the school-wide financial statements, property and equipment are recorded at acquisition cost, if purchased, or the fair value on the date received, if donated. The cost of routine maintenance and repairs is expensed as incurred. Initial individual expenditures generally exceeding $500, which materially extend the economic lives, change capacities or improve the efficiency of the related assets are capitalized. Upon sale or retirement, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss, if any, is included in the statement of activities. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 10 years.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the respective governmental fund upon acquisition.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School reports the following deferred outflow of resources relating to the pensions: Contributions made subsequent to the pension measurement date, difference between expected and actual experience, difference between projected and actual investment earnings, and changes in proportion of the net pension liability.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The School reports the following deferred inflow of resources relating to pensions: Differences between expected and actual experience and differences between projected and actual investment earnings.

Income Taxes

The School is a not-for-profit school that is exempt from federal income taxes under the Internal Revenue Code, classified by the Internal Revenue Service as other than a private foundation and is similarly exempt from state income taxes. The School accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the School include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the School has determined that such tax positions do not result in an uncertainty requiring recognition.

Grants

The School receives awards and financial assistance through federal, state, local and private agencies. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Purpose School Fund or Federal and State Grants Fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Financial Instruments

The carrying value of cash equivalents, receivables, accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The fair value of long-term debt approximates carrying value as interest approximates market rates.

Interfund Balances

Transactions which constitute reimbursement of expenditures initially made from a fund, which are properly applicable to another fund, are recorded as expenditures, as appropriate, in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Interfund balance of $16,316 between the general purpose school fund and the federal and state grants fund represents grant expenditures made by the general purpose school fund in advance of grant receipts by the federal and state grants fund.

Commitments Contingencies and Risk Management

The School is exposed to various risk of loss relating to torts, theft of, damage to, and destruction of assets; errors or commissions; illness or injuries to employees; and natural disasters. The School, carries insurance for certain risks of loss. Settled claims resulting from these risk have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School may become subject to various claims and legal actions, which arise in the ordinary course of business. In the opinion of management, in consultation with legal counsel, the ultimate resolution of such matters will not have a material adverse effect on the School's financial position or results of operations, as of the date of these financial statements.

Continuing Activities

The School is dependent on certain significant contracts and grants for its continued operations. These contracts and grants are from state, local and other sources and are subject to the School's ability to fulfill the contract and grant requirements. Additionally, the School's receipt of such contracts and grants may also be contingent upon its ability to maintain certain financial condition, cash flows, level of operations, payment of liabilities, and test scores and academic standards. If a grantor agency finds that the School is not meeting these requirements, the agency may not provide continuing funding, which would have a material adverse impact on the School's ability to continue its operations.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent Accounting Pronouncements and Restatement of Net Position

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, *An Amendment of GASB Statement No. 27*, which is intended to improve the decision-usefulness of information and enhance the value for assessing accountability by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The new standard also intends to improve the financial reporting by state and local governments for pensions and by improving the transparency about the pension plan through new note disclosures and supplementary information. The provisions of Statement No. 68 are effective in fiscal year 2015.

The statement resulted in the School recognizing the net pension liability on the statement of net position for its pension plan. The statement requires retroactive application through restatement of beginning net position. This adjustment resulted in a decrease in the unrestricted net position on the statement of net position. Additionally, the new standard computes the annual actuarially determined contribution in a new manner. Other measurement changes include recognizing annual pension expense in-lieu-of pension cost.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. This Statement amends GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement were required to be applied simultaneously with the provisions of Statement No. 68.

The impact on the financial statements of the adoption of these accounting pronouncements is restatement of beginning net position, as follows:

	June 30, 2014
Unrestricted net position, beginning of year, as previously reported	$ 249,091
GASB 68 adjustment to record net pension liability and related deferred outflows of resources	(93,956)
Unrestricted net position, beginning of year, as restated	$ 155,135

B. DEPOSITS WITH FINANCIAL INSTITUTIONS

As of June 30, 2015, the School had cash deposits with a financial institution that had carrying amount of $360,762, which is collateralized by FDIC insurance. Additionally, the School's financial institution participates in the State of Tennessee's Bank Collateral Pool, which helps the School to mitigate custodial credit risk.

C. CAPITAL ASSETS

Capital assets activity for governmental activities for the period was as follows:

	Balance July 1, 2014	Additions	Transfers	Balance June 30, 2015
Nondepreciable				
Construction in progress	$ 9,651	$ -	$(9,651)	$ -
Depreciable:				
Leasehold improvements	$ 284,912	$ 271,074	$ 9,651	$ 565,637
Equipment	-	15,840	-	15,840
Furniture and fixtures	47,662	28,893	-	76,555
Total depreciable capital assets	332,574	315,807	9,651	658,032
Accumulated depreciation	(34,953)	(69,649)	-	(104,602)
Capital assets, net	$ 307,272	$ 246,158	$ -	$ 553,430

Depreciation was charged to governmental activities as follows:

Student instruction and services	$59,202
Administration	10,447
	$69,649

D. NOTES PAYABLE

In March 2013, the School entered into a $250,000 revolving line of credit arrangement with a bank to fund the build out of the School. The related note payable is collateralized by substantially all the assets and contributions of the School. The note accrues interest at a variable rate based on prime rate plus 0.5%, with a minimum rate of 4.25% (rate was 4.25% at June 30, 2015). Interest payments are due monthly with the remaining principal and accrued interest due in January 2016. The balance of the note payable was $250,000 at June 30, 2015.

D. NOTES PAYABLE - Continued

In May 2015, the School entered into a $300,000 revolving line of credit arrangement with a bank to fund the expansion of the School. Notes payable under the line of credit are collateralized by substantially all the assets and contributions of the School. The note has also been guaranteed by a donor of the School. Any notes accrue interest at a variable rate based on the lenders prime rate with a minimum rate of 3.25% (rate was 3.75% at June 30, 2015). Interest payments on outstanding balances are due monthly with the remaining principal and accrued interest due in May 2016. The balance of the note payable was $260,426 at June 30, 2015.

Subsequent to year-end, the School entered into negotiations with their bank to refinance notes payable.

The following is a summary of changes in the School's long-term debt for governmental activities for the period ended June 30, 2015:

	Balance July 1, 2014	Additions	Payments	Balance June 30, 2015
Note payable - bank	$250,000	$ -	$ -	$250,000
Note payable - bank	-	260,426	-	260,426
Total	$250,000	$260,426	$ -	$510,426

A summary of annual principal and interest requirements follows:

Year Ending June 30,	Interest	Principal
2016	$14,265	$510,426
	$14,265	$510,426

E. LEASE ARRANGEMENTS

The facilities used to provide educational services are provided under a lease arrangement with a local church. The lease is for a ten-year period ending on June 30, 2023, and includes an option to extend for two additional five-year periods. The lease arrangement requires the School to pay a minimum rent based on square footage, plus additional rent for operating expenses, common areas, and their portion of property taxes. The School's rent expense for the period ended 2015 totaled $146,168.

Beginning in July 2015, the School is also obligated under a lease agreement for three modular classrooms with monthly payments totaling $1,125 for a three-year period ending on June 30, 2018.

The leases require rental payments through June 30, 2023, as follows:

Year Ending June 30,	
2016	$ 170,738
2017	174,394
2018	178,311
2019	168,728
2020	172,905
2021 - 2023	544,306
	$1,409,382

F. CONCENTRATIONS

The School received approximately 76% of its funding for operations from MNPS based on the State of Tennessee's Basic Education Program ("BEP"). BEP funding is designated to schools based on student attendance. Gross BEP funding for the year ended June 30, 2015, was $1,621,571.

Outside fundraising for capital needs is on-going to supplement funding received from State BEP capital since the charter school agreement with MNPS does not include an allocation for capital expenditures.

G. PENSION PLANS

The School participates in the following three defined benefit pension plans (collectively the "Pension Plans"):

Certificated Employees
Tennessee Consolidated Retirement System ("TCRS"):
Teachers Legacy Pension Plan
Teachers Retirement Plan (collectively the "TCRS Plans")

Non-Certificated Employees
Metropolitan Government of Nashville and Davidson County, Tennessee (the "Metropolitan Government")
Metro Pension Plan of the Metropolitan Employees Benefit Trust (the "Metro Plan")

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

(I.) TCRS Plans

(A) General Information – TCRS Plans

Description of the TCRS Plans

Teachers with membership in the TCRS before July 1, 2014 of The School are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning on July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies ("LEAs") after June 30, 2014.

The Teacher Retirement Plan is a separate cost sharing multiple-employer pension plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

G. PENSION PLANS - Continued

Benefits provided

Tennessee Code Annotated Title 8, Chapters 34 - 37 establishes the benefit terms and can be amended only by the Tennessee General Assembly.

Teachers Legacy Pension Plan

Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments ("COLAs") after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index ("CPI") during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Teachers Retirement Plan

Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits.

G. PENSION PLANS - Continued

A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted.

Teachers Legacy Pension Plan

Employer contributions by The School for the year ended June 30, 2015 to the Teacher Legacy Pension Plan were $15,468 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Teachers Retirement Plan

Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. Employer contributions for the year ended June 30, 2015 to the Teacher Retirement Plan were $35,751, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

(B) Pension Liabilities (Assets) – TCRS Plans

G. PENSION PLANS - Continued

Pension Liability (Asset)

Teachers Legacy Pension Plan

The School reported an asset of $(1,010) for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on The School's employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, the School's proportion was 0.0062 percent. The proportion measured as of June 30, 2013 was 0.0 percent.

Teachers Retirement Plan

Since the measurement date is June 30, 2014, which is prior to the July 1, 2014 inception of the Teacher Retirement Plan, there is not a net pension liability to report at June 30, 2015.

Actuarial assumptions

Teachers Legacy Pension Plan

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

G. PENSION PLANS - Continued

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established 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 inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table on the following page:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

G. PENSION PLANS - Continued

Discount rate

Teachers Legacy Pension Plan

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(II.) Metro Plan

(A) General Information - Metro Plan

Plan Description

The Metro Plan is established under the authority of the Metropolitan Charter, Article XIII. Approval of the Metropolitan Council is required to establish and amend benefit provisions. Article XIII also required that the pension plan be actuarially sound. Administrative costs of the plan are financed through plan assets. The plan is managed by the Metropolitan Employee Benefit Board, an independent board, created by the Metropolitan Charter. The Board is composed of ten members as follows: Finance Director, Human Resources Director, three members appointed by the Mayor, and five members selected by the employees and retirees of the Metropolitan Government. Additional information about the Metro Plan can be found in the publically available comprehensive annual financial report of the Metropolitan Government. That report may be obtained at www.nashville.gov.

Benefits Provided

As of July 1, 1995, Division B of the Metro Plan was established for all non-certificated employees of the Metropolitan Nashville Public Schools, including charter schools, and all other Metro Government employees. Employees with an effective hire date of July 1, 1995 or later are only eligible to participate in Division B of the Metro Plan.

G. PENSION PLANS - Continued

Normal retirement for the School's employees participating in the Metro Plan occurs at the unreduced retirement age which is the earlier of (a) the date when the employee's age plus the completed years of credited service equals 85, but not before age 60; and (b) the date when the employee reaches age 65 and completes 5 years of credited employee service. The lifetime monthly benefit is calculated as 1/12 of the sum of 1.75% of average earnings based upon the previous 60 consecutive months of credit service, which produce the highest earnings. Benefits fully vest on completing 5 years of service employees employed on or between October 1, 2001 and December 31, 2012 who best before leaving employment. Benefits fully vest on completing 10 years of service for employees and non-vested employees hired or rehired on or after January 1, 2013. An early retirement option, with reduced benefits, is available for retired employees if the termination occurs prior to the eligibility under normal retirement but after age 50 and after the completion of 10 years of credited employee service.

All assets of the Metropolitan Employees' Benefit Trust Fund may legally be used to pay benefit to any plan members of beneficiaries.

Contributions

The funding policy is to provide for periodic contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. All funding is provided under an actuarially recommended employee contribution rate of 17.987% for the non-certificate employees of the Metropolitan Nashville Public Schools, including charter schools, and all other Metropolitan Government Employees.

(B) Pension Liabilities – Metro Plan

Pension Liability

The School reported a liability of $22,428 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculated the net pension liability was determined by an actuarial valuation as of July 1, 2014. The School's proportion of the net pension liability was based on the School's employer contributions to the pension plan during the year ended June 30, 2015 relative to all contributions for 2015. At the June 30, 2015 measurement date, the School's proportionate share was 0.0325 percent.

G. PENSION PLANS - Continued

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2014. Actuarial assumptions are summarized below:

Inflation	2.6 percent
Salary increases	4.0 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of Living Adjustment	1.5 percent

Mortality rates were based on the 110% RP-2000 Healthy Annuitant Mortality Table for Males and Females, as determined by the period actuarial experience study. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period 2007 to 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class from historical returns and consensus expectations of future returns. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Metro Plan's target asset allocation are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	7.10%	6.60%
International equity	10.00%	10.10%
Equity hedge	6.40%	5.80%
Fixed income	3.40%	1.80%
Fixed income alternatives	3.40%	5.60%
Real estate	2.30%	6.10%
Private equity	7.10%	7.60%

G. PENSION PLANS - Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. Based on the Metro Plan assumptions and funding policy, the fiduciary net position for the plan was projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Pension Liabilities (Assets)

The School reports the following net pension liability (asset) as of June 30, 2015:

TCRS Plans	$ (1,010)
Metro Plan	22,428
Net pension liability	$ 21,418

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate

The following presents the School's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the School's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability (asset):			
TCRS Plans	$169,921	$(1,010)	$(142,518)
Metro Plan	124,238	22,428	(70,213)
Total	$294,159	$21,418	$(212,731)

G. PENSION PLANS - Continued

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS and Metropolitan Government financial reports.

Pension expense (income)

For the year ended June 30, 2015, the School recognized pension expense (income) as follows:

TCRS Plans	$(49,300)
Metro Plan	(8,682)
Pension expense (income)	$(57,982)

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2015, 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		
TCRS Plans	$ 2,457	$ -
Metro Plan	-	19,188
Net difference between projected and actual earnings on pension plan investments		
TCRS Plans	-	83,370
Metro Plan	17,607	-
Changes in proportion of net pension liability (asset) for TCRS plan	16,719	-
LEA's contributions subsequent to the measurement date of June 30, 2014	51,219	N/A
Total	$88,002	$102,558

G. PENSION PLANS - Continued

The School's employer contributions of $51,219, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	$(15,986)
2017	(15,986)
2018	(15,986)
2019	(15,986)
2020	454
Thereafter	(2,285)
	$(65,775)

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

Payable to the Pension Plan

At June 30, 2015, the School had $4,085 outstanding for contributions to the Pension Plans.

H. SUBSEQUENT EVENTS

In July 2015, the School entered into a lease agreement for modular classrooms as described in Note E.

REQUIRED SUPPLEMENTARY INFORMATION

INTREPID COLLEGE PREP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF
NET PENSION LIABILITY (ASSET)

Plan	Teachers Legacy Plan of TCRS	Metro Plan
Measurement date	June 30, 2014	June 30, 2015
Proportion of the net pension liability (asset)	0.0062%	0.0325%
Proportionate share of the of the net pension liability (asset)	$ (1,010)	$ 22,428
Covered-employee payroll	$ 171,106	$ 170,045
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.59%	13.19%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	97.57%

The amounts presented in this schedule were determined as of the measurement date.

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

Information is not applicable in this schedule for the Teachers Retirement Plan of TCRS as the measurement date

See independent auditor's report.

INTREPID COLLEGE PREP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FISCAL YEAR ENDING JUNE 30,

Teachers Legacy Pension Plan of TCRS

	2015	2014
Actuarial Determined Contributions (ADC)	$ 15,468	$ 21,703
Contributions in relation to the actuarially determined contribution	15,468	21,703
Contribution defiency (excess)	$ -	$ -
Covered-employee payroll	$ 171,106	$ 246,142
Contributions as a percentage of covered-employee payroll	9.04%	8.88%

Teachers Retirement Plan of TCRS

	2015	2014
Actuarial Determined Contributions (ADC)	$ 35,751	N/A
Contributions in relation to the actuarially determined contribution	35,751	
Contribution defiency (excess)	$ -	
Covered-employee payroll	$ 893,775	
Contributions as a percentage of covered-employee payroll	4.00%	

Metro Plan

	2015	2014
Actuarial Determined Contributions (ADC)	$ 30,586	$ 12,527
Contributions in relation to the actuarially determined contribution	30,586	12,527
Contribution defiency (excess)	$ -	$ -
Covered-employee payroll	$ 170,045	$ 73,185
Contributions as a percentage of covered-employee payroll	17.987%	17.117%

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

See independent auditor's report.

OTHER INFORMATION

INTREPID COLLEGE PREP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2015

Program Name/Grantor	CFDA Number	Contract Number	Expenditures
Federal Awards			
U.S. DEPARTMENT OF AGRICULTURE:			
Passed through Tennessee Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	N/A	$ 70,751
School Breakfast Program	10.553	N/A	38,556
Total Child Nutrition Cluster			109,307
U.S. DEPARTMENT OF EDUCATION:			
Passed through Tennessee Department of Education and Metropolitan Nashville Public Schools			
Title I, Part A Cluster			
Title I Grants to Local Educational Agencies	84.010	N/A	77,009
Title II, Part A Cluster			
Title II Grants Improving Teacher Quality State Grants	84.367	N/A	37,250
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	N/A	35,986
Total U.S. Department of Education			150,245
Total Federal Awards			259,552
State Financial Assistance			
TENNESSEE DEPARTMENT OF EDUCATION:			
Basic Education Program	N/A	N/A	34,000
Passed through Metropolitan Nashville Public Schools			
Basic Education Program	N/A	N/A	1,621,571
Total State Awards			1,655,571
Total Federal and State Awards			$ 1,915,123

Note: The schedule of expenditures of federal awards includes the federal grant activity and is presented in accordance with the requirements of OMB Circular A-133 and the State of Tennessee. The schedule is prepared using the accrual basis of accounting.

See independent auditor's report.

INTREPID COLLEGE PREP
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	Restricted Contributions Fund
FUND BALANCE	
Total fund balance	$ -

See independent auditor's report.

INTREPID COLLEGE PREP
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	Restricted Contributions Fund
EXPENDITURES	
Occupancy	$ 9,000
Total Expenditures	9,000
NET CHANGE IN FUND BALANCE	(9,000)
FUND BALANCE, June 30, 2014	9,000
FUND BALANCE, June 30, 2015	$ -

See independent auditor's report..

CROSSLIN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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 Directors
Intrepid College Prep
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Intrepid College Prep (the "School"), as of and for the period ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated December 10, 2015.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be a material weakness.

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. We consider the deficiency 2015-001 described in the accompanying schedule of findings and responses to be a material weakness.

Compliance and Other Matters

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

Intrepid College Prep's Response to Findings

Intrepid College Prep's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Crosslin + Associates, P.C.

Nashville, Tennessee
December 10, 2015

FINANCIAL STATEMENT FINDING

2015-001- Capital Assets

Condition, Criteria, Cause and Effect

While the School has implemented certain policies and procedures over capital assets, we found during the audit process that there continue to be certain errors in capitalization and depreciation of capital assets. Errors included capitalizing interest expense which is not eligible for capitalization under accounting principles generally accepted in the United States of America, improperly capitalizing costs related to the setup of a modular building under an operating lease, and not transferring construction in progress to a depreciable asset once placed in service.

Recommendation and Benefit

We recommend that School management obtains a better understanding of the accounting principles generally accepted in the United States of America that relate to the capitalization of interest expense, classification of capital versus operating leases, and the appropriate accounting related to transferring of construction in progress to a depreciable asset.

Management's Response

Management recognizes its responsibility to ensure that capitalization and depreciation of capital assets are made in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB and will implement the following controls:

- Updating the school's fixed asset policy by extracting any language pertaining to enterprise funds specifically mentioned in Governmental Accounting Standards Board, Statement No. 62, *"Codification of Accounting and Financial Reporting"* regarding the capitalization of interest expenses. This will be completed by January 31, 2016, once approved by the Board of Directors.

- Preparing an analysis to determine if a lease meets the criteria for a capital or operating lease upon execution of the lease agreement. The determining factors include ownership transfer at the end of the lease term, Intrepid's ability to buy the asset at the end of the lease term for a below market price, the period of the lease encompasses at least 75% of the asset's useful life, or the present value of the minimum lease payments required under the lease is at least 90% of the fair value of the asset at execution.

Furthermore, we plan to engage our audit firm in a review of our financial policies as a whole and seek confirmation of appropriate accounting treatment for new transactions that may fall under the scope of capitalization and/or depreciation policies in advance of the audit period.

INTREPID COLLEGE PREP
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2015

FINANCIAL STATEMENT FINDINGS

Finding Number	Finding Title	Status
IC-2014-01	Capital Assets	Although the School made certain corrections over capital assets in 2015, we found there continue to be certain errors in the capitalization and depreciation of capital assets. Therefore, the finding is repeated in 2015.