INTREPID COLLEGE PREP

AUDITED FINANCIAL STATEMENTS
JUNE 30, 2016

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CERTIFIED PUBLIC ACCOUNTANTS

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, and each major fund of Intrepid College Prep (the "School"), as of and for the year ended June 30, 2016, 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 and each major fund of Intrepid College Prep as of June 30, 2016 and the respective changes in financial position for the year ended June 30, 2016, in accordance with accounting principles generally accepted in the United States of America.

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 38 - 40 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 is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is 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 is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance is 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 schedule of expenditures of federal awards and state financial assistance is 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 15, 2016, 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, PLLC

Nashville, Tennessee
December 15, 2016

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, 2016 and 2015. 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 $847,056.
- Net position increased $513,794 during the period.
- Total revenues of $3,253,552 were comprised of Federal and State Pass-through Funds- 9%, District Funds- 84%, and Charitable Giving/Other- 7%.

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 $847,056. The School's net position includes $641,206 of cash. The cash is available to meet the School's ongoing activities.

As of June 30, 2016, the School had invested $895,290 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 2016-2017 school year as student enrollment increases.

The School has debt in the amount of $495,113. 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, 2016 and 2015, is as follows:

	2016	2015
Current assets	$ 661,732	$ 382,722
Capital assets	895,290	553,430
Total assets	1,557,022	936,152
Deferred outflows of resources	133,067	88,002
Current liabilities	192,681	56,490
Long-term debt, payable within one year	495,113	510,426
Net pension liability	69,221	21,418
Total liabilities	757,015	588,334
Deferred inflows of resources	86,018	102,558
Net position:		
Net investment in capital assets	400,177	43,004
Unrestricted	446,879	290,258
Total net position	$ 847,056	$333,262

The School's total net position increased $513,794 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 2016 were $3,253,552, an increase of $1,123,987 when compared to fiscal year 2015. Revenues generated from government grants and district funding were $3,021,170 during the year, an increase of $1,106,047 when compared to 2015. The increase is primarily due to an increased enrollment with the addition of a 7th grade in 2016. Contributions from individuals and organizations of $192,445 decreased by $9,631 during 2016. Total expenses were $2,739,758 in 2016, an increase of $788,320 also related to the addition of another grade in fiscal year 2016.

The increase in net position of $513,794 in 2016 is $335,667 more than the increase in net position of $178,127 in 2015. Revenue from district funding increased in 2016 exceeding operating expenses related to the addition of the 7th grade, as anticipated.

A schedule of the School's revenues and expenses for the years ended June 30, 2016 and 2015, is as follows. The schedule is for the School as a whole, not for the governmental funds.

	2016	2015
Revenues:		
District funding	$2,735,155	$1,621,571
Federal and state grants	286,015	293,552
Contributions	192,445	202,076
Other	39,937	12,366
Total revenues	3,253,552	2,129,565
Expenses:		
Employee compensation	1,408,016	972,257
Occupancy	284,456	248,307
Transportation	182,210	121,882
Depreciation	154,931	69,649
Insurance	31,392	30,452
Office expense	70,589	37,510
Interest	22,397	15,880
Instructional	73,416	64,736
Professional services and fees	111,107	115,767
Food services	230,263	152,027
Organizational development	142,214	72,264
Other expenses	28,767	50,707
Total expenses	2,739,758	1,951,438
Change in net position	$ 513,794	$ 178,127

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 $469,051. 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, 2016 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.

The School has grown from a campus serving 84 students in fifth grade in 2013 to a campus serving nearly 375 students in grades five through eight in 2016. The School has had early success educating prepsters in Southeast Nashville. Intrepid was named a 2016 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 (24% of the population) and a High-Performing School for Economically Disadvantaged Students (87% of population).

The School'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 fourth year, the School is poised to become a proof point in Southeast Nashville that demographics do not equal destiny. Over 90% are zoned to under-performing neighborhood middle schools. Eighty-nine percent of our students are economically disadvantaged. 67% 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, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 641,206
Grants receivable	17,933
Prepaids	2,593
Capital assets, net	895,290
Total assets	1,557,022
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	133,067
LIABILITIES	
Accounts payable and accrued expenses	192,681
Long-term debt, payable within one year	433,905
Long-term debt, payable in more than one year	61,208
Net pension liability	69,221
Total liabilities	757,015
DEFERRED INFLOWS OF RESOURCES	
Pensions	86,018
NET POSITION	
Net investment in capital assets	400,177
Unrestricted	446,879
Total net position	$ 847,056

See accompanying notes to financial statements.

INTREPID COLLEGE PREP
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

		Functions	
GOVERNMENTAL ACTIVITIES:	Total	Student Instruction and Services	Administration
EXPENSES			
Instructional	$ 73,416	$ 73,416	$ -
Occupancy	284,456	242,982	41,474
Office	70,589	-	70,589
Other	28,767	6,215	22,552
Organizational development	142,214	135,866	6,348
Professional services and fees	111,107	9,075	102,032
Employee compensation	1,408,016	987,450	420,566
Food services	230,263	230,263	-
Insurance	31,392	-	31,392
Interest	22,397	-	22,397
Transportation	182,210	182,210	-
Depreciation	154,931	131,691	23,240
Total expenses	2,739,758	1,999,168	740,590
PROGRAM REVENUES			
Operating grants and contributions	231,015	231,015	-
Capital grants and contributions	55,000	55,000	-
Net program expenses	2,453,743	$ 1,713,153	$ 740,590
GENERAL REVENUES			
District funding	2,735,155		
Contributions	192,445		
Other income	39,937		
Total general revenues	2,967,537		
CHANGE IN NET POSITION	513,794		
NET POSITION, June 30, 2015	333,262		
NET POSITION, June 30, 2016	$ 847,056		

See accompanying notes to financial statements.

INTREPID COLLEGE PREP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Purpose School Fund	Federal and State Grants Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 641,206	$ -	$ 641,206
Receivables	-	17,933	17,933
Due from other funds	17,933	-	17,933
Prepaids	2,593	-	2,593
Total assets	$ 661,732	$ 17,933	$ 679,665
LIABILITIES			
Accounts payable	$ 169,248	$ -	$ 169,248
Accrued expenditures	23,433	-	23,433
Due to other funds	-	17,933	17,933
Total liabilities	192,681	17,933	210,614
FUND BALANCES			
Nonspendable	2,593	-	2,593
Unassigned	466,458	-	466,458
Total fund balances	469,051	-	469,051
Total liabilities and fund balances	$ 661,732	$ 17,933	$ 679,665

See accompanying notes to financial statements.

INTREPID COLLEGE PREP
BALANCE SHEET
GOVERNMENTAL FUNDS - CONTINUED
JUNE 30, 2016

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

Total governmental fund balances above	$ 469,051
Capital assets not reported above	895,290
Pension amounts not reported above:	
Net pension liability	(69,221)
Deferred inflows of resources for pensions	(86,018)
Deferred outflows of resources for pensions	133,067
Long-term debt	(495,113)
Net position of governmental activities in the statement of net position	$ 847,056

See accompanying notes to financial statements.

INTREPID COLLEGE PREP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General Purpose School Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES			
Contributions	$ 192,445	$ -	$ 192,445
District funding	2,735,155	-	2,735,155
Federal and state grants	-	286,015	286,015
Other income	39,937	-	39,937
Total revenues	2,967,537	286,015	3,253,552
EXPENDITURES			
Current:			
Instructional	73,416	-	73,416
Occupancy	284,456	-	284,456
Office	70,589	-	70,589
Other	28,767	-	28,767
Organizational development	142,214	-	142,214
Professional services and fees	111,107	-	111,107
Employee compensation	1,326,815	95,003	1,421,818
Food services	94,251	136,012	230,263
Insurance	31,392	-	31,392
Transportation	182,210	-	182,210
Debt service:			
Principal payments	184,944	-	184,944
Interest	22,397	-	22,397
Capital outlay	441,791	55,000	496,791
Total expenditures	2,994,349	286,015	3,280,364
OTHER FINANCING SOURCES			
Issuance of debt	169,631	-	169,631
NET CHANGE IN FUND BALANCES	142,819	-	142,819
FUND BALANCES, June 30, 2015	326,232	-	326,232
FUND BALANCES, June 30, 2016	$ 469,051	$ -	$ 469,051

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, 2016

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	$ 142,819
Amounts reported as expenditures in the governmental funds not included as expenses in the school-wide statements:	
Capital outlays	496,791
Issuance of debt recorded as revenue in the governmental funds, but reflected as long-term debt in the school-wide statements	(169,631)
Principal payments on debt recorded as expense in the govermental funds, but reflected as long-term debt in the school-wide statements	184,944
Expenses in the school-wide statements not included in the governmental funds:	
Depreciation expense	(154,931)
Expenditures for pensions in the govermental funds consists of contributions made, whereas in the government-wide statement, negative pension expense is calculated in accordance with GASB No. 68	13,802
Change in net position of governmental activities	$ 513,794

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, 2016, 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. Leasehold improvements are depreciated over the life of the lease or estimated useful life, whichever is shorter.

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 $17,933 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.

B. DEPOSITS WITH FINANCIAL INSTITUTIONS

As of June 30, 2016, the School had cash deposits with a financial institution that had carrying amount of $641,206. 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, 2015	Additions	Transfers	Balance June 30, 2016
Nondepreciable				
Construction in progress	$ -	$ 183,092	$ -	$ 183,092
Depreciable:				
Leasehold improvements	$ 565,637	$ 237,517	$ -	$ 803,154
Equipment	15,840	30,880	-	46,720
Furniture and fixtures	76,555	45,302	-	121,857
Total depreciable capital assets	658,032	313,699	-	971,731
Accumulated depreciation	(104,602)	(154,931)	-	(259,533)
Capital assets, net	$ 553,430	$ 341,860	$ -	$ 895,290

Depreciation was charged to governmental activities as follows:

Student instruction and services	$131,691
Administration	23,240
	$154,931

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, 2016). Interest payments are due monthly with the remaining principal and accrued interest due in February 2017. The balance of the note payable was $90,367 at June 30, 2016.

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. The notes accrue interest at a variable rate based on the lenders prime rate with a minimum rate of 3.25%. Interest payments on outstanding balances are due monthly through February 2016, when the note was amended. Interest on the note payable was amended to a fixed rate of 4.5%. Payments of $3,631 are due monthly through maturity in March 2023. The balance of the note payable was $252,345 at June 30, 2016.

In February 2016, the School entered into a $100,000 revolving line of credit arrangement with a bank to fund the expansion of the School. Notes payable under the agreement are collateralized by substantially all the assets of the School. The note accrues interest at a variable rate based on prime rate plus 0.25% with a minimum rate of 4.25% (rate was 4.50% at June 30, 2016). Interest payments are due monthly with the remaining principal and accrued interest due in February 2017. The balance of the note payable was $69,631 at June 30, 2016.

In July 2015, the School entered into a $100,000 promissory note payable with a foundation to purchase portable classrooms for the School. The note is not collateralized. The note accrues interest at a fixed rate of 3.00%. Monthly payments of $1,797 are due until maturity in July 2020. The balance of the note payable was $82,770 at June 30, 2016.

The following is a summary of changes in the School's long-term debt for governmental activities for the period ended June 30, 2016:

	Balance July 1, 2015	Additions	Payments	Balance June 30, 2016
Note payable - bank	$250,000	$ -	$159,633	$ 90,367
Note payable - bank	260,426	-	8,081	252,345
Notes payable - bank	-	69,631	-	69,631
Note payable - foundation	-	100,000	17,230	82,770
Total	$510,426	$169,631	$184,944	$495,113

D. NOTES PAYABLE - Continued

A summary of annual principal and interest requirements follows:

Year Ending June 30,	Interest	Principal
2017	$16,663	$214,435
2018	10,815	55,947
2019	8,630	57,527
2020	6,353	55,700
2021	4,225	39,345
Thereafter	2,995	72,159
	$49,681	$495,113

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 2016 totaled $180,183.

In August 2016, the lease was amended to include additional space for expansion of the School.

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, 2024, as follows:

Year Ending June 30,	
2017	$ 198,849
2018	203,181
2019	194,322
2020	198,963
2021	203,914
2022 - 2024	642,065
	$1,641,294

F. CONCENTRATIONS

The School received approximately 84% 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, 2016, was $2,735,155.

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, similar to MNPS and all Tennessee Public Charter Schools in the MNPS System, 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 fiduciary net position have been determined on the same basis as they are reported by the TCRS and the 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

G. PENSIONS - Continued

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 closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014.

The Teacher Retirement Plan is a separate cost- sharing, multiple-employer defined benefit 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.

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.

G. PENSIONS - Continued

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. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested pursuant to the rule of 80. 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 July 2 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 Teachers Legacy Pension Plan and Teachers 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 (or by automatic cost controls set out in law for the Teachers Retirement Plan). 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 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.

G. PENSIONS - Continued

Teachers Legacy Pension Plan

Employer contributions by the School for the year ended June 30, 2016, to the Teacher Legacy Pension Plan were $12,797 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, 2016 to the Teacher Retirement Plan were $40,121 which is 4.00 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

Pension Liability (Asset)

Teachers Legacy Pension Plan

The School reported a liability of $1,722 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 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 contributions to the pension plan relative to the contributions of all participating LEA's. At the measurement date of June 30, 2015, the School's proportion was 0.004206 percent. The proportion measured as of June 30, 2014 was 0.006216 percent of the net pension asset.

G. PENSIONS - Continued

Teachers Retirement Plan

At June 30, 2016, the School reported an asset of ($7,349) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. The School's proportion of the net pension asset was based on the School's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, the School's proportion was 0.182686 percent.

Actuarial Assumptions

Teachers Legacy Pension Plan and Teachers Retirement Plan

The total pension liability in the June 30, 2015, 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.

The actuarial assumptions used in the June 30, 2015, 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.

G. PENSIONS - Continued

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 following table:

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. PENSIONS - Continued

Discount Rate

Teachers Legacy Pension Plan and Teachers Retirement 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.

G. PENSIONS - Continued

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.

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; or (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 percent 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 for employees employed on or between October 1, 2001, and December 31, 2012, who vest 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 or 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 15.510 percent for the non-certificate employees of the Metropolitan Nashville Public Schools, including charter schools, and all other Metropolitan Government Employees. Contributions to the plan for the year ended June 30, 2016 were $28,976.

G. PENSIONS - Continued

(B) Pension Liabilities - Metro Plan

Pension Liability

The School reported a liability of $74,848 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculated the net pension liability was determined by an actuarial valuation as of July 1, 2015. The School's proportion of the net pension liability was based on the School's employee contributions to the pension plan during the year ended June 30, 2016, relative to all contributions for 2016. At the June 30, 2016, measurement date, the School's proportionate share was 0.0338 percent.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2016. 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, 2015, 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 weighting 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 summaries in the following table:

G. PENSIONS - Continued

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Domestic equity	6.60%	14.5%
International equity	10.10%	23.0%
Equity hedge	5.80%	10.0%
Fixed income	1.80%	15.0%
Fixed income alternatives	5.60%	15.0%
Real assets	6.10%	12.5%
Private equity	7.60%	10.0%
		100%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. 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.

I. 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, 2016:

TCRS Legacy Plan	$ 1,722
TCRS Retirement Plan	(7,349)
Metro Plan	74,848
Net pension liability	$ 69,221

G. PENSIONS - Continued

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 Legacy Plan	$ 117,455	$ 1,722	$(94,090)
TCRS Retirement Plan	1,303	(7,349)	(13,695)
Metro Plan	1,952,460	74,848	(335,021)
Total	$2,071,218	$ 69,221	$(442,806)

Pension Plan Fiduciary Net Position

Detailed information about the Pension Plans' respective fiduciary net position is available in a separately issued TCRS and Metropolitan Government financial reports.

Pension Expense

For the year ended June 30, 2016, the School recognized pension expense (negative pension expense) as follows:

TCRS Legacy Plan	$(14,561)
TCRS Retirement Plan	(9,922)
Metro Plan	10,681
Negative pension expense	$(13,802)

G. PENSIONS - Continued

Deferred Outflows of Resources and Deferred Inflows of Resources

As of June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resource	Deferred Inflows of Resources
Differences between expected and actual experience		
TCRS Legacy Plan	$ 1,382	$26,816
TCRS Retirement Plan	-	2,392
Metro Plan	-	24,082
Net difference between projected and actual earnings on pension plan investments		
TCRS Legacy Plan	-	11,123
TCRS Retirement Plan	594	-
Metro Plan	63,421	-
Changes in proportion of Net Pension Liability (Asset)		
TCRS Legacy Plan	13,932	21,605
Metro Plan	820	-
Contributions subsequent to the measurement date of June 30, 2015 for TCRS Plans	52,918	N/A
Totals	$133,067	$86,018

The School's employer contributions of $52,918 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an decrease in net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

G. PENSIONS - Continued

Year Ended June 30,	
2017	$ 276
2018	261
2019	261
2020	9,969
2021	(10,539)
Thereafter	(6,099)

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

Payable to the Pension Plans

At June 30, 2016, the School had $3,302 outstanding for contributions to the Pension Plans.

H. SUBSEQUENT EVENTS

In August 2016, the School amended its lease agreement for School facilities to expand space as described in Note E.

REQUIRED SUPPLEMENTARY INFORMATION

INTREPID COLLEGE PREP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF
NET PENSION LIABILITY (ASSET)
FISCAL YEAR ENDED JUNE 30,

Teachers Legacy Plan of TCRS	2015	2016
Measurement date	June 30, 2014	June 30, 2015
Proportion of the net pension liability (asset)	0.006216%	0.004206%
Proportionate share of the of the net pension liability (asset)	$ (1,010)	$ 1,722
Covered-employee payroll	$ 171,106	$ 157,441
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.59%	1.09%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%

Teachers Retirement Plan of TCRS	2015 (1)	2016
Measurement date		June 30, 2015
Proportion of the net pension liability (asset)		0.182686%
Proportionate share of the of the net pension liability (asset)		$ (7,349)
Covered-employee payroll		$ 379,573
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		-1.94%
Plan fiduciary net position as a percentage of the total pension liability		127.46%

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.

(1) Information is not applicable for 2015 in this schedule for the Teachers Retirement Plan of TCRS as the measurement date was June 30, 2014, and the Teachers Retiremnt Plan did not commence until July 1, 2014.

See independent auditor's report.

INTREPID COLLEGE PREP
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF
NET PENSION LIABILITY (ASSET)
FISCAL YEAR ENDED JUNE 30,

Metro Plan	2015	2016
Measurement date	June 30, 2015	June 30, 2016
Proportion of the net pension liability (asset)	0.03255%	0.0338%
Proportionate share of the of the net pension liability (asset)	$ 22,428	$ 74,848
Covered-employee payroll	$ 170,045	$ 186,821
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	13.19%	40.06%
Plan fiduciary net position as a percentage of the total pension liability	97.57%	92.39%

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.

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	2014	2015	2016
Actuarial Determined Contributions (ADC)	$ 21,703	$ 14,233	$ 12,797
Contributions in relation to the actuarially determined contribution	21,703	14,233	12,797
Contribution defiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 246,142	$ 157,445	$ 141,560
Contributions as a percentage of covered-employee payroll	8.88%	9.04%	9.04%

Teachers Retirement Plan of TCRS	2014	2015	2016
Actuarial Determined Contributions (ADC)	N/A	$ 9,489	$ 40,121
Contributions in relation to the actuarially determined contribution		15,183	40,121
Contribution defiency (excess)		$ (5,694)	$ -
Covered-employee payroll		$ 379,575	$ 1,003,025
Contributions as a percentage of covered-employee payroll		4.00%	4.00%

Metro Plan	2014	2015	2016
Actuarial Determined Contributions (ADC)	$ 12,527	$ 30,586	$ 28,976
Contributions in relation to the actuarially determined contribution	12,527	30,586	28,976
Contribution defiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$ 73,185	$ 170,045	$ 186,821
Contributions as a percentage of covered-employee payroll	17.117%	17.987%	15.510%

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.

INTREPID COLLEGE PREP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016

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	$ 109,321
School Breakfast Program	10.553	N/A	26,691
Total Child Nutrition Cluster			136,012
Total U.S. Department of Agriculture			136,012
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	71,326
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	N/A	23,677
Total U.S. Department of Education			95,003
Total Federal Awards			231,015
State Financial Assistance			
TENNESSEE DEPARTMENT OF EDUCATION:			
Basic Education Program	N/A	N/A	55,000
Passed through Metropolitan Nashville Public Schools			
Basic Education Program	N/A	N/A	2,735,155
Total State Awards			2,790,155
Total Federal and State Awards			$ 3,021,170

Note: The schedule of expenditures of federal awards includes the federal grant activity and is presented in accordance with the requirements of Uniform Guidance and the State of Tennessee. The schedule is prepared using the accrual basis of accounting.

See independent auditor's report.

OTHER INFORMATION

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

<u>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*</u>

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 and each major fund of Intrepid College Prep (the "School"), as of and for the period ended June 30, 2016, 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 15, 2016.

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 2016-001 described in the accompanying schedule of findings and responses to be a material weakness.

The Astoria • 3803 Bedford Avenue, Suite 103 • Nashville, Tennessee 37215 • phone: 615-320-5500 • fax: 615-329-9465 • www.crosslinpc.com
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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, PLLC

Nashville, Tennessee
December 15, 2016

FINANCIAL STATEMENT FINDING

2016-001- 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 of capital assets. Errors included understating construction in progress for assets constructed in June 2016 and expending a leasehold improvement which meets the criteria for capitalization.

Recommendation and Benefit

We recommend that School management implement additional review procedures to properly capture all capital assets and construction in progress during the year. We also recommend the School implementation review procedures over repairs and maintenance to ensure all assets meeting the criteria for capitalization are properly capitalized.

Management's Response

Management agrees with the auditors' findings regarding capitalization of capital assets, and the following actions will be taken:

- Ensuring that all construction related invoices and payments spanning fiscal years are recorded and/or accrued in the correct fiscal year. This requires management to request any impending payments in advance for construction completed in the audited fiscal year.

- Reviewing all expenses in excess of the school's capitalization threshold to determine if they should be expensed or capitalized, specifically, all maintenance related expenses will be analyzed to determine if they meet the school's capitalization criteria.

FINANCIAL STATEMENT FINDINGS

Finding Number	Finding Title	Status
IC-2015-01	Capital Assets	Although the School made certain corrections over capital assets in 2016, we found there continue to be certain errors in the treatment of capital assets. Therefore, the finding is repeated in 2016.