

**TENNESSEE CHARTER SCHOOL CENTER
(FORMERLY TENNESSEE CHARTER SCHOOL INCUBATOR, INC.)**

FINANCIAL STATEMENTS

December 31, 2013 and 2012

**TENNESSEE CHARTER SCHOOL CENTER
(FORMERLY TENNESSEE CHARTER SCHOOL INCUBATOR, INC.)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Tennessee Charter School Center
Nashville, Tennessee

We have audited the accompanying financial statements of Tennessee Charter School Center (formerly Tennessee Charter School Incubator, Inc.) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years the ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Charter School Center as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Frasin, Dan & Hand, PLLC

Nashville, Tennessee

July 8, 2014

TENNESSEE CHARTER SCHOOL CENTER
(FORMERLY TENNESSEE CHARTER SCHOOL INCUBATOR, INC.)
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets		
Cash and cash equivalents	\$ 2,167,925	\$ 1,536,874
Contributions receivable, net	1,550,000	2,169,704
Notes receivable	77,060	-
Furniture and equipment, net of accumulated depreciation of \$11,242 and \$4,450, respectively	<u>21,427</u>	<u>5,738</u>
Total assets	<u><u>\$ 3,816,412</u></u>	<u><u>\$ 3,712,316</u></u>
Liabilities and Net Assets		
Accounts payable	\$ 34,727	\$ 95,972
Note payable	<u>311,957</u>	<u>392,334</u>
Total liabilities	<u>346,684</u>	<u>488,306</u>
Net assets:		
Unrestricted	1,919,728	1,054,306
Temporarily restricted	<u>1,550,000</u>	<u>2,169,704</u>
Total net assets	<u>3,469,728</u>	<u>3,224,010</u>
Total liabilities and net assets	<u><u>\$ 3,816,412</u></u>	<u><u>\$ 3,712,316</u></u>

See accompanying notes.

TENNESSEE CHARTER SCHOOL CENTER
(FORMERLY TENNESSEE CHARTER SCHOOL INCUBATOR, INC.)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue, gains, and other support:			
Contributions	\$ 1,236,032	\$ 540,000	\$ 1,776,032
Contract fees	1,160,246	-	1,160,246
Rental income	150,921	-	150,921
Interest income	7,896	-	7,896
Net assets released from restrictions	1,159,704	(1,159,704)	-
	<u>3,714,799</u>	<u>(619,704)</u>	<u>3,095,095</u>
Total revenue, gains, and other support			
Expenses:			
Launch	2,787,532	-	2,787,532
Support	465,936	-	465,936
Management and general	274,135	-	274,135
	<u>3,527,603</u>	<u>-</u>	<u>3,527,603</u>
Total expenses			
Change in net assets from operations	187,196	(619,704)	(432,508)
Contribution of net assets from Tennessee Charter Schools Association	678,226	-	678,226
Change in net assets	865,422	(619,704)	245,718
Net assets, beginning of year	1,054,306	2,169,704	3,224,010
Net assets, end of year	<u>\$ 1,919,728</u>	<u>\$ 1,550,000</u>	<u>\$ 3,469,728</u>

See accompanying notes.

TENNESSEE CHARTER SCHOOL CENTER
(FORMERLY TENNESSEE CHARTER SCHOOL INCUBATOR, INC.)
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
Revenue, gains, and other support:			
Contributions	\$ 1,075,086	\$ 500,000	\$ 1,575,086
Contract fees	266,667	-	266,667
Rental income	158,496	-	158,496
Interest income	10,632	-	10,632
Net assets released from restrictions	1,347,245	(1,347,245)	-
	<u>2,858,126</u>	<u>(847,245)</u>	<u>2,010,881</u>
Total revenue, gains, and other support			
Expenses:			
Launch	1,977,393	-	1,977,393
Support	481,444	-	481,444
Management and general	260,704	-	260,704
	<u>2,719,541</u>	<u>-</u>	<u>2,719,541</u>
Total expenses			
Change in net assets	138,585	(847,245)	(708,660)
Net assets, beginning of year	915,721	3,016,949	3,932,670
Net assets, end of year	<u>\$ 1,054,306</u>	<u>\$ 2,169,704</u>	<u>\$ 3,224,010</u>

See accompanying notes.

TENNESSEE CHARTER SCHOOL CENTER
(FORMERLY TENNESSEE CHARTER SCHOOL INCUBATOR, INC.)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013

	Launch	Support	Management and General	Total
Salary and related expenses	\$ 1,201,791	\$ 279,993	\$ 152,370	\$ 1,634,154
Fellowship training	233,095	25,899	-	258,994
BES	254,169	-	-	254,169
Travel	149,308	11,953	11,953	173,214
Occupancy	132,681	19,207	19,207	171,095
Facility technical assistance	159,072	-	-	159,072
School start-up grants	150,000	-	-	150,000
Achievement network	135,000	15,000	-	150,000
Public relations and communication	52,911	17,637	17,637	88,185
Professional development workshop	81,725	-	-	81,725
Advocacy and government relations	14,989	44,968	-	59,957
Other program expenses	19,665	19,665	19,665	58,995
Miscellaneous	13,999	4,666	6,383	25,048
Supplies	16,764	5,588	5,588	27,940
Sector support services	29,262	2,968	-	32,230
Accounting and legal	17,037	5,679	5,679	28,395
Allowance for notes receivable	-	-	22,940	22,940
Technology	12,408	4,136	4,136	20,680
Board member training	19,650	-	-	19,650
Insurance	11,721	3,907	3,907	19,535
Talent recruitment	18,187	-	-	18,187
School reviews	17,000	-	-	17,000
Telephone	9,935	3,312	3,312	16,559
Interest	16,231	-	-	16,231
Fellow technology and materials	16,857	-	-	16,857
Depreciation	4,075	1,358	1,358	6,791
Total	\$ 2,787,532	\$ 465,936	\$ 274,135	\$ 3,527,603

See accompanying notes.

TENNESSEE CHARTER SCHOOL CENTER
(FORMERLY TENNESSEE CHARTER SCHOOL INCUBATOR, INC.)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012

	Launch	Support	Management and General	Total
Salary and related expenses	\$ 647,870	\$ 112,753	\$ 156,997	\$ 917,620
School leader fellowships	487,376	10,634	-	498,010
Facility expenses	404,571	-	-	404,571
Talent recruitment	99,824	51,677	-	151,501
Achievement network	22,500	127,500	-	150,000
School review	16,539	93,723	-	110,262
Public relations and communication	51,254	17,085	17,085	85,424
Occupancy	38,191	12,730	12,730	63,651
Travel	32,248	10,749	10,749	53,746
School start-up grants	50,000	-	-	50,000
Professional development workshop	41,039	7,242	-	48,281
Board member training	23,591	23,590	-	47,181
Supplies	18,690	6,230	6,230	31,150
Accounting	-	-	26,528	26,528
Other program expenses	21,106	-	-	21,106
Interest	-	-	19,865	19,865
Insurance	10,624	3,541	3,541	17,706
Telephone	6,983	2,328	2,328	11,639
Miscellaneous	4,987	1,662	1,709	8,358
Depreciation	-	-	2,942	2,942
Total	\$ 1,977,393	\$ 481,444	\$ 260,704	\$ 2,719,541

See accompanying notes.

TENNESSEE CHARTER SCHOOL CENTER
(FORMERLY TENNESSEE CHARTER SCHOOL INCUBATOR, INC.)
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 245,718	\$ (708,660)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,791	2,942
Contribution of net assets from Tennessee Charter Schools Association	(678,226)	-
Changes in operating assets and liabilities:		
Contributions receivable	619,704	847,245
Grants receivable	-	187,500
Accounts payable	(61,245)	9,593
Net cash provided by operating activities	<u>132,742</u>	<u>338,620</u>
Cash flows from investing activities:		
Cash received from Tennessee Charter Schools Association	678,226	-
Purchase of furniture and equipment	(22,480)	(2,649)
Net cash provided by (used in) investing activities	<u>655,746</u>	<u>(2,649)</u>
Cash flows from financing activities:		
Issuance of notes receivable	(77,060)	-
Payments on note payable	(80,377)	(76,742)
Net cash used in financing activities	<u>(157,437)</u>	<u>(76,742)</u>
Net increase in cash and cash equivalents	631,051	259,229
Cash and cash equivalents - beginning of year	<u>1,536,874</u>	<u>1,277,645</u>
Cash and cash equivalents - end of year	<u><u>\$ 2,167,925</u></u>	<u><u>\$ 1,536,874</u></u>
Supplemental information:		
Cash paid for interest	<u><u>\$ 16,231</u></u>	<u><u>\$ 19,865</u></u>

See accompanying notes.

**TENNESSEE CHARTER SCHOOL CENTER
(FORMERLY TENNESSEE CHARTER SCHOOL INCUBATOR, INC.)
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tennessee Charter School Incubator, Inc. (“TSCI”) is a non-profit corporation created with the purpose of closing the education achievement gap in Tennessee by supporting the creation of high-quality public charter schools in Tennessee. Operations commenced effective May 1, 2011 with a contribution from the Education First Fund at the Community Foundation of Middle Tennessee in the amount of \$1,627,933.

During December 2013, the Tennessee Charter School Association combined operations with TSCI, and the TCSI changed its legal name to Tennessee Charter School Center (the “Center”). The Center’s mission is to simultaneously create and advocate on behalf of high quality charter schools and the students and families they serve. The Center’s vision is for all students in Tennessee to have access to a high quality public education.

Financial Statement Presentation

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are reported as follows:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of directors.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Center pursuant to those restrictions or that expire by the passage of time.

Permanently restricted net assets – net assets subject to donor-imposed restrictions that they be maintained permanently by the Center. The Center did not have any permanently restricted net assets at December 31, 2013 or 2012.

Cash and Cash Equivalents

The Center considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**TENNESSEE CHARTER SCHOOL CENTER
(FORMERLY TENNESSEE CHARTER SCHOOL INCUBATOR, INC.)
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable

The Center accounts for potential losses in contributions receivable utilizing the allowance method. Management believes that contributions receivable are fully collectible at December 31, 2013 and 2012. As a result, no allowance for uncollectible accounts has been provided.

Notes Receivable

The Center provides funds to developing charter schools to assist with start up expenses. The notes are unsecured and are due to be repaid during 2014.

Furniture and Equipment

Furniture and equipment are stated at acquisition cost, or estimated fair value if donated, less accumulated depreciation, which is computed using the straight-line method over an estimated useful life of five years.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at the time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contract Fees

Contract fees consist of payments from the Charter School Growth Fund to assist in the development and expansion of charter school management organizations in Tennessee.

**TENNESSEE CHARTER SCHOOL CENTER
(FORMERLY TENNESSEE CHARTER SCHOOL INCUBATOR, INC.)
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Launch – Expenses related to the creation of new charter schools in Tennessee supported directly through the Center including fellow training costs, teacher and student recruitment, board training, professional development, school reviews, charter application development, marketing/public relations for new schools, startup and operational supplies and materials, and the Center overhead expenses.

Support – Expenses related to services offered by the Center to existing charter schools in Tennessee including teacher and student recruitment, board training, professional development, school reviews, and the Center overhead expenses related to delivering school support services.

Management and General – Includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program or activity, including costs associated with providing coordination and articulation of the Center's program strategy, business management, general recordkeeping, budgeting and related purposes.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management.

Income Taxes

The Center has qualified for tax exempt status under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

**TENNESSEE CHARTER SCHOOL CENTER
(FORMERLY TENNESSEE CHARTER SCHOOL INCUBATOR, INC.)
NOTES TO FINANCIAL STATEMENTS (Continued)**

December 31, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Center follows Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) guidance related to uncertain tax positions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization’s financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Center has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include the year ended December 31, 2010 through December 31, 2013. The Center has no uncertain tax positions at December 31, 2013 or 2012.

Subsequent Events

The Center evaluated subsequent events through July 8, 2014, when these financial statements were available to be issued. Other than stated in Note 10, management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 2 – CONCENTRATIONS

The Center maintains cash and cash equivalents in excess of amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). In management’s opinion, risk related to each deposit is minimal.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are scheduled to be received as follows at December 31:

	<u>2013</u>	<u>2012</u>
Amount receivable within one year	\$ 1,540,000	\$ 1,150,000
Amount receivable in 1 to 5 years	<u>10,000</u>	<u>1,075,000</u>
	1,550,000	2,225,000
Less discounts on contributions receivable	<u>-</u>	<u>(55,296)</u>
	<u><u>\$ 1,550,000</u></u>	<u><u>\$ 2,169,704</u></u>

TENNESSEE CHARTER SCHOOL CENTER
(FORMERLY TENNESSEE CHARTER SCHOOL INCUBATOR, INC.)
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

NOTE 3 – CONTRIBUTIONS RECEIVABLE (Continued)

Contributions receivable due in more than one year are reflected at the net present value of estimated future cash flows using a discount rate of 2.43% for December 31, 2012.

NOTE 4 – NOTE PAYABLE

Note payable to bank, bearing interest at a variable rate (4.5% at December 31, 2013 and 2012), collateralized by cash accounts held by the Center, matures June 2017. Proceeds from the note payable were being used to update a facility leased to a Nashville charter school.

\$ 311,957	\$ 392,334
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A summary of future minimum principal maturities as of December 31, 2013 is as follows:

<u>Year ending</u> <u>December 31,</u>	
2014	\$ 84,120
2015	88,041
2016	92,126
2017	<u>47,670</u>
Total principal maturities	<u>\$ 311,957</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

The Center receives specific contributions for expenses associated with the mission of the organization. These contributions are classified as temporarily restricted net assets until the restricted purpose has been fulfilled.

TENNESSEE CHARTER SCHOOL CENTER
(FORMERLY TENNESSEE CHARTER SCHOOL INCUBATOR, INC.)
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

The following represents a summary of the activity for the year ended December 31, 2013:

<u>Purpose</u>	<u>Balance at January 1, 2013</u>	<u>Contributions pledged from January 1, 2013 to December 31, 2013</u>	<u>Expended and/or released by specific purpose being fulfilled</u>	<u>Balance at December 31, 2013</u>
Contributions receivable	\$ 2,169,704	\$ 540,000	\$ 1,159,704	\$ 1,550,000
	<u>\$ 2,169,704</u>	<u>\$ 540,000</u>	<u>\$ 1,159,704</u>	<u>\$ 1,550,000</u>

The following represents a summary of the activity for the year ended December 31, 2012:

<u>Purpose</u>	<u>Balance at January 1, 2012</u>	<u>Contributions pledged from January 1, 2012 to December 31, 2012</u>	<u>Expended and/or released by specific purpose being fulfilled</u>	<u>Balance at December 31, 2012</u>
Contributions receivable	\$ 3,016,949	\$ 500,000	\$ 1,347,245	\$ 2,169,704
	<u>\$ 3,016,949</u>	<u>\$ 500,000</u>	<u>\$ 1,347,245</u>	<u>\$ 2,169,704</u>

NOTE 6 – OPERATING LEASES

The Center leases its office space and various equipment under various lease agreements. Rental expense for all operating leases was \$173,578 and \$128,689 for the years ended December 31, 2013 and 2012, respectively.

TENNESSEE CHARTER SCHOOL CENTER
(FORMERLY TENNESSEE CHARTER SCHOOL INCUBATOR, INC.)
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

NOTE 6 – OPERATING LEASES (Continued)

Future minimum lease payments required under all noncancelable operating lease agreements at December 31, 2013 are as follows:

<u>Year ending December 31,</u>	
2014	\$ 170,074
2015	177,177
2016	146,862
2017	85,080
2018	<u>47,248</u>
	<u>\$ 626,441</u>

The Center sub-leases two buildings to two charter schools. The Center received rental income \$150,921 and \$158,496 for the years ended December 31, 2013 and 2012, respectively. Future minimum rentals are as follows:

<u>Year ending December 31,</u>	
2014	\$ 148,485
2015	<u>74,242</u>
	<u>\$ 222,727</u>

NOTE 7 - COMMITMENTS

The Center has entered into an agreement with the Charter School Growth Fund Tennessee, LLC (the “Fund”) to collaborate in raising and deploying philanthropic funds to support existing charter schools and to create new charter schools and management organizations in the State of Tennessee. Under the terms of the agreement, the Center and the Fund will share all philanthropic funds raised equally, unless otherwise stated by the donor. This agreement expires on December 31, 2015.

During November 2011, the Center made a conditional grant for \$450,000, which is payable over three years. As conditions must be met for the grant to be paid, a liability has not been recorded in the December 31, 2013 or 2012 statements of financial position.

TENNESSEE CHARTER SCHOOL CENTER
(FORMERLY TENNESSEE CHARTER SCHOOL INCUBATOR, INC.)
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

NOTE 7 – COMMITMENTS (Continued)

During 2012, the Center entered into an agreement to guarantee the lease payments of Aurora Collegiate Academy for their charter school location. The agreement expired on June 30, 2014. A liability has not been recorded in the accompanying financial statements as management does not believe any payments will be required under the guaranty agreement.

During 2013, the Center entered into an agreement to guarantee certain debt of Liberty Collegiate Academy up to \$100,000. The agreement states that the guarantee amount will be held in separate cash account at the financial institution. The agreement expires on July 21, 2016. A liability has not been recorded in the accompanying financial statements as management does not believe any payments will be required under the guaranty agreement.

During 2013, the Center entered a credit enhancement agreement with Purpose Preparatory Charter School and a financial institution. The Center is guaranteeing the Purpose Preparatory Charter School's loan up to \$110,000. The agreement requires the guarantee amount to be held in a separate cash account at the financial institution. The agreement expires on October 25, 2021. A liability has not been recorded in the accompanying financial statements as management does not believe any payments will be required under the guaranty agreement.

NOTE 8 – RETIREMENT PLAN

The Center maintains a 401(k) plan for their employees. Employees are eligible to participate in the plan after reaching 21 years of age and completing 1,000 hours of service. The Center makes discretionary contributions to the plan equal to a uniform percentage of employee's salary deferrals. Employer expense for the years ended December 31, 2013 and 2012 amounted to \$18,121 and \$7,778 respectively, and is included in salary and related expenses in the statement of functional expenses.

NOTE 9 – BUSINESS COMBINATION

Effective December 17, 2013, the assets and liabilities of Tennessee Charter Schools Association were combined with the Center. The combination was effected from the first organization of its kind to simultaneously advocate on behalf of and create high quality charter schools. The accompanying statements of activities include a contribution of \$678,226 representing the net assets of the Tennessee Charter Schools Association at the date of the transaction.

TENNESSEE CHARTER SCHOOL CENTER
(FORMERLY TENNESSEE CHARTER SCHOOL INCUBATOR, INC.)
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2013 and 2012

NOTE 10 – SUBSEQUENT EVENT

Subsequent to December 31, 2013, the Center renewed its office lease in Nashville, Tennessee extending the term until 2018 and entered into a new three year operating lease agreement to lease certain office equipment. Both lease commitments have been included in the future minimum lease schedule in Note 6.