



**Rotherham & Co.**  
Certified Public Accountants

[rotherhamco.com](http://rotherhamco.com)

**NASHVILLE CLASSICAL CHARTER SCHOOL  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2015  
CHARTER SCHOOL #0592**

**NASHVILLE CLASSICAL CHARTER SCHOOL**

**INTRODUCTORY SECTION**

**JUNE 30, 2015**

**NASHVILLE CLASSICAL CHARTER SCHOOL  
TABLE OF CONTENTS  
JUNE 30, 2015**

	<u>Page Number</u>
INTRODUCTORY SECTION	
Table of Contents	i
FINANCIAL SECTION	1
Independent Auditors' Report	2 - 4
Management's Discussion and Analysis	5 - 8
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Notes to the Financial Statements	15 - 28
OTHER SUPPLEMENTARY INFORMATION SECTION	29
Local Education Agency Organization Structure	30
Schedule of Expenditures of Federal Awards	31
Schedule of Proportionate Share of the Net Pension Asset – Teacher Legacy Plan of TCRS	32
Schedule of Contributions – Teacher Legacy Plan of TCRS	33
OTHER INDEPENDENT AUDITORS' REPORTS SECTION	34
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	35 - 36
FINDINGS AND RECOMMENDATIONS SECTION	37
Schedule of Audit Findings and Questioned Costs	38
Summary Schedule of Prior Audit Findings	39

**NASHVILLE CLASSICAL CHARTER SCHOOL**  
**FINANCIAL SECTION**  
**JUNE 30, 2015**



**Rotherham & Co.**

Certified Public Accountants

[rotherhamco.com](http://rotherhamco.com)

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Nashville Classical Charter School  
Nashville, Tennessee

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and major fund of Nashville Classical Charter School (Organization), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Organization'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.

## **INDEPENDENT AUDITORS' REPORT**

### **Page 2**

#### ***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 major fund of Nashville Classical Charter School as of June 30, 2015, and the respective changes in financial position for the fiscal year then ended 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 through 8, schedules of proportionate share of net pension asset, and schedule of contributions on pages 32 through 33, 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 Nashville Classical Charter School's basic financial statements. The introductory section, and other supplementary information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

## INDEPENDENT AUDITORS' REPORT

Page 3

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the Nashville Classical Charter 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 Nashville Classical Charter School's internal control over financial reporting and compliance.

*Rotherham & Co.*

San Diego, California  
December 1, 2015

**NASHVILLE CLASSICAL CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

As management of the Nashville Classical Charter School (Organization), we offer readers of the Organization's financial statements this narrative overview and analysis of the financial activities of the Organization for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the Organization's basic financial statements, which begin immediately following this analysis. This annual financial report consists of two main parts (1) Management's Discussion and Analysis and, (2) Basic Financial Statements.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and subsequently amended by GASB No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34*. GASB No. 34 established financial reporting standards for state and local governments, including cities, villages and special purpose governments.

**FINANCIAL HIGHLIGHTS**

- The Organization's ending total net position balance was \$4p. 552,454.
- The change in net position for the year was an increase of \$334,486.
- The Organization had an excess of revenue over expenditures in the General Fund in the amount of \$10,193 in the current year compared to an excess of revenues over expenditures of \$204,013 in the previous year.
- The Organization had \$276,806 in additions to capital assets.
- For the fiscal year ended June 30, 2015, total revenues of \$2,123,700 were comprised of District funding – 78.6%, and federal pass-through funds – 12.7%, and other contributions and local funds – 8.7%.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Organization's basic financial statements. The Organization's audit report is comprised of four components: 1) financial statements and notes, 2) supplementary information, 3) reports on compliance and internal control, and 4) findings and recommendations.

**Basic financial statements.** The basic financial statements include government-wide financial statements and fund statements. The two sets of statements are tied together by Reconciliations showing why they differ.

The Organization as a whole is reported in the government-wide statements and uses accounting methods similar to those used by companies in the private sector.

More detailed information about the Organization's most significant funds – not the Organization as a whole is provided in the fund financial statements. Funds are accounting devices the Organization uses to keep track of specific sources of funding and spending on particular programs.

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



**NASHVILLE CLASSICAL CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

The *Statement of Activities*, a government-wide statement, presents information showing how the Organization's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Balance Sheet* for governmental funds presents financial information by fund types showing money left at year-end available for spending.

The *Statement of Revenues, Expenditures and Changes in Fund Balances* for all governmental fund types focuses on how money flows into and out of the various funds.

The *Notes to the Basic Financial Statements* are included to provide more detailed data and explain some of the information in the statements.

The *Supplementary Information* gives an overview of the operations of the Organization and the governing body and outlines assessed property valuation.

*Reports on Compliance and Internal Control* encompass the independent auditor's reports showing compliance with Government Auditing Standards and provides additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The *Findings and Recommendations* section notes material weaknesses in the system and recommendations.

**Statement of Net Position**

To begin our analysis, a summary of the Organization's Statement of Net Position is presented in Table 1 below for the current year and the prior year.

Net position may serve over time, as a useful indicator of a government's financial position. In the case of the Organization, assets exceeded liabilities by \$500,356 as of June 30, 2015.

The Organization's financial position is the product of several financial transactions including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**TABLE 1**  
Condensed Statement of Net Position

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
<b>ASSETS</b>				
Current and other assets	\$ 1,299,209	\$ 246,704	\$ 1,052,505	426.6%
Capital assets, net of depreciation	286,150	30,462	255,688	839.4%
<b>TOTAL ASSETS</b>	<u>1,585,359</u>	<u>277,166</u>	<u>1,308,193</u>	472.0%

**NASHVILLE CLASSICAL CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

**TABLE 1**  
Condensed Statement of Net Position (Continued)

	<b>2015</b>	<b>2014</b>	<b>\$ Change</b>	<b>% Change</b>
<b>LIABILITIES AND NET POSITION</b>				
Current liabilities	108,079	42,691	65,388	153.2%
General long-term debt	975,000	-	975,000	100.0%
Total liabilities	1,083,079	42,691	1,040,388	2437.0%
<b>NET POSITION</b>				
Net investment in capital assets	286,150	30,462	255,688	839.4%
Unrestricted	166,304	204,013	(37,709)	-18.5%
Total net position	452,454	234,475	217,979	93.0%
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,535,533</b>	<b>\$ 277,166</b>	<b>\$ 1,258,367</b>	<b>454.0%</b>

**Statement of Activities**

- The Organization's total revenues for the fiscal year ended June 30, 2015, increased by \$419,335.
- The Organization's total expenses increased by \$319,324.
- The change in net position was an increase of \$100,011.

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2015:

**TABLE 2**  
Condensed Statement of Activities

	<b>2015</b>	<b>2014</b>	<b>\$ Change</b>	<b>% Change</b>
<b>GENERAL REVENUES</b>				
District funding	\$ 1,669,230	\$ 898,646	\$ 770,584	85.7%
Federal revenues	270,587	397,351	(126,764)	-31.9%
Contributions and grants	175,133	396,277	(221,144)	-55.8%
Other local revenues	8,750	12,091	(3,341)	-27.6%
Total revenue	2,123,700	1,704,365	419,335	24.6%
<b>FUNCTIONAL EXPENSES</b>				
Student instruction and services	1,199,191	832,530	366,661	44.0%
General and administrative	590,023	637,360	(47,337)	-7.4%
Total expenses	1,789,214	1,469,890	319,324	21.7%
<b>CHANGE IN NET POSITION</b>	<b>\$ 334,486</b>	<b>\$ 234,475</b>	<b>\$ 100,011</b>	<b>42.7%</b>

**NASHVILLE CLASSICAL CHARTER SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

**Capital Assets**

During the 2014-2015 school year the Organization acquired \$276,806 in additions to capital assets.

**TABLE 3**  
Changes in Capital Assets

	<b>2015</b>	<b>2014</b>	<b>\$ Change</b>	<b>% Change</b>
Construction in progress	\$ 234,255	\$ -	\$ 234,255	100.0%
Computer equipment	41,659	23,168	18,491	79.8%
Furniture and fixtures	38,240	14,180	24,060	169.7%
Less: accumulated depreciation	(28,004)	(6,886)	(21,118)	306.7%
Total capital assets, net of depreciation	<u>\$ 286,150</u>	<u>\$ 30,462</u>	<u>\$ 255,688</u>	839.4%

**Long-Term Debt**

During the 2014-2015 school year the Organization acquired \$975,000 in long-term debt. The purpose of the loan is to fund leasehold improvements on a 1.47 acre site located at 1310 Ordway Place, Nashville TN 37206.

**TABLE 4**  
Changes in Long-Term Debt

	<b>2015</b>	<b>2014</b>	<b>\$ Change</b>	<b>% Change</b>
Note payable	\$ 975,000	\$ -	\$ 975,000	100.0%
Total long-term debt	<u>\$ 975,000</u>	<u>\$ -</u>	<u>\$ 975,000</u>	100.0%

**FACTORS BEARING ON THE ORGANIZATION'S FUTURE**

The Organization's outlook for future years is tied to growth. Enrollment has steadily increased since the school's inception, due to both increased popularity and class size. Per pupil funding, which makes up a majority of available funds, has steadily increased as well. The future of the organization looks bright, and cost/expenditures continue to scale appropriately.

**CONTACTING THE ORGANIZATION**

This financial report is designed to provide our students' parents, Davidson County taxpayers, donors, creditors, authorities over grant funding and agencies tasked with oversight of Davidson County public schools with a general overview of the schools' finances and to demonstrate accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Operations, Lucie Rhoads by mail at 214 S. 10<sup>th</sup> Street, Nashville, Tennessee, 37206, by email: [Lrhoads@nashvilleclassical.org](mailto:Lrhoads@nashvilleclassical.org), or by telephone at (615) 538-5841.

*Nashville Classical Charter School*

**NASHVILLE CLASSICAL CHARTER SCHOOL  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

	Governmental Activities
<b>ASSETS</b>	
Cash in banks (Note B)	\$ 1,237,124
Accounts receivable (Note C)	24,321
Prepaid items	33,525
Capital assets, net of accumulated depreciation (Note D)	286,150
Other current assets	2,315
Net pension asset (Note H)	1,924
<b>TOTAL ASSETS</b>	<b>\$ 1,585,359</b>
 <b>DEFERRED OUTFLOW OF RESOURCES</b>	
Pension related costs	108,718
 <b>LIABILITIES AND NET POSITION</b>	
Current Liabilities:	
Accounts payable	\$ 46,116
Accrued liabilities	61,963
Total current liabilities	108,079
Long-term liabilities:	
Note payable (Note E)	975,000
Total long-term liabilities	975,000
Total liabilities	1,083,079
 <b>DEFERRED INFLOW OF RESOURCES</b>	
Pension related costs	158,544
 <b>NET POSITION</b>	
Net investment in capital assets	286,150
Unrestricted	166,304
<b>TOTAL NET POSITION</b>	<b>\$ 452,454</b>

The accompanying notes are an integral part of this financial statement.

**NASHVILLE CLASSICAL CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Functions/Programs	Student Instruction and Services	General and Administrative	Total Governmental Activities
<b>GOVERNMENT ACTIVITIES</b>			
Salaries, wages and benefits	\$ 778,793	\$ 207,274	\$ (986,067)
Food service	178,825	-	(178,825)
Staff development	24,062	8,524	(32,586)
Instructional	57,718	15,753	(73,471)
Insurance	-	16,489	(16,489)
Operation and housekeeping services	-	187,552	(187,552)
Rental, leases, and repairs			
non-capitalized improvements	-	15,918	(15,918)
Professional/consulting services and operating expenditures	152,607	111,286	(263,893)
Depreciation	-	21,118	(21,118)
Other expenses	7,186	6,109	(13,295)
<b>TOTAL GOVERNMENT ACTIVITIES</b>	<u>\$ 1,199,191</u>	<u>\$ 590,023</u>	<u>(1,789,214)</u>
<b>GENERAL REVENUES</b>			
			1,669,230
District funding			270,587
Federal revenues			175,133
Contributions			8,750
Local revenues			<u>2,123,700</u>
Total general revenues			<u>334,486</u>
<b>CHANGE IN NET POSITION</b>			<u>234,475</u>
<b>NET POSITION - BEGINNING</b>			<u>(116,507)</u>
<b>PRIOR PERIOD ADJUSTMENT</b>			<u>\$ 452,454</u>
<b>NET POSITION - ENDING</b>			

The accompanying notes are an integral part of this financial statement.

**NASHVILLE CLASSICAL CHARTER SCHOOL  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2015**

	General Fund
<b>ASSETS</b>	
Cash on hand and in banks	\$ 1,237,124
Accounts receivable	24,321
Prepaid items	33,525
Other current assets	2,315
<b>TOTAL ASSETS</b>	<b>\$ 1,297,285</b>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable	\$ 46,116
Accrued liabilities	61,963
Total liabilities	108,079
<b>FUND BALANCE</b>	
Unassigned	1,189,206
Total fund balance	1,189,206
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,297,285</b>

The accompanying notes are an integral part of this financial statement.

**NASHVILLE CLASSICAL CHARTER SCHOOL  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE  
SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015**

Total fund balances - governmental fund balance sheet	\$ 1,189,206
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds	286,150
Deferred outflows relating to pension costs which are applicable to future periods are not reported in the funds.	108,718
Net pension assets are not reported in the funds	1,924
Deferred inflows relating to pension costs which are applicable to future periods are not reported in the funds.	(158,544)
Payable for notes payable which is not due in the current period are not reported in the funds	(975,000)
Net position of governmental activities - Statement of Net Position	<u>\$ 452,454</u>

The accompanying notes are an integral part of this financial statement.

**NASHVILLE CLASSICAL CHARTER SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	General Fund
<b>REVENUES</b>	
District Funding	\$ 1,669,230
Federal revenue	270,587
Contributions	175,133
Other local revenue	8,750
Total revenues	<u>2,123,700</u>
<b>EXPENDITURES</b>	
Salaries, wages and benefits:	
Student instruction and services	778,793
Administration	275,879
Food service	178,825
Staff development	32,586
Instructional	73,471
Insurance	16,489
Operation and housekeeping services	187,552
Rental, leases, and repairs	
non-capitalized improvements	15,918
Professional/consulting services and	
operating expenditures	263,893
Other expenses	13,295
Capital Outlay	276,806
Total expenditures	<u>2,113,507</u>
Excess (deficiency) of revenues over (under) expenditures	10,193
Other financing sources (uses)	
Proceeds from long term debt	975,000
Total other financing sources (uses)	<u>975,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	985,193
<b>FUND BALANCE, JULY 1</b>	204,013
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ 1,189,206</u></u>

The accompanying notes are an integral part of this financial statement.



**NASHVILLE CLASSICAL CHARTER SCHOOL  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net change in fund balances - total governmental funds	\$ 985,193
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	276,806
The depreciation of capital assets used in governmental activities is not reported in the funds.	(21,118)
Pension costs are recognized when contributions are made in the funds but are recognized on an accrual basis for the SOA	68,605
Proceeds from issuance of notes payable is revenue in the funds but is not revenue in the SOA.	(975,000)
Change in net position of governmental activities - Statement of Activities	<u>\$ 334,486</u>

**NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**A. Significant Accounting Policies**

**1. Organization**

Nashville Classical Charter School (Organization) was incorporated on March 31, 2011, as a Tennessee nonprofit corporation. Pursuant to the Tennessee Public Charter School Act of 2002 (the "Act"), the Organization 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 within the public school system for accomplishing necessary outcomes of education. The Organization entered into a Charter School Agreement with the Metropolitan Board of Public Education of Nashville and Davidson County ("MNPS") on May 30, 2013, to operate a charter school in Nashville, Tennessee. The Organization began classes in July 2013 with kindergarten classes, and will add additional grade levels through the eighth grade during each of the upcoming school years.

Pursuant to the Organization's charter agreement, enrollment in the Organization is open to any student within Davidson County, Tennessee.

**2. Accounting Policies**

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

**3. Reporting Entity**

The Organization's combined financial statements include the accounts of all its operations. The Organization evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the Organization's reporting entity, as set forth in GASB Statement No. 14, *The Financial Reporting Entity*, and subsequently amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14*, and GASB No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, include whether:

- the organization is legally separate (can sue and be sued in its name)
- the Organization holds the corporate powers of the organization
- the Organization appoints a voting majority of the organization's board
- the Organization is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Organization
- there is fiscal dependency by the organization on the Organization
- it would be misleading or cause the financial statements to be incomplete to exclude another organization

Based on these criteria, the Organization has no component units. Additionally, the Organization is not a component unit of any other reporting entity as defined by the GASB statement.

**NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**A. Significant Accounting Policies (Continued)**

**4. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

Government-Wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

These statements distinguish between the governmental and business-type activities of the Organization. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-Type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Organization's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Organization does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The Fund Financial Statements provide information about the Organization's fund, with separate statements presented for each fund category. The emphasis of fund financial statements is on major government funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The Organization reports the following major governmental funds:

General Fund. This is the Organization's primary operating fund. It accounts for all financial resources of the Organization not accounted for and reported in another fund.

Non-Major Governmental Funds:

The Organization does not have any non-major governmental funds.

**b. Measurement Focus, Basis of Accounting**

Government-Wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

**NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**A. Significant Accounting Policies (Continued)**

**b. Measurement Focus, Basis of Accounting (continued)**

Nonexchange transactions, in which the Organization gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Government Fund Financial Statements: Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Organization does not consider revenues collected after its fiscal year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The Organization has chosen to apply future FASB standards.

**c. Implementation of GASB Pronouncements**

Effective June 30, 2015, the Organization implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (GASB Statement No. 68), and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* (GASB Statement No. 71). GASB Statement No. 68 requires that the Organization record the Net Pension Liability or Asset of its defined benefit pension plan as of the measurement date. GASB Statement No. 71 relates to amounts that are deferred and amortized at the time GASB Statement No. 68 is first implemented. Additional information is provided in the footnotes and the Required Supplementary Information.

**NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**A. Significant Accounting Policies (Continued)**

**5. Assets, Liabilities, and Equity**

**a. Cash**

Cash consists of cash on hand and cash in banks. As of June 30, 2015, the Organization's cash was deposited in two financial institutions.

**b. Accounts Receivable**

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

**c. Use of Estimates**

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

**d. Prepaid Expenditures**

The Organization has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefitting period. The Organization has chosen to report the expenditure during the benefitting period.

**e. Capital Assets**

Property and equipment are recorded at acquisition cost less accumulated depreciation, if purchased, or the fair value on the date received, if donated. The cost of routine maintenance and repairs is expensed as incurred. Expenditures 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 three to ten years, or over the term of the lease for leasehold improvements, if less. The Organization follows the practice of capitalizing all expenditures for property and equipment items over \$5,000.

**f. Compensated Absences**

No accrual for compensated absences is necessary for the Organization's faculty/staff because the summer months, during which classes are not in session, are considered employees' vacation. The administrative employees of the Organization follow the same schedule as the teachers and other employees of the Organization; therefore, no compensated absences accrual for any employees of the Organization is appropriate.

**NASHVILLE CLASSICAL CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**A. Significant Accounting Policies (Continued)**

**5. Assets, Liabilities, and Equity (continued)**

**g. Obligations**

In the government-wide financial statements, debt and other obligations are reported as liabilities in the applicable governmental activities and the statement of net position.

In the fund financial statements, any obligations secured by capital assets would not be reflected.

**h. In-Kind Contributions**

The Organization recognizes various types of in-kind contributions received in the course of daily operations, including professional services, supplies and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are capitalized at fair value when received.

**i. Grant Revenue**

The Organization received Federal financial assistance through state agencies. The expenditure of funds received under these programs generally required 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 Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Organization as of June 30, 2015.

**j. Income Taxes**

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3). It is, however, subject to income taxes from activities unrelated to its tax-exempt purpose. The Organization uses the same accounting methods for tax and financial reporting.

Generally accepted accounting principles (GAAP) provides accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years after they are filed.

**NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**A. Significant Accounting Policies (Continued)**

**5. Assets, Liabilities, and Equity (continued)**

**k. Fund Balance Reserves and Designations**

The Organization has adopted GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines the different types of fund balances that a governmental entity must use for financial purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balances categories listed below:

- *Nonspendable*, such as fund balance associated with revolving funds, inventories, prepaids, long-term loans and notes receivable, and property held for resale.
- *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* fund balance classification includes amounts that can be used for the specific purposes determined by a formal action of the Board of Directors.
- *Assigned* fund balance classification are intended to be used by the entity for specific purposes, but do not meet the criteria to be classified as restricted or committed.
- *Unassigned* fund balance is the residual classification for the entity's general fund and includes all spendable amounts not contained in the other classification.

When the Organization incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Organization's policy to use restricted resources first, then unrestricted resources.

When the Organization incurs an expenditure or expense for which committed, assigned, or unassigned amounts may be used, it is the Organization's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts.

**l. Minimum Fund Balance Policy**

The Organization is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures.

**m. Functional Allocation of Expenses**

The costs of providing the program services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services based on employees' time incurred and management's estimates of the usage of resources.

**n. Budgetary Comparison Statement**

The Organization is not required to adopt a legally binding budget; therefore no budgetary comparison statement of the General Fund has been presented.

**NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**B. Cash**

Cash at June 30, 2015, consisted of the following:

Cash in banks	\$ 1,237,124
Total	<u>\$ 1,237,124</u>

Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Organization maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. At June 30, 2015, the Organization had \$736,348 in excess of FDIC insured limits.

**C. Accounts Receivable**

Accounts receivable as of June 30, 2015, consist of the following:

	<u>General Fund</u>
Federal Government:	
Federal Programs	\$ 24,321
Total accounts receivable	<u>\$ 24,321</u>

**D. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Beginning 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending 2015</u>
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ 234,255	\$ -	\$ 234,255
Total capital assets, not being depreciated	<u>-</u>	<u>234,255</u>	<u>-</u>	<u>234,255</u>
Capital assets, being depreciated:				
Computer equipment	23,168	18,491	-	41,659
Furniture and fixtures	14,180	24,060	-	38,240
Total capital assets, being depreciated	<u>37,348</u>	<u>42,551</u>	<u>-</u>	<u>79,899</u>
Less accumulated depreciation for:				
Computer equipment	(4,286)	(13,823)	-	(18,109)
Furniture and fixtures	(2,600)	(7,295)	-	(9,895)
Total accumulated depreciation	<u>(6,886)</u>	<u>(21,118)</u>	<u>-</u>	<u>(28,004)</u>
Capital assets, net of depreciation	<u>\$ 30,462</u>	<u>\$ 21,433</u>	<u>\$ -</u>	<u>\$ 286,150</u>
Governmental activities:				
General and administrative				\$ 21,118
Total depreciation				<u>\$ 21,118</u>

During the fiscal year ended June 30, 2015, \$21,118 was charged to depreciation expense.



**NASHVILLE CLASSICAL CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**E. Long-Term Obligations**

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the fiscal year ended June 30, 2015, are as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Note payable	\$ -	\$ 975,000	\$ -	\$ 975,000	\$ -
Total Governmental Activities	\$ -	\$ 975,000	\$ -	\$ 975,000	\$ -

**2. Note Payable**

On June 10, 2015, the Organization entered into a promissory note for \$975,000 with Avenue Bank, at 4.50% per annum, with monthly installments of principal and interest of \$15,406 through May 20, 2022. The purpose of the loan is to fund leasehold improvements on a 1.47 acre site located at 1310 Ordway Place, Nashville TN 37206. The outstanding balance was \$975,000 for the fiscal year ended June 30, 2015.

Debt service requirements for the note payable are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ -	\$ 44,606	\$ 44,606
2017	162,190	43,922	206,112
2018	150,906	33,971	184,877
2019	157,937	26,940	184,877
2020	165,244	19,634	184,878
2021-2022	338,723	15,705	354,428
	<u>\$ 975,000</u>	<u>\$ 184,778</u>	<u>\$ 1,159,778</u>

**F. Revolving Line of Credit**

On March 20, 2015, the Organization entered into an unsecured revolving line of credit for \$100,000 with Avenue Bank, at prime rate (3.25% at June 30, 2015) plus one percentage point or 4.25%. The line of credit matures March 19, 2016. The outstanding balance was \$0 for the fiscal year ended June 30, 2015.

**NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**G. Operating Leases**

The Organization has entered into operating leases for facilities with lease terms in excess of one year. These agreements contain no purchase options. The agreements are non-cancelable lease. Future minimum lease payments under this agreement are as follow:

Year Ending June 30,	Lease Payments
2016	\$ 122,594
2017	125,046
2018	127,547
2019	130,098
2020	132,699
2021 - 2025	704,385
Total future minimum payments	<u>\$ 1,342,369</u>

The Organization will receive no sublease rental revenues nor pay any contingent rentals associated with these leases. As stated in the rental agreement, the Organization shall be entitled to credit against the rent an amount equal to the tenant improvement expenditures. Rent expense for the fiscal year ended June 30, 2015, was \$114,765.

**H. Retirement Plan**

**1. Pension**

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

**2. Plan Description**

Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of Davidson County Charter Schools 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 costsharing, 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](http://www.treasury.tn.gov/tcrs).

**NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**H. Retirement Plan (continued)**

**3. Benefits Provided**

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

**4. Contributions**

Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Organization for the year ended June 30, 2015 and June 30, 2014 to the Teacher Legacy Pension Plan were \$72,254 and \$43,722, respectively, 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.

**5. Pension Asset**

At June 30, 2014, the Organization reported an asset of \$1,924 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Organization's proportion of the net pension liability was based on the Organization's employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, The Organization's proportion was 0.33474 percent. The proportion measured as of June 30, 2013 was 0.176430 percent.

**NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

H. Retirement Plan (continued)

6. Pension Expense

For the year ended June 30, 2015, the Organization recognized a pension expense of \$3,649.

7. Deferred outflows of resources and deferred inflows of resources

For the year ended June 30, 2015, the Organization reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,671	\$ -
Net difference between projected and actual earning on pension plan investments	-	158,544
Changes in proportion of Net Pension Asset	31,793	-
Contributions subsequent to the measurement date of June 30, 2014	72,254	-
Total	<u>\$ 108,718</u>	<u>\$ 158,544</u>

The Organization's employer contributions of \$72,254 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Year Ended June 30
2016	\$ (33,559)
2017	(33,559)
2018	(33,559)
2019	(33,559)
2020	6,077
Thereafter	6,077

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

**NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

H. Retirement Plan (continued)

8. Actuarial assumptions

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

Inflation	3 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, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>	<b>Target Allocation</b>
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%
	<b>Total</b>	<b>100%</b>

**NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**H. Retirement Plan (continued)**

**8. Actuarial assumptions (continued)**

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.

**9. Discount rate**

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.

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

The following presents the Organization's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Organization'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:

	<b>1% Decrease 6.50%</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase 8.50%</b>
Organization's proportionate share share of the net pension liability (asset)	\$ 324,543	\$ (1,924)	\$ (272,204)

**11. Pension plan fiduciary net position**

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

**12. Payable to the pension plan**

At June 30, 2015, the Organization reported a payable of \$11,599 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

**I. Commitments and Contingencies**

**State and Federal Allowances, Awards, and Grants**

The Organization has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grant, management believes that any required reimbursement will not be material.

**NASHVILLE CLASSICAL CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015**

**J. Prior Period Adjustment**

The beginning net position of Governmental Activities has been adjusted in order to record the Organization's proportionate share of net pension liability and deferred outflows of resources related to pension and is in accordance with GASB Statement No. 68. The effect on the beginning net position is shown on the Statement of Activities as a decrease of \$116,507.

**K. Subsequent Events**

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through December 1, 2015, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

**NASHVILLE CLASSICAL CHARTER SCHOOL**  
**OTHER SUPPLEMENTARY INFORMATION SECTION**  
**JUNE 30, 2015**



**NASHVILLE CLASSICAL CHARTER SCHOOL  
LOCAL EDUCATION AGENCY  
ORGANIZATION STRUCTURE  
JUNE 30, 2015**

Nashville Classical Charter School (Organization) [#0592] was established in 2013. The Organization is currently operating one school and serves grades kindergarten through 2<sup>nd</sup> grade. The location of the school is 1310 Ordway Place, Nashville, TN 37206.

The Board of Directors for the fiscal year ended June 30, 2015, was comprised of the following members:

Governing Board			
Name	Office	Term	Term Expiration
Marcus Williamson	Chairman	3 years	July 2017
David Mansouri	Vice Chairman	3 years	July 2018
Jane Meneely	Treasurer	3 years	July 2016
Dawn Cornelius	Secretary	2 years	January 2016
Miranda Christy	Board Member	3 years	January 2016
LoLita Toney	Board Member	2 years	July 2018
Christian Paro	Board Member	3 years	July 2018
Don Hardin	Board Member	3 years	July 2017
Mike Lovett	Board Member	3 years	July 2017
Heather Stewart	Board Member	3 years	July 2015

Administration	
Name	Position
Charlie Friedman	Head of School
Lucie Rhoads	Director of Operations

**NASHVILLE CLASSICAL CHARTER SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>Federal Grantor/ Pass-Through Entity Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Direct:			
Passed through Tennessee Department of Education:			
School Breakfast Program	10.553	N/A	\$ 40,731
National School Lunch Program	10.555	N/A	77,166
National School Afterschool Snacks Program	10.555	N/A	23,829
<b>Total U.S. Department of Agriculture</b>			<u>141,726</u>
<b>U.S. Department of Education</b>			
Direct:			
Passed through Tennessee Department of Education:			
Title 1 Grants to Local Educational Agencies	84.010	N/A	113,737
Special Ed: IDEA Basic Local Assistance Entitlement, Part B, Sec 611	84.027	N/A	15,124
<b>Total U.S. Department of Education</b>			<u>128,861</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 270,587</u>

**NOTE ON BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards included the federal grant activity of the Nashville Classical Charter School, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133: *Audits of States, Local Governments, and Non-Profit Organizations*.

**NASHVILLE CLASSICAL CHARTER SCHOOL  
SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION ASSET  
TEACHER LEGACY PENSION PLAN OF TCRS  
FISCAL YEAR ENDED JUNE 30, 2015**

	<u>2014</u>
Organization's proportion of the net pension asset	0.033475%
Organization's proportionate share of the net pension asset	\$ 1,924
Organization's covered-employee payroll	\$ 467,008
Organization's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.41%
Plan fiduciary net position as a percentage of the total pension liability	100.08%

\*The amounts presented were determined as of June 30 of the prior fiscal year.

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.

**NASHVILLE CLASSICAL CHARTER SCHOOL  
SCHEDULE OF CONTRIBUTIONS  
TEACHER LEGACY PENSION PLAN OF TCRS  
FISCAL YEAR ENDED JUNE 30, 2015**

	<b>2014</b>	<b>2015</b>
Actuarially Determined Contribution (ADC)	\$ 41,273	\$ 72,254
Contribution in relation to the actuarially determined contribution	\$ 41,273	\$ 72,254
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
Organization's covered-employee payroll	\$ 467,008	\$ 795,365
Contributions as a percentage of the Organization's covered-employee payroll	8.84%	9.08%

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.

**NASHVILLE CLASSICAL CHARTER SCHOOL**  
**OTHER INDEPENDENT AUDITORS' REPORTS SECTION**  
**JUNE 30, 2015**



**Rotherham & Co.**

Certified Public Accountants

[rotherhamco.com](http://rotherhamco.com)

**INDEPENDENT AUDITORS' 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**

Board of Directors  
Nashville Classical Charter School  
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 major fund of Nashville Classical Charter School (a nonprofit organization), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 1, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Nashville Classical Charter 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Nashville Classical Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of Nashville Classical Charter School's internal control.

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

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

**INDEPENDENT AUDITORS' 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**

**Page 2**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Nashville Classical Charter 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 *Government Auditing Standards*.

**Purpose of this Report**

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

*Rotherham & Co.*

San Diego, California  
December 1, 2015

**NASHVILLE CLASSICAL CHARTER SCHOOL**  
**FINDINGS AND RECOMMENDATIONS SECTION**  
**JUNE 30, 2015**



**NASHVILLE CLASSICAL CHARTER SCHOOL  
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the financial statements of Nashville Classical Charter School.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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.
3. No instances of noncompliance material to the financial statements of Nashville Classical Charter School, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. Nashville Classical Charter School did not have over \$500,000 in Federal Expenditures. Therefore, a Single Audit was not performed.

**FINDINGS – FINANCIAL STATEMENT AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

Not applicable -- The Organization did not have over \$500,000 in Federal Expenditures.

**NASHVILLE CLASSICAL CHARTER SCHOOL  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

<b><u>Findings/Recommendation</u></b>	<b><u>Current Status</u></b>	<b><u>Management's Explanation If Not Implemented</u></b>
None	N/A	N/A