VALOR COLLEGIATE ACADEMIES

FINANCIAL STATEMENTS

June 30, 2015

For the Following Charter Schools:

Valor Collegiate Flagship
Valor Collegiate Voyager

VALOR COLLEGIATE ACADEMIES

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FRASIERDEAN HOWARDCPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Valor Collegiate Academies
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of charter schools comprised of Valor Collegiate Flagship and Valor Collegiate Voyager, collectively Valor Collegiate Academies as of June 30, 2015, and for the period from September 1, 2013 (date operations commenced) through June 30, 2015, and the related notes to the financial statements, which collectively comprise the Valor Collegiate Academies' 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 of 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Valor Collegiate Academies as of June 30, 2015, and the respective changes in financial position for the period from September 1, 2013 (date operations commenced) through June 30, 2015, 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 4 – 8 and the Schedule of Employer Contributions on page 30 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 Valor Collegiate Academies' basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by the State of Tennessee Comptroller of the Treasury, *Audit Manual for Local Governmental Units and Recipients of Grant Funds* and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and State Financial Assistance is the responsibility of management and 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 Schedule of Expenditures of Federal Awards and State Financial Assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015, on our consideration of Valor Collegiate Academies' internal control over financial reporting and 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 Valor Collegiate Academies' internal control over financial reporting and compliance.

Frasier, Dean & Howard, PLLC

Nashville, Tennessee
December 23, 2015

VALOR COLLEGIATE ACADEMIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
Twenty-Two Month Period Ended June 30, 2015

Our discussion and analysis of Valor Collegiate Academies' (herein referred to as the "Organization") annual financial performance provides an overview of the Organization's financial activities for the period ended June 30, 2015. This section should be read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Organization exceeded its liabilities and deferred inflows of resources by $1,344,705
- Net position increased $1,344,705 during the period
- Outlays for new capital assets totaled $3,510,543
- Total revenues of $4,157,744 were comprised of District Funds – 32%, Federal and State Grants – 10%, and Private Contributions/Other Income – 58% for the period ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Reporting the Organization as a Whole

The statement of net position and statement of activities:

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

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

Reporting the Organization's Funds

Fund Financial Statements:

The Organization's fund financial statements, the balance sheet and the statement of revenues, expenditures and changes in fund balances, begin on page 11. They provide detailed information about the Organization's most significant funds, not the Organization as a whole. Funds are established by the Organization to help manage money for particular purposes and compliance with various grant provisions.

The Organization's funds are categorized as "governmental funds." Governmental funds focus on how money flows into and out of the funds and the balances left at period-end that are available for spending in future periods. Fund financial statements are reported using an accounting method called "modified accrual" accounting, which measures cash and other financial assets that can readily be converted to cash. This basis of accounting is different from the accrual basis used in the government-wide financial statements to report on the Organization as a whole. The relationship between governmental activities, as reported in the statement of net position and the statement of activities, and governmental funds, as reported in the balance sheet and the statement of revenues, expenditures and changes in fund balances is reconciled in the basic financial statements on pages 12 and 14.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The Organization's assets and deferred outflows of resources exceeded the Organization's liabilities and deferred inflows of resources at the close of the period, resulting in net position of $1,344,705.

As of June 30, 2015, the Organization had invested $3,510,543 in capital assets. This investment includes buildings and improvements, instructional and support furniture, instructional computers for teachers, student computer labs, and maintenance equipment for instructional purposes. The Organization expects additional capital asset investments in the 2015-2016 school year as student enrollment increases at each grade level. With the additional students there will be continued requirements for furniture, computers and equipment.

The Organization has purchased its facilities through the issuance of long-term debt. The Organization had $4,850,000 of outstanding debt at June 30, 2015.

Additional information on capital assets is located in the notes to the financial statements.

A summary of the Organization's net position is as follows as of June 30, 2015:

Current assets	$ 1,536,202
Restricted assets	1,546,409
Capital assets, net	3,417,964
Total assets	6,500,575
Deferred outflows of resources	81,556
Current liabilities	387,426
Long-term debt	4,850,000
Total liabilities	5,237,426
Net position:	
Net investment in capital assets	761,378
Restricted	1,546,409
Unrestricted	(963,082)
Total net position	$ 1,344,705

Changes in Net Position

The Organization's total net position increased $1,344,705 during the period ended June 30, 2015. The increase in the Organization's net position indicates that the Organization had more incoming revenues than outgoing expenses during the period. The Organization budgeted an increase of approximately $900,000 for the period. Total revenues generated from government grants, governmental funds, foundation grants and other sources were $4,157,744 during the period from September 1, 2013 (date operations commenced) through June 30, 2015.

A schedule of the Organization's revenue and expenses is as follows for the period from September 1, 2013 (date operations commenced) through June 30, 2015:

Revenues:	
District funding	$ 1,336,342
Federal and state funding	428,984
Contributions	2,366,851
Other	25,567
	4,157,744
Expenses:	
Salaries, wages and benefits	1,621,622
Contracted services	770,677
Supplies and materials	204,383
Depreciation	92,579
Debt service	69,359
Insurance	33,647
Equipment and maintenance	20,772
	2,813,039
Change in net position	$ 1,344,705

FINANCIAL ANALYSIS OF THE ORGANIZATION'S FUNDS

The Organization's funds, as presented on the balance sheet on page 11 reported a fund balance of $2,695,185. All of the Organization's funds are in the general fund. Due to the different basis of accounting, there is a difference between the amounts reported under the Organization's funds and the amounts reported as school wide. For the June 30, 2015 period end, the difference consists of capital assets, net pension asset, deferred inflows of resources, and deferred outflows of resources which are not reported in the Organization's funds.

ORGANIZATION ACTIVITIES

The Organization exists to prepare a diverse student population for success in college and to empower each other to live inspired, purposeful lives. It offers a rigorous, college preparatory program in which students of all previous preparation levels will find success. Significant time and resources are invested into programs that develop scholars' social-emotional skills, character strengths, and physical health.

The Organization believes that its diversity makes it strong; that it enrolls families, not just scholars; that everyone deserves the opportunity to fulfill their potential and captain their destinies; that our humanity is found through relationships with others; that greatness comes from having a growth mindset and that effort, more than talent, matters in the end; that social justice is everyone's responsibility; that excellence is a habit developed through perfect practice; that great schools are fueled by joy; that everything can be done with kindness; and that it takes valor to be the best you can be.

The Organization's founding class of scholars achieved significant academic results in fiscal year 2015. Valor Flagship Academy had the highest overall 5^{th} grade achievement scores of all middle schools in Nashville. Furthermore, Valor Flagship Academy was the only middle school in Tennessee to be ranked in the top 1% of schools for both achievement and growth. Out of the 49 middle schools in Davidson County, Valor Flagship Academy was the only school to achieve 5 out of 5 in achievement and growth for all tested subjects.

STUDENT ENROLLMENT FACTORS AND NEXT YEAR'S BUDGET

Fiscal year 2016 enrollment is projected to be 705 and will include grades 5 – 7 at each school. The Organization anticipates an increase in total Basic Education Program ("BEP") funding as a result of increased enrollment. As the Organization continues to grow, it is expected that added administrative staff, teachers, and other key personnel within the Organization will continue to provide the support necessary to accomplish our mission.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

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 Metropolitan Nashville Public Schools with a general overview of the Organization's finances and to demonstrate the Organization's accountability of the money it receives. If you have questions about this report or need additional financial information, contact the Organization's Director of Operations, Dan Greenberg, at Valor Collegiate Academies, 4527 Nolensville Pike, Nashville, TN 37211, by telephone at (615) 823-7982 or email at dgreenberg@valorcollegiate.org.

VALOR COLLEGIATE ACADEMIES
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities
Assets:	
Cash and cash equivalents	$ 1,424,831
Government grants receivable	82,750
Other receivables	8,025
Other current assets	20,596
Restricted cash	1,546,409
Capital assets, net	3,417,964
Total assets	6,500,575
Deferred outflows of resources:	
Deferred outflows related to pension	81,556
Total deferred outflows of resources	81,556
Liabilities:	
Accounts payable	128,536
Accrued expenses	152,575
Advance contributions and grants	106,315
Long-term debt, due within one year	675,235
Long-term debt, due in more than one year	4,174,765
Total liabilities	5,237,426
Net position:	
Net investment in capital assets	761,378
Restricted	1,546,409
Unrestricted	(963,082)
Total net position	$ 1,344,705

See accompanying notes.

VALOR COLLEGIATE ACADEMIES
STATEMENT OF ACTIVITIES
For the Period Ended June 30, 2015

		Functions		
	Total	**Student Instruction and Services**	**Administration**	**Fundraising**
Expenses:				
Salaries, wages and benefits	$ 1,621,622	$ 1,167,788	$ 395,974	$ 57,860
Contracted services	770,677	513,024	257,527	126
Supplies and materials	204,383	185,168	19,215	-
Depreciation	92,579	69,434	23,145	-
Debt service	69,359	52,019	17,340	-
Insurance	33,647	1,443	32,204	-
Equipment and maintenance	20,772	20,772	-	-
Total expenses	2,813,039	2,009,648	745,405	57,986
Program revenues:				
Program specific operating grants and contributions	400,984	400,984	-	-
Capital grants and contributions	28,000	28,000	-	-
Charges for services	15,479	15,479	-	-
Net program expenses	2,368,576	$ 1,565,185	$ 745,405	$ 57,986
General revenues:				
Contributions	2,366,851			
District funding	1,336,342			
Other income	10,088			
Total general revenues	3,713,281			
Change in net position	1,344,705			
Net position - beginning of period	-			
Net position - end of period	$ 1,344,705			

See accompanying notes.

VALOR COLLEGIATE ACADEMIES
BALANCE SHEET
June 30, 2015

	Valor Collegiate Flagship	Valor Collegiate Voyager	Total Governmental Funds
Assets			
Assets:			
Cash and cash equivalents	$ 1,424,831	$ -	$ 1,424,831
Government grants receivable	82,750	-	82,750
Other receivables	8,025	-	8,025
Due from other funds	-	174,683	174,683
Other current assets	20,596	-	20,596
Restricted cash	1,546,409	-	1,546,409
Total assets	$ 3,082,611	$ 174,683	$ 3,257,294
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ 128,536	$ -	$ 128,536
Accrued expenses	152,575	-	152,575
Advance contributions and grants	6,315	100,000	106,315
Due to other funds	174,683	-	174,683
Total liabilities	462,109	100,000	562,109
Fund balances:			
Nonspendable	20,596	-	20,596
Restricted	1,546,409	-	1,546,409
Unassigned	1,053,497	74,683	1,128,180
Total fund balances	2,620,502	74,683	2,695,185
Total liabilities and fund balances	$ 3,082,611	$ 174,683	$ 3,257,294

See accompanying notes.

VALOR COLLEGIATE ACADEMIES
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2015

Total Governmental Fund Balances	$	2,695,185
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund balance sheet.		3,417,964
Amounts reported as deferred outflows or resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Deferred outflows of resources related to pensions		81,556
Long-term debt reported in governmental activities is not reported in the governmental fund balance sheet.		(4,850,000)
Net Position of Governmental Activities	$	1,344,705

See accompanying notes.

VALOR COLLEGIATE ACADEMIES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
For the Period Ended June 30, 2015

	Valor Collegiate Flagship	Valor Collegiate Voyager	Total Governmental Funds
Program revenues:			
Federal and state grants	$ 303,984	$ 125,000	$ 428,984
Educational charges	15,479	-	15,479
General revenues:			
Contributions	2,366,851	-	2,366,851
District funding	1,336,342	-	1,336,342
Other income	10,088	-	10,088
Total revenues	4,032,744	125,000	4,157,744
Expenditures:			
Current:			
Student instruction and services	1,906,382	40,533	1,946,915
Administration	650,735	73,759	724,494
Fundraising	50,540	10,708	61,248
Debt service:			
Interest	44,042	25,317	69,359
Capital outlays	1,840,196	1,670,347	3,510,543
Total expenditures	4,491,895	1,820,664	6,312,559
Other financing sources:			
Issuance of debt	3,079,653	1,770,347	4,850,000
Change in fund balances	2,620,502	74,683	2,695,185
Fund balances - beginning of period	-	-	-
Fund balances - end of period	$ 2,620,502	$ 74,683	$ 2,695,185

See accompanying notes.

VALOR COLLEGIATE ACADEMIES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Period Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	$	2,695,185
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays, reported as expenditures in governmental funds are shown as capital assets in the statement of net position		3,510,543
Depreciation expense on governmental capital assets is included only in the governmental activities in the statement of activities		(92,579)
Long-term debt proceeds provide current financial resources to the governmental funds, but issuance of debt increases long-term obligations for governmental activities		(4,850,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Change in deferred outflows related to pensions		81,556
Change in Net Position of Governmental Activities	$	1,344,705

See accompanying notes.

NOTE 1 – REPORTING ENTITY

These financial statements present the charter schools managed by Valor Collegiate Academies, a Charter Management Organization. For Tennessee reporting purposes, a Charter School Management Organization ("CMO") is defined as a nonprofit entity that operates multiple charter schools at least one of which is in Tennessee. The charter schools included in the accompanying financial statements are Valor Collegiate Flagship ("Flagship") and Valor Collegiate Voyager ("Voyager").

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and procedures followed by Valor Collegiate Academies (the "Organization") are as follows:

Organization

The Organization consists of charter schools within Davidson County, Tennessee and currently operates two schools: Flagship and Voyager. Pursuant to Section 6(1)(a) of the Tennessee Public Charter School Act of 2002 (the "Act"), each school has been approved as a public charter school. Pursuant to the Act, public charter schools are part of the state's public education program offering an alternative means within the public school system for accomplishing necessary outcomes of education.

The Organization entered into a Charter School Agreement with the Metropolitan Nashville Board of Education effective July 1, 2014, to operate Flagship as a charter school in Nashville, Tennessee. The school began classes in August 2014 with fifth grade. Per Flagship's charter agreement, enrollment in the school is open to any student within the Metropolitan Nashville Public Schools ("MNPS") System who resides in Davidson County.

The Organization entered into a Charter School Agreement with the Metropolitan Nashville Board of Education effective January 16, 2015, to operate Voyager as a charter school in Nashville, Tennessee. The school will begin classes in August 2015 with the fifth and sixth grades, and per terms of the charter agreement, will add a grade each year through eighth grade. Per Voyager's charter agreement, enrollment in the school is open to any student within the MNPS System who resides in Davidson County.

Basis of Accounting

The Organization's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The Organization, in accordance with governmental accounting standards, is considered a special purpose governmental entity that is engaged in both governmental and business type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared in the same manner as general purpose governments.

Basic Financial Statements

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

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

The governmental funds financial statements are presented on the modified accrual basis of accounting. Revenues under the modified accrual basis are recognized when measurable and available and expenses are recognized when the related liability is incurred.

Government-wide Financial Statements

The government-wide financial statements focus on the sustainability of the Organization as an entity and the change in the Organization's net position resulting from the current year's activities.

In the government-wide statement of net position, activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The statement of net position presents the financial condition of the Organization at period-end.

Governmental accounting standards require the classification of net position into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements (Continued)

Net investment in capital assets **–** This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances (if any) of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investments in capital assets. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.

Restricted **–** This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted **–** this component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets. When both restricted and unrestricted assets are available for use, it is the Organization's policy to utilize restricted assets first, then unrestricted assets as needed.

The government-wide statement of activities reports both the gross and net cost of the Organization's functions. The functions are also supported by general government revenues (general revenues are primarily made up of district Basic Education Program funding and donations to the general fund). The statement of activities reduces gross expenses by related function revenues, operating and capital grants. Program revenues must be directly associated with the function. The net costs by function are normally covered by general revenue. The Organization allocated indirect cost between functions.

Fund Financial Statements

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

The emphasis on fund financial statements is on the major funds. Nonmajor funds by category are summarized in a single column. Governmental accounting standards set forth minimum criteria for the determination of major funds. The Organization's only major fund is the general fund, which is also the Organization's primary operating fund. It accounts for all financial resources of the Organization, except those required to be accounted for in another fund. All of the Organization's financial resources were accounted for in the general fund as of June 30, 2015.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Fund Financial Statements</u> (Continued)

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

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

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

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

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

Unassigned – This classification consists of all fund balances in the general fund that are not reported as nonspendable, restricted, committed or assigned.

<u>Functional Allocation of Expenses</u>

The costs of providing various programs and other services have been reported on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs, general and administrative and fundraising, based on estimates made by management.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents. As of June 30, 2015, the Organization's cash and cash equivalents were deposited in one financial institution. The Organization routinely maintains deposit balances in excess of federally insured limits with certain financial institutions.

Receivables

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

Capital Assets

Property and equipment are recorded at acquisition cost, if purchased, or the fair value on the date received, if donated. The cost of routine maintenance and repairs is expensed as incurred. 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 seven 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 $500.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Organization had no deferred inflows of resources at June 30, 2015.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants

The Organization received Federal financial assistance through state agencies. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General 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.

Income Taxes

The Organization is a not-for-profit school that is exempt from federal income taxes under the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and is similarly exempt from state income taxes.

Retirement Plans

The Organization participates in the following three defined benefit pension plans:

Certified Employees – Tennessee Consolidated Retirement System ("TCRS")

- Teachers Legacy Pension Plan
- Teachers Retirement Plan

Non-Certified Employees – Metropolitan Government of Nashville and Davidson County, Tennessee ("Metropolitan Government")

- Metro Pension Plan of the Metropolitan Employees Benefit Trust (the "Metro Plan")

For purposes of measuring the applicable net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the TCRS and the Metropolitan Government. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the pension plans. Investments are reported at fair value.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Fair Value of Financial Instruments

The carrying value of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments.

Subsequent Events

The Organization has evaluated subsequent events for potential recognition and disclosure through December 23, 2015, the date the financial statements were available to be issued.

NOTE 3 – CAPITAL ASSETS

Capital assets consist of the following:

	September 1, 2013	Additions	Deletions	June 30, 2015
Buildings and improvements	$ -	$ 1,679,510	$ -	$ 1,679,510
Furniture and fixures	-	104,931	-	104,931
Computer equipment	-	55,755	-	55,755
Construction in progress	-	1,670,347	-	1,670,347
	-	3,510,543	-	3,510,543
Accumulated depreciation	-	(92,579)	-	(92,579)
Capital assets, net	$ -	$ 3,417,964	$ -	$ 3,417,964

NOTE 3 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities:		
Student instruction and services	$	69,434
Administration		23,145
Total governmental activities depreciation expense	$	92,579

NOTE 4 – NOTES PAYABLE

In November 2014, the Organization entered into a loan agreement with Charter School Growth Fund. Under terms of the loan, the Organization received $100,000 to be used for general support and management of the Organization. The note bears interest at 1.00%. The entire principal amount plus any accrued and unpaid interest is due on June 30, 2020; however, under terms of the loan, the note may be forgiven provided the Organization meets certain milestones.

In June 2015, the Organization entered into a loan agreement with Charter School Growth Fund. Under terms of the loan, the Organization received $100,000 to be used for general support and management of the Organization. The note bears interest at 1.00%. The entire principal amount plus any accrued and unpaid interest is due on June 17, 2021; however, under terms of the loan, the note may be forgiven provided the Organization meets certain milestones.

In June 2015, the Organization entered into a loan agreement with Charter School Growth Fund. Under terms of the loan, the Organization received an initial draw of $600,000 to be used for general support and management of the Organization with an additional $300,000 available for draw. The note bears interest at 1.00%. The entire principal amount plus accrued and unpaid interest was paid subsequent to June 30, 2015.

In February 2015, the Organization entered into a loan agreement with Self-Help New Markets XIV, LLC for the purchase of certain real estate. The agreement is secured by a first priority lien on the Organization’s real estate and other personal property. Additionally, the agreement contains restrictive covenants. At June 30, 2015, the Organization was in compliance with these covenants. The note requires monthly interest payments at 4.43% through August 2015. Commencing on September 1, 2015, the note will require monthly principal and interest payments with any remaining principal and accrued and unpaid interest due on December 1, 2022. Amounts outstanding under this note totaled $4,050,000 at June 30, 2015.

NOTE 4 – NOTES PAYABLE (Continued)

Future principal payments on the notes are as follows at June 30, 2015:

Years Ending June 30,		
2016	$	675,235
2017		94,019
2018		98,269
2019		102,712
2020		207,356
Thereafter		3,672,409
	$	4,850,000

NOTE 5 – CONCENTRATIONS

The Organization received 32% of its funding for operations from MNPS based on the State of Tennessee's Basic Education Program ("BEP"). BEP funding is designated to schools based on student attendance. Gross BEP funding for the period ended June 30, 2015 was $1,336,342.

NOTE 6 – RETIREMENT PLANS

Teacher Legacy Pension Plan of TCRS

General Information about the Pension Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of the Organization are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

NOTE 6 – RETIREMENT PLANS (Continued)

Teacher Legacy Pension Plan of TCRS (Continued)

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

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 period ended June 30, 2015 to the Teacher Legacy Pension Plan were $20,777 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.

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

Pension assets/liabilities. Since the measurement date is June 30, 2014, which is prior to the Organization's participation in the Teacher Legacy Pension Plan, there is not a net pension asset/liability to report at June 30, 2015.

NOTE 6 – RETIREMENT PLANS (Continued)

<u>Teacher Legacy Pension Plan of TCRS</u> (Continued)

Pension expense. Since the measurement date is June 30, 2014, the Organization did not recognize a pension expense at June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the period ended June 30, 2015, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
The Organization's contributions subsequent to the Measurement date of June 30, 2014	$ 20,777	not applicable

The Organization's employer contributions of $20,777, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

<u>Teacher Retirement Plan</u>

<u>General Information about the Pension Plan</u>

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 of State Department of Education are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014 are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. 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.

NOTE 6 – RETIREMENT PLANS (Continued)

<u>Teacher Retirement Plan</u> (Continued)

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement 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 for the year ended June 30, 2015 to the Teacher Retirement Plan were $7,247, which is 4 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

<u>Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

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

NOTE 6 – RETIREMENT PLANS (Continued)

Teacher Retirement Plan (Continued)

Pension Expense. Since the measurement date is June 30, 2014, the Organization did not recognize a pension expense at June 30, 2015.

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
The Organization's contributions subsequent to the measurement date of June 30, 2014	$ 7,247	not applicable

The Organization's employer contributions of $7,247 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

Metro Plan

General Information about the Pension Plan

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

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

NOTE 6 – RETIREMENT PLANS (Continued)

Metro Plan (Continued)

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

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

Contributions. The funding policy is to provide for periodic contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. All funding is provided under an actuarially recommended employee contribution rate of 17.987 percent for the non-certificate employees of the Metropolitan Nashville Public Schools, including charter schools, and all other Metropolitan Government employees. Employer contributions for the period ended June 30, 2015 to the Metro Plan were $53,532, which is 17.987 percent of covered payroll.

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

Pension liabilities. Since the measurement date is June 30, 2014, which is prior to the Organization's participation in the Metro Plan, there is not a net pension liability to report at June 30, 2015.

Pension Expense. Since the measurement date is June 30, 2014, the Organization did not recognize a pension expense at June 30, 2015.

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 the Metro Plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
The Organization's contributions subsequent to the measurement date of June 30, 2014	$ 53,532	not applicable

NOTE 6 – RETIREMENT PLANS (Continued)

Metro Plan (Continued)

The Organization's employer contributions of $53,532 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

Payable to the Pension Plans

At June 30, 2015, the Organization reported a payable of $60,803 for outstanding amounts of contributions to the pension plans required for the period ended June 30, 2015.

NOTE 7 – RISK OF LOSS

Cash and Cash Equivalents

Custodial credit risk is the risk, that in the event of bank failure, the Organization's deposits may not be returned to it. The Organization does not have a policy for custodial risk. As of June 30, 2015, the Organization has not experienced any losses in such accounts and considers this to be a normal business risk.

Insurance

The Organization is exposed to various risks of loss similar to a commercial business, such as general liability, errors and omissions, and other situations. The Organization purchases commercial insurance for the significant risks of loss. Settled claims have not exceeded the insurance coverage limits during the Organization's operation.

REQUIRED SUPPLEMENTARY INFORMATION

VALOR COLLEGIATE ACADEMIES
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Period Ended June 30, 2015

Teachers Legacy Pension Plan of TCRS

Actuarially determined contribution (ADC)	$	20,777
Contribution in relation to the actuarially determined contribution		20,777
Contribution deficiency (exess)	$	-
The Organization's covered-employee payroll	$	229,838
Contributions as a percentage of the Organization's covered-employee payroll		9.04%

Teacher Retirement Plan of TCRS

Actuarially determined contribution (ADC)	$	7,247
Contribution in relation to the actuarially determined contribution		7,247
Contribution deficiency (exess)	$	-
The Organization's covered-employee payroll	$	181,178
Contributions as a percentage of the Organization's covered-employee payroll		4.00%

Metro Plan

Actuarially determined contribution (ADC)	$	53,532
Contribution in relation to the actuarially determined contribution		53,532
Contribution deficiency (exess)	$	-
The Organization's covered-employee payroll	$	297,615
Contributions as a percentage of the Organization's covered-employee payroll		17.99%

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.

OTHER INFORMATION

VALOR COLLEGIATE ACADEMIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Period Ended June 30, 2015

Federal Grantor/ State Grantor/ Program Title/ Pass-through Grantor	CFDA#	Contract Number	Balance September 1, 2013	Receipts	Expenditures	Balance June 30, 2015
FEDERAL AWARDS						
U.S. Department of Education:						
Title I Grants to Local Educational Agencies (Passed through Metro Nashville Public Schools)	84.010	N/A	$ -	$ -	$ 35,490	$ 35,490
Improving Teacher Quality (Passed through Metro Nashville Public Schools)	84.367	N/A	-	-	23,261	23,261
Charter Schools (Passed through State of Tennessee Department of Edcuation)	84.282A	N/A	-	260,943	275,000	14,057
Special Education Grants to States (Passed through State of Tennessee Department of Education)	84.027	N/A	-	18,144	18,144	-
Total U.S. Department of Education			-	279,087	351,895	72,808
U.S. Department of Agriculture:						
National School Lunch Program (Passed through State of Tennessee Department of Education)	10.555	N/A	-	39,147	49,089	9,942
Total Federal Awards			-	318,234	400,984	82,750
STATE FINANCIAL ASSISTANCE						
State of Tennessee Department of Education:						
Basic Education Program - Capital Outlay	N/A	N/A	-	28,000	28,000	-
Total State Financial Assistance			-	28,000	28,000	-
Total Federal Awards and State Financial Assistance			$ -	$ 346,234	$ 428,984	$ 82,750

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of Valor Collegiate Academies and is presented on the accrual basis of accouting. The information in this schedule is presented in accordance with the requirements of the State of Tennessee Department of Audit, Audit Manual. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Valor Collegiate Academies
Nashville, Tennessee

We have audited, 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, the financial statements of the governmental activities and each major fund of Valor Collegiate Academies as of and for the period ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Valor Collegiate Academies' basic financial statements, and have issued our report thereon dated December 23, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Valor Collegiate Academies' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Valor Collegiate Academies' internal control. Accordingly, we do not express an opinion on the effectiveness of Valor Collegiate Academies' 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Valor Collegiate Academies' financial statements are free of 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Frasier, Dean & Howard, PLLC

Nashville, Tennessee
December 23, 2015

VALOR COLLEGIATE ACADEMIES
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015

None

VALOR COLLEGIATE ACADEMIES
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2015

None