EAST END PREPARATORY SCHOOL

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2017

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

EAST END PREPARATORY SCHOOL

TABLE OF CONTENTS

EAST END PREPARATORY SCHOOL
ROSTER OF BOARD OF DIRECTORS AND EXECUTIVE STAFF
As of June 30, 2017

Board of Directors

Clay Richards	Chairman of the Board
Lee Ballew	Co-Treasurer
Trea McMillian	Co-Treasurer
Charles Barrett	Board Member
Ben Cundiff	Board Member
Tam Gordon	Board Member
Marilyn Greer	Board Member
Meredith Griffith	Board Member
Greg Hagood	Board Member
Eddie Hamilton	Board Member
Zach Hunt	Board Member
Corinne Kidd	Board Member
Sabrina Miller	Board Member
Tim Sinks	Board Member
Leslie Zmugg	Board Member
Molly Ruberg	Board Intern

Executive Staff

Marsha Edwards	President & CEO
Vickeeta Coleman	Chief Operating Officer
Peter Martino	Chief Talent and Innovation Officer
Jim Leckrone	School Leader

Report of Independent Auditor

To the Board of Directors of
East End Preparatory School
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of East End Preparatory School (the "School"), a division of Martha O'Bryan Center, Inc., as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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

Opinion

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 East End Preparatory School as of June 30, 2017, and the respective changes in financial position for the 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 10, the schedules of proportionate share of the net pension liability (asset) on pages 35 through 37, and the schedule of employer contributions on page 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East End Preparatory School's 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.

The Roster of Board of Directors and Executive Staff has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017, on our consideration of East End Preparatory School's 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 East End Preparatory School's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Nashville, Tennessee
December 27, 2017

EAST END PREPARATORY SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2017

Our discussion and analysis of East End Preparatory School's (herein referred to as the "School") annual financial performance provides an overview of the School's financial activities for the year ended June 30, 2017. This section should be read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the School exceeded its liabilities and deferred inflows of resources by $923,503.

- Net position decreased $442,543 during the year.

- Outlays for new capital assets totaled $33,665.

- Total revenues of $6,665,084 were comprised of District Funds – 92%, Federal and State Grants – 7%, and Private Contributions/Other Income – 1% in fiscal 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Reporting the School as a Whole

The statement of net position and statement of activities:

In general, users of these financial statements want to know if the School is better off or worse off as a result of the year's activities. The statement of net position and statement of activities report information about the School as a whole and about the School's activities in a manner that helps to answer that question. These statements include all assets and liabilities using the accrual basis of accounting. Under the accrual basis, all of the current year's revenue and expenses are taken into consideration regardless of when cash is received or paid. The statements start on page 11.

The statement of net position reports the School's net position (total assets less total liabilities). Private sector entities would report retained earnings. The School'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 School'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 School.

Reporting the School's Funds

Fund Financial Statements:

The School's fund financial statements, the balance sheet and the statement of revenues, expenditures and changes in fund balances, begin on page 13. They provide detailed information about the School's most significant funds, not the School as a whole. Funds are established by the School to help manage money for particular purposes and compliance with various grant provisions.

The School's funds are categorized as "governmental funds". Governmental funds focus on how money flows into and out of the funds and the balances left at year-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 School as a whole. The relationship between governmental activities, as reported in the statement of net position and the statement of activities, and governmental funds, as reported in the balance sheet and the statement of revenues, expenditures and changes in fund balances is reconciled in the basic financial statements on pages 14 and 16.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

The School's assets and deferred outflows of resources exceeded the School's liabilities and deferred inflows of resources at the close of the fiscal year, resulting in net position of $923,503.

As of June 30, 2017, the School had invested $560,679 in capital assets. This investment includes instructional and support furniture, instructional computers for teachers, mobile student computer labs, maintenance equipment and books for instructional purposes. The School expects additional capital asset investments in the 2017-2018 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 School is currently renting educational space from the Metropolitan Government of Nashville. The current lease term runs through June 2025 provided that there is available space in the Dalewood School building not being used by Metropolitan Nashville Public Schools ("MNPS"). It is our understanding that MNPS has no plans to utilize the space for any MNPS operations and is expecting East End Prep to inhabit the entire building by August of 2019.

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

A summary of the School's net position is as follows as of June 30:

	2017	2016
Current assets	$ 1,059,981	$ 1,091,011
Long term receivables	7,850	20,470
Capital assets, net	323,683	385,836
Net pension asset	21,918	-
Total assets	1,413,432	1,497,317
Deferred outflows of resources	561,160	831,440
Current liabilities	433,566	320,044
Net pension liability	278,412	224,701
Total liabilities	711,978	544,745
Deferred inflows of resources	339,111	417,966
Net position:		
Investment in capital assets	323,683	385,836
Restricted	21,918	-
Unrestricted	577,902	980,210
Total net position	$ 923,503	$ 1,366,046

Changes in Net Position

The School's total net position decreased $442,543 during the 2017 fiscal year. The decrease in the School's net position indicates that the School had more outgoing expense than incoming revenues during the year. The School budgeted for a deficit of $38,862 in 2017. Total revenues generated from government grants, governmental funds, foundation grants, and other sources were $6,665,084 during the 2017 fiscal year.

A schedule of the School's revenues and expenses is as follows for the years ended June 30:

	2017	2016
Revenues:		
District funding	$ 6,131,751	$ 4,720,131
Federal and state funding	476,629	337,120
Other	38,028	40,370
Contributions	18,676	97,619
	6,665,084	5,195,240

Expenses:		
Salaries, wages, and benefits	4,957,729	3,277,422
Transportation	704,342	378,714
Occupancy cost	588,131	316,437
Professional and service fees	229,455	207,162
Instruction	168,124	94,886
Uniforms, licenses, and miscellaneous	141,516	168,540
Office expense	99,446	53,289
Depreciation	95,818	71,504
Staff development	42,132	55,181
Insurance	40,296	33,796
Food services	36,199	26,546
Communication	4,439	6,290
	7,107,627	4,689,767
Change in net position	$ (442,543)	$ 505,473

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The School's funds, as presented on the balance sheet on page 13 reported total fund balances of $634,265. All of the School's funds are in the general fund. Due to the different basis of accounting, there is a difference between the amounts reported under the School's funds and the amounts reported as school wide. For the June 30, 2017 year-end, the difference consists of capital assets, net pension asset, net pension liability, deferred inflows of resources, and deferred outflows of resources which are not reported in the School's funds.

SCHOOL ACTIVITIES

The School submitted an application for a charter to Metropolitan Nashville Public Schools ("MNPS") in May 2010 under the sponsorship of Martha O'Bryan Center. The application for charter was approved in August 2011. The School opened in August 2011 with kindergarten, growing one year at a time to eventually educate K – 8 grades. The School has developed a highly successful program to serve students who need us the most and who we were founded to serve – students residing in Nashville's lowest income and most educationally underserved communities. Our mission is to cultivate both the academic skills and character our students need to succeed in rigorous middle and high schools and colleges, and to become responsible and productive citizens in the world beyond.

The School's success is due to close study and application of best practices from proven high performing charter schools like Rocketship, Northstar, Achievement First, Girls Prep, and Aspire. The founders of the School took practices from these schools and integrated them into a model that fits the students that we serve – predominately low income students (85% of the School's students qualify for free and reduced lunch) from the lowest performing cluster in the school district.

The foundational beliefs that make the School successful are reflected in our core values listed below:

High Expectations
The School has high expectations for our students, parents, faculty, and staff. We do whatever it takes to meet those expectations and do not make excuses or place blame along the way.

Leadership
The success of our students is directly linked to the quality of our teachers and staff. We employ only the highest quality teachers and staff, all of whom live our core values every day. We provide full support and excellent professional development to cultivate growth.

Family
Parents are at the core of a child's success in school. Parents are team members at the School and play an active role in not only the success of the student but the entire school community.

Continuous Improvement
The School is driven by results. Student success is the indicator that drives our decision-making. We continually assess the effectiveness of what we do and adjust our practice based on results. We are continuously learning and searching for the best and most effective ways to achieve our goals.

Equality
Socioeconomic status, ethnicity, or backgrounds do not determine a student's success. We believe that all students can achieve at high levels through quality instruction and challenging curricula coupled with the proper amount of support and guidance to benefit all unique learning styles.

College
The School expects all of our students to go to college from the day they enroll. We foster and cultivate that belief in our students and parents every day.

Leading by Example
Teachers and staff model good character and strong work ethic to set the tone for our school community. Teachers and staff demonstrate on a daily basis the characteristics that will lead to the fruition of our students' success.

In fiscal year 2017, East End Prep took the state TCAP/TNReady test for the second time in the school's history. *Note: in fiscal year 2016 the state cancelled the state test due to administration technology difficulties.*

The results from the fiscal year 2017 state tests were even more phenomenal than previous years. East End Prep scholars scored in the top 5% in the state of Tennessee in both achievement and growth. As a result, the school earned Double Reward status from the state of Tennessee, an honor that only 25 schools in the entire state earned. In addition, only four schools in Metro-Nashville Davidson County earned the double honor; the other 3 schools were academically selective magnet schools that students have to test into.

As part of East End Prep's mission, our goal is that 100% of our students will be proficient or advanced in all subjects before entering high school. East End Prep will continue to improve practices every year to better serve our students every year until our goals are achieved.

STUDENT ENROLLMENT FACTORS AND NEXT YEAR'S BUDGET

Fiscal year 2018 enrollment is projected to be 760 and will include grades K – 6. The School anticipates an increase in total Basic Education Program ("BEP") funding as a result of increased enrollment. As the School continues to grow, it is expected that added administrative staff, teachers, and other key personnel within the School will continue to provide the support necessary to accomplish our mission.

CONTACTING THE SCHOOL'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 School's finances and to demonstrate the School's accountability of the money it receives. If you have questions about this report or need additional financial information, contact the School's Chief Operating Officer, Vickeeta Coleman, at Martha O'Bryan Center, Inc., 711 South Seventh Street, Nashville, TN 37206, by telephone at (615) 254-1791 or email at vcoleman@marthaobryan.org.

EAST END PREPARATORY SCHOOL
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities
Assets:	
Cash and cash equivalents	$ 918,002
Government grants receivable	43,218
Other receivables	38,176
Prepaid expenses	68,435
Capital assets, net	323,683
Net pension asset	21,918
Total assets	1,413,432
Deferred outflows of resources:	
Deferred outflows related to pensions	561,160
Total deferred outflows of resources	561,160
Liabilities:	
Accounts payable	136,971
Accrued liabilities	287,163
Due to Martha O'Bryan Center, Inc.	9,432
Net pension liability	278,412
Total liabilities	711,978
Deferred inflows of resources:	
Deferred inflows related to pensions	339,111
Total deferred inflows of resources	339,111
Net position:	
Net investment in capital assets	323,683
Restricted	21,918
Unrestricted	577,902
Total net position	$ 923,503

See accompanying notes.

EAST END PREPARATORY SCHOOL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

		Functions		
	Total	Student Instruction and Services	Administration	Fundraising
Expenses:				
Salaries, wages, and benefits	$ 4,957,729	$ 4,610,688	$ 347,041	$ -
Transportation	704,342	704,342	-	-
Occupancy cost	588,131	529,318	58,813	-
Professional and service fees	229,455	142,630	82,825	4,000
Instructional	168,124	168,124	-	-
Uniforms, licenses, and miscellaneous	141,516	45,843	95,673	-
Office expense	99,446	90,763	8,683	-
Depreciation	95,818	94,074	1,744	-
Staff development	42,132	19,597	22,535	-
Insurance	40,296	31,834	8,462	-
Food services	36,199	34,028	2,171	-
Communication	4,439	1,679	2,760	-
Total expenses	7,107,627	6,472,920	630,707	4,000
Program revenues:				
Program-specific operating grants and contributions	519,979	519,979	-	-
Net program expenses	6,587,648	$ 5,952,941	$ 630,707	$ 4,000
General revenues:				
District funding	6,131,751			
Other revenues	13,354			
Total general revenues	6,145,105			
Change in net position	(442,543)			
Net position - beginning of year	1,366,046			
Net position - end of year	$ 923,503			

See accompanying notes.

EAST END PREPARATORY SCHOOL
BALANCE SHEET
June 30, 2017

		General Fund
Assets		
Assets:		
Cash and cash equivalents	$	918,002
Government grants receivable		43,218
Other receivables		38,176
Prepaid expenses		68,435
Total assets	$	1,067,831
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	$	136,971
Accrued liabilities		287,163
Due to Martha O'Bryan Center, Inc.		9,432
Total liabilities		433,566
Fund balances:		
Nonspendable:		
Prepaid expenses		68,435
Long term receivables		7,850
Unassigned		557,980
Total fund balances		634,265
Total liabilities and fund balances	$	1,067,831

See accompanying notes.

EAST END PREPARATORY SCHOOL
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2017

Total Governmental Fund Balances	$	634,265
Amounts reported for governmental activities in the statements 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.		323,683
Net pension assets are not current financial resources and are, therefore, not reported in the governmental fund balance sheet.		21,918
Net pension liabilities are not current financial resources and are, therefore, not reported in the governmental fund balance sheet.		(278,412)
Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Deferred outflows of resources related to pensions		561,160
Deferred inflows of resources related to pensions		(339,111)
Net Position of Governmental Activities	$	923,503

See accompanying notes.

EAST END PREPARATORY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

Revenues:	
District funding	$ 6,131,751
Federal and state funding	476,629
Other income	38,028
Contributions	18,676
Total revenues	6,665,084
Expenditures:	
Current:	
Student instruction and services	6,171,253
Administration	613,338
Fundraising	4,000
Capital outlays	33,665
Total expenditures	6,822,256
Change in fund balances	(157,172)
Fund balances - beginning of year	791,437
Fund balances - end of year	$ 634,265

See accompanying notes.

EAST END PREPARATORY SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Net Change in Fund Balances - Total	
Governmental Funds	$ (157,172)
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	33,665
Depreciation expense on governmental capital assets is included only in the governmental activities in the statement of activities	(95,818)
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 net pension asset	21,918
Change in net pension liability	(53,711)
Change in deferred outflows related to pensions	(270,280)
Change in deferred inflows related to pensions	78,855
Change in Net Position of Governmental Activities	$ (442,543)

See accompanying notes.

EAST END PREPARATORY SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and procedures followed by East End Preparatory School (the "School") are as follows:

Organization

East End Preparatory School is sponsored by Martha O'Bryan Center, Inc. (the "Center"), a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The School operates as a division of the Center. Accordingly, these financial statements include only the activity of the School and do not present other activity of the Center. Pursuant to Section 6(1)(a) of the Tennessee Public Charter School Act of 2002 (the "Act"), the School has been approved as a public charter school. Pursuant to the Act, public charter schools are part of the state's public education program offering an alternative means within the public school system for accomplishing necessary outcomes of education. The School entered into a Charter School Agreement with the Metropolitan Board of Public Education of Nashville and Davidson County on August 15, 2011 to operate a charter school in Nashville, Tennessee. The School opened in August 2011 with four kindergarten classes and plans to add an additional grade each year culminating with the addition of a eighth grade in the 2019-2020 fiscal year.

Basis of Accounting

The School's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The School, 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 School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). The School's primary activities are all considered to be governmental activities and are classified as such in the government-wide and fund financial statements.

The government-wide financial statements of the School 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide Financial Statements

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

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

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 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 investment in capital assets. When both restricted and unrestricted assets are available for use, it is the School'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 School'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 School allocated indirect cost between functions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self balancing accounts that comprise its assets, liabilities, reserves, fund 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 School's only major fund is the general fund, which is also the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund. All of the School's financial resources were accounted for in the General Fund as of June 30, 2017.

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

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 School intends to use for specific purposes are also classified as assigned. The School gives the authority to assign amounts to specific purposes to the School's Chief Operating Officer and personnel under the supervision of the Chief Operating Officer 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.

Functional Allocation of Expenses

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.

Cash and Cash Equivalents

The School considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents. As of June 30, 2017, the School's cash and cash equivalents were deposited in one financial institution. The School 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 School follows the practice of capitalizing all expenditures for property and equipment items over $500.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School reports the following deferred outflow of resources 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 School also reports the following deferred inflow of resources related to pensions: Differences between expected and actual experience and differences between projected and actual investment earnings.

In-kind Contributions

The School 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.

Grants

The School received Federal financial assistance through state agencies. The expenditure of funds received under these programs generally require 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 School as of June 30, 2017.

Income Taxes

The School 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

Certified Employees – Tennessee Consolidated Retirement System ("TCRS") (Collectively the "TCRS Plans")

- 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, net pension asset, 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.

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 School 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 School has evaluated subsequent events for potential recognition and disclosure through December 27, 2017, the date the financial statements were available to be issued.

NOTE 2 – CAPITAL ASSETS

Capital assets consist of the following:

	June 30, 2016	Additions	Deletions	June 30, 2017
Computer equipment	$ 246,233	$ -	$ -	$ 246,233
Furniture	94,580	-	-	94,580
Machinery and equipment	38,326	33,665	-	71,991
Leasehold improvements	147,875	-	-	147,875
Total	527,014	33,665	-	560,679
Accumulated depreciation	(141,178)	(95,818)	-	(236,996)
Capital assets, net	$ 385,836	$ (62,153)	$ -	$ 323,683

Depreciation expense was charged to functions as follows:

Governmental activities:	
Student instruction and services	$ 94,074
Administration	1,744
Total governmental activities depreciation expense	$ 95,818

NOTE 3 – OPERATING LEASE

The facilities used to provide educational services are provided under a lease agreement renewed annually from the Metropolitan Board of Public Education of Nashville and Davidson County. The lease requires monthly payments of $34,504 through June 30, 2025, subject to annual increases of 2%. Under the terms of the lease, the School paid rent of $414,048 during the year ended June 30, 2017. Expected future minimum lease payments required are as follows:

Year Ending June 30:	
2018	$ 422,333
2019	430,780
2020	439,395
2021	448,183
2022	457,147
Thereafter	1,427,033
	$ 3,624,871

NOTE 4 – CONCENTRATIONS

The School received 92% of its funding for operations from MNPS based on the State of Tennessee's Basic Education Program ("BEP"). BEP funding is designated to schools based on student attendance. Gross BEP funding for the year ended June 30, 2017 was $6,244,751 which includes $113,000 of capital outlay funds to be used for facility rent.

NOTE 5 – 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 School are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five 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% 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%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 1.5%. A 1% COLA is granted if the CPI change is between 1.5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, 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.

NOTE 5 – RETIREMENT PLANS (Continued)

Teacher Legacy Pension Plan of TCRS (Continued)

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% of salary. The 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 School for the year ended June 30, 2017 to the Teacher Legacy Pension Plan were $100,176 which is 9.04% 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. At June 30, 2017, the School reported a liability of $163,590 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the School's proportion was 0.026177%. The proportion measured as of June 30, 2015 was 0.021058%.

Teacher Retirement Plan

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 5 – RETIREMENT PLANS (Continued)

Teacher Retirement Plan (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 five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% 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%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 1.5%. A 1% COLA is granted if the CPI change is between 1.5% and 1%. 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 or by automatic cost controls set out in law. Teachers contribute 5% of salary. The 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%, 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, 2017 to the Teacher Retirement Plan were $46,773, which is 4% 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.

NOTE 5 – RETIREMENT PLANS (Continued)

Teacher Retirement Plan (Continued)

Pension assets. At June 30, 2017, the School reported an asset of $21,918 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. The School's proportion of the net pension asset was based on the School's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016 the School's proportion was 0.210542%. The proportion measured as of June 30, 2015 was 0.150302%.

Teacher Legacy Pension Plan and Teacher Retirement Plan – Actuarial Assumptions

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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, 2016 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.

NOTE 5 – RETIREMENT PLANS (Continued)

Teacher Legacy Pension Plan and Teacher Retirement Plan – Actuarial Assumptions (Continued)

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.5%. 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 all the 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.

NOTE 5 – RETIREMENT PLANS (Continued)

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.

Normal retirement for employees participating in the Metro Plan occurs at the unreduced retirement age which is the earlier of (a) the date when the employee's age plus the completed years of credited service equals 85, but not before age 60; or (b) the date when the employee reaches age 65 and completes 5 years of credited employee service. The lifetime monthly benefit is calculated as 1/12 of the sum of 1.75% of average earnings based upon the previous 60 consecutive months of credit service which produce the highest earnings. Benefits fully best 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 Employee's 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 12.340% for the non-certificate employees of the Metropolitan Nashville Public Schools, including charter schools, and all other Metropolitan Government employees. Employer contributions for the year ended June 30, 2017 to the Metro Plan were $105,457, which is 12.340% of covered payroll.

NOTE 5 – RETIREMENT PLANS (Continued)

Metro Plan (Continued)

Pension liabilities. The School reported a liability of $114,822 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan during the year ended June 30, 2017, relative to all contributions for 2017. At the June 30, 2017, measurement date, the School's proportionate share was 0.281122%. The proportion measured as of June 30, 2016 was 0.106085%.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2016 and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the 110% RP-2000 Healthy Annuitant Mortality Table for Males and Females, as determined by the period actuarial experience study. The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period 2007 to 2012.

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

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.60%	14.50%
International equity	10.10%	13.00%

NOTE 5 – RETIREMENT PLANS (Continued)

Metro Plan (Continued)

Global equity	0.00%	10.00%
Equity hedge	5.80%	10.00%
Fixed income	1.80%	15.00%
Fixed income alternatives	5.60%	15.00%
Real estate	6.10%	12.50%
Private equity	7.60%	10.00%
		100.00%

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

Pension Liabilities

The School reports the following net pension liability as of June 30, 2017:

Teacher Legacy Pension Plan	$	163,590
Metro Plan		114,822
Net pension liability	$	278,412

Pension Assets

The School reports the following net pension asset as of June 30, 2017:

Teacher Retirement Plan	$	21,918

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate

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

NOTE 5 – RETIREMENT PLANS (Continued)

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate (Continued)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
The School's proportionate share of the net pension liability (asset):			
Teacher Legacy Pension Plan	$ 893,303	$ 163,590	$ (445,012)
Teacher Retirement Plan	10,350	(21,918)	(45,693)
Metro Plan	1,149,584	114,822	(816,503)
Total	$ 2,053,237	$ 256,494	$ (1,307,208)

Pension Plan Fiduciary Net Position

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

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience:		
Teacher Legacy Pension Plan	$ 6,884	$ 198,054
Teacher Retirement Plan	2,124	2,527
Metro Plan	-	136,840
Net difference between projected and actual earnings on pension plan investments:		
Teacher Legacy Pension Plan	182,651	-
Teacher Retirement Plan	3,589	-
Metro Plan	-	-

NOTE 5 – RETIREMENT PLANS (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

Changes in proportion of net pension liability (asset):		
Teacher Legacy Pension Plan	218,963	-
Teacher Retirement Plan	-	1,690
Metro Plan	-	-
LEA's contributions subsequent to the measurement date of June 30, 2016:		
Teacher Legacy Pension Plan	100,176	not applicable
Teacher Retirement Plan	46,773	not applicable
Metro Plan	not applicable	not applicable
Total	$ 561,160	$ 339,111

The School's employer contributions of $146,949, 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, 2018. 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 Ending June 30,	
2018	$ 17,484
2019	17,484
2020	85,885
2021	(15,573)
2022	(22,750)
Thereafter	(7,430)

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

Pension Expense and Pension Payable

For the year ended June 30, 2017, the School recognized pension expense of $306,212. At June 30, 2017, the School reported a payable of $28,688 for the outstanding amount of contributions to the pension plans required at the year ended June 30, 2017.

NOTE 6 – RISK OF LOSS

Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned to it. The School does not have a policy for custodial risk. As of June 30, 2017, the Organization has not experienced any losses in such accounts and considers this to be a normal business risk. Uninsured balances totaled $682,431 at June 30, 2017

Category 1 includes cash and cash equivalent balances that are uncollateralized. Category 2 includes bank balances that are collateralized with securities held by the pledging financial institution. Category 3 includes bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor's (School's) name.

	June 30, 2017		
	Custodial Credit Risk Category		
	1	2	3
Uninsured cash and cash equivalents	$ 682,431	$ -	$ -

Insurance

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

REQUIRED SUPPLEMENTARY INFORMATION

EAST END PREPARATORY SCHOOL
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)
FISCAL YEAR ENDED JUNE 30*

TEACHER LEGACY PENSION PLAN OF TCRS

	2015	2016	2017
The School's proportion of the net pension liability (asset)	0.353752%	0.021058%	0.026177%
The School's proportionate share of the net pension liability (asset)	$ (3,415)	$ 8,626	$ 163,590
The School's covered-employee payroll	$ 828,816	$ 788,301	$ 944,927
The School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.41%	1.09%	17.31%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%

* GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

EAST END PREPARATORY SCHOOL
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET) CONTINUED
FISCAL YEAR ENDED JUNE 30*

TEACHER RETIREMENT PLAN OF TCRS

	2016	2017
The School's proportion of the net pension liability (asset)	0.153470%	0.210542%
The School's proportionate share of the net pension liability (asset)	$ (6,174)	$ (21,918)
The School's covered-employee payroll	$ 318,871	$ 926,390
The School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-1.94%	-2.37%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%

* GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

EAST END PREPARATORY SCHOOL
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET) CONTINUED
FISCAL YEAR ENDED JUNE 30*

METRO PLAN

	2015	2016	2017
The School's proportion of the net pension liability (asset)	0.276300%	0.106085%	0.281122%
The School's proportionate share of the net pension liability (asset)	$ 64,275	$ 222,249	$ 114,822
The School's covered-employee payroll	$ 505,359	$ 782,679	$ 854,595
The School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.72%	28.40%	13.44%
Plan fiduciary net position as a percentage of the total pension liability	97.57%	92.39%	98.64%

* GASB 68 requires a 10-year schedule for this data to be presented starting *with the implementation of GASB 68*. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

EAST END PREPARATORY SCHOOL
SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the Years Ended June 30,

Teacher Legacy Pension Plan of TCRS

	2014	2015	2016	2017
Contractually required	$ 73,260	$ 71,263	$ 85,422	$ 100,176
Contribution in relation to the contractually required contribution	73,260	71,263	85,422	100,176
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
The School's covered payroll	$ 828,816	$ 788,301	$ 944,927	$ 1,108,142
Contributions as a percentage of the School's covered payroll	8.88%	9.04%	9.04%	9.04%

Teacher Retirement Plan of TCRS

	2014	2015	2016	2017
Contractually required	Not applicable	$ 7,972	$ 23,189	$ 46,773
Contribution in relation to the contractually required contribution		12,755	37,056	46,773
Contribution deficiency (excess)		$ (4,783)	$ (13,867)	$ -
The School's covered payroll		$ 318,871	$ 926,390	$ 1,169,325
Contributions as a percentage of the School's covered payroll		4.00%	4.00%	4.00%

Metro Pension Plan

	2014	2015	2016	2017
Contractually required	$ 87,208	$ 90,890	$ 121,393	$ 105,457
Contribution in relation to the contractually required contribution	87,208	90,890	121,393	105,457
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
The School's covered payroll	$ 509,482	$ 505,359	$ 782,679	$ 854,595
Contributions as a percentage of the School's covered payroll	17.117%	17.987%	15.510%	12.340%

* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

OTHER INFORMATION

EAST END PREPARATORY SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2017

Federal Grantor/ State Grantor/ Program Title/ Pass-through Grantor	CFDA#	Contract Number	Expenditures
FEDERAL AWARDS			
U.S. Department of Education:			
Title I Grants to Local Educational Agencies (Passed through Metro Nashville Public Schools)	84.010	N/A	$ 279,031
Special Education Grants to States (Passed through State of Tennessee Department of Education)	84.027	N/A	84,598
Total U.S. Department of Education			363,629
Total Federal Awards			363,629
STATE FINANCIAL ASSISTANCE			
State of Tennessee Department of Education:			
Basic Education Program - Capital Outlay	N/A	N/A	113,000
Total State Financial Assistance			113,000
Total Federal Awards and State Financial Assistance			$ 476,629

See accompanying notes to the schedule of expenditures of
federal awards and state financial assistance

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards and State Financial Assistance includes the federal and state grant activity of East End Preparatory School and is presented on the accrual basis of accounting. 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.

NOTE 2 - INDIRECT COST ALLOCATION

The School did not elect to use the 10% de minimis cost rate allowed under Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor 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
East End Preparatory School
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 East End Preparatory School as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise East End Preparatory School's basic financial statements, and have issued our report thereon dated December 27, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered East End Preparatory School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of East End Preparatory School's internal control. Accordingly, we do not express an opinion on the effectiveness of East End Preparatory 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East End Preparatory School's 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.

Cherry Bekaert LLP

Nashville, Tennessee
December 27, 2017

EAST END PREPARATORY SCHOOL
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
June 30, 2017

None

EAST END PREPARATORY SCHOOL
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2017

None