



## **AGENDA**

METROPOLITAN BOARD OF PUBLIC EDUCATION

2601 Bransford Avenue, Nashville, TN 37204

Regular Meeting – August 22, 2017 – 5:00 p.m.

**Anna Shepherd, Chair**

### TIME

5:00

#### I. CONVENE and ACTION

- A. Establish Quorum
- B. Pledge of Allegiance
- C. 30 Seconds in My District...

5:05

#### II. GOVERNANCE ISSUES

##### A. Actions

##### 1. Consent

- a. Approval of Minutes – 6/13/2017 Regular Meeting
- b. Awarding of Purchases and Contracts
  - (1) Request for Proposals (RFP) #17-22
    - Catapult Learning LLC
    - Learn It Systems, LLC
    - Public Consulting Group Inc.
  - (2) Certica Solutions, Inc.
  - (3) Hurst-Rosche, Inc.
  - (4) Institutional Wholesale Company Inc.
  - (5) Noser Consulting LLC
  - (6) PENCIL Foundation
  - (7) Public Consulting Group Inc.
  - (8) Purity Dairies LLC
  - (9) Vanderbilt University Medical Center

##### 2. Smithson – Craighead Academy Renewal Application

5:10

#### III. REPORTS

- A. Governance Committee

5:20

#### IV. ADJOURNMENT



**WORK SESSION**

METROPOLITAN BOARD OF PUBLIC EDUCATION

2601 Bransford Avenue, Nashville, TN 37204

August 22, 2017 – 5:20 p.m.

**Anna Shepherd, Chair**

TIME

5:20

I.

CONVENE

A. Establish Quorum

5:20

II.

DISCUSSION

A. MNPS Next

B. Announcements

6:20

III.

ADJOURNMENT

**Metropolitan Board of Education Meeting  
Tuesday, June 27, 2017**

**Members present**

Sharon Gentry, Will Pinkston, Jo Ann Brannon, Jill Speering, Anna Shepherd, Christiane Buggs, Mary Pierce, Amy Frogge, Tyese Hunter (left at 5:07 p.m.)  
Chris Henson (in Dr. Joseph's absence)

**Meeting called to order at 5:00 PM**

**1. CONVENE and ACTION**

A. Establish Quorum

B. Pledge of Allegiance  
Led by Dr. Damon Cathey

C. 30 Seconds in My District...  
Each Board Member gave a brief update on their districts.

**2. GOVERNANCE ISSUES**

**A. Consent Agenda**

Ms. Frogge pulled Item A-1-a-l-6 - Neely's Bend College Prep.

Ms. Speering read the following consent agenda.

- a. Recommended Award of Contract for Architectural Services - New Nashville School of the Arts –Tuck-Hinton Architects PLC
- b. Recommended Award of Contract for Architectural Services - New Hillwood High School – Hastings Architecture Associates, LLC
- c. Recommended Award of Contract for General Construction at Various Schools (Percy Priest Elementary, McGavock Elementary, and Cora Howe Schools) – Orion Building Corporation
- d. Recommended Approval of Request for Projects at Various Schools (Glenclyff Elementary School Kitchen Renovations) – Bomar Construction Company
- e. Recommended Approval of Change Order #1 for Rosebank Elementary School Renovations – Carden Company, Inc.
- f. Recommended Approval of Change Order #1 for East Nashville Magnet High School Stadium Improvements – Romach, Inc.
- g. Recommended Approval of Change Order #1 for Glenclyff High School Stadium Improvements – Dowdle Construction Group, LLC
- h. Recommended Approval of Change Order #2 for Construction Material Testing for Overton High School Additions and Renovations – Beaver Engineering, Inc.
- i. Recommended Approval of Change Order #2 for Hume-Fogg Magnet High School Renovations –Messer Construction Co.
- j. Recommended Approval of Supplement #3 for Rosebank Elementary School Renovations – Centric Architecture, Inc.
- k. Recommended Approval of Request #4 for Purchase of Playground Equipment and Installation (Tusculum Elementary School) – Playworld Systems Inc.
- l. Awarding of Purchases and Contracts
  - (1) Centerstone of Tennessee
  - (2) Education Resource Strategies
  - (3) Ensaf, Inc.
  - (4) GLE Associates, Inc.
  - (5) KIPP Nashville
  - ~~(6) Neely's Bend College Prep~~

- (7) Northwest Evaluation Association (NWEA)
- (8) Plant the Seed
- (9) Teaching Strategies
- (10) Teachstone Training
- (11) TRA, Inc.

m. Student Code of Conduct Handbook

**Motion to approve the consent agenda as read.**

**Motion by Jill Speering, second by Jo Ann Brannon.**

**Final Resolution: Motion Passes**

**Yes: Sharon Gentry, Will Pinkston, Jo Ann Brannon, Jill Speering, Anna Shepherd, Christiane Buggs, Tyese Hunter, Mary Pierce, Amy Frogge**

Ms. Frogge asked Mr. Henson why the lease for Neely's Bend is being adjusted? Mr. Henson explained now that a charter operator has taken over all grades within Neely's Bend, the lease is being adjusted according to the amount of space the charter operator will utilize within the building.

**Motion to approve Item II-A-1-l-6 - Neely's Bend College Prep**

**Motion by Jo Ann Brannon, second by Amy Frogge.**

**Motion Passes**

**Yes: Sharon Gentry, Will Pinkston, Jo Ann Brannon, Jill Speering, Anna Shepherd, Christiane Buggs, Mary Pierce, Amy Frogge**

**Not Present: Tyese Hunter**

Mr. Queen presented the 2017 Charter Recommendations to the Board.

#### **B. 2017 Charter Recommendations - LEAD North High School**

**Motion to accept the Charter School Committee Recommendation to not authorize LEAD North High School Charter Application.**

**Motion by Christiane Buggs, second by Jill Speering.**

**Final Resolution: 8-0 - Motion Passes**

**Yes: Sharon Gentry, Will Pinkston, Jo Ann Brannon, Jill Speering, Anna Shepherd, Christiane Buggs, Mary Pierce, Amy Frogge**

**Not Present: Tyese Hunter**

#### **C. 2017 Charter Recommendations - LEAD Southeast Elementary and Middle School**

**Motion to accept the Charter School Committee Recommendation to not authorize LEAD Southeast Elementary and Middle School Charter Applications.**

**Motion by Christiane Buggs, second by Jo Ann Brannon.**

**Final Resolution: Motion Passes**

**Yes: Sharon Gentry, Will Pinkston, Jo Ann Brannon, Jill Speering, Anna Shepherd, Christiane Buggs, Mary Pierce, Amy Frogge**

**Not Present: Tyese Hunter**

#### **D. Resolution Committing to Advocacy and Respect for the Entire Organization of MNPS and all of its Students and Families**

**Ms. Pierce read the resolution (see agenda for resolution).**

**Motion to approve the Resolution Committing to Advocacy and Respect for the Entire Organization of MNPS and all of its Students and Families.**

**Motion by Mary Pierce, second by Jo Ann Brannon.**

**Final Resolution: 4 - 3 - 1-Motion Fails**

**Yes: Sharon Gentry, Jo Ann Brannon, Anna Shepherd, Mary Pierce**

**Abstain: Jill Speering, Christiane Buggs, Amy Frogge**

**Present Not Voting: Will Pinkston**

### **3. REPORTS**

#### **A. Director's Report - MNPS Next**

Dr. Carlisle presented a MNPS Next update to the Board.

#### **B. Committee Report - Director's Evaluation**

Mr. Pinkston gave a brief Director Evaluation Committee report. He stated that the committee will continue to discuss the development of an evaluation tool for the Director.

#### **C. Board Chairman's Report - Chair Report**

Ms. Shepherd did not give a Chair's Report

#### **D. Announcements**

Ms. Speering announced that she identified eight community leaders that will meet with the new Community Superintendents on July 13th.

Ms. Pierce announced that the Hillsboro High School ground breaking ceremony will be held on August 23rd at 11:00 a.m.

Ms. Buggs announced that she is accepting applications for Student Board Member Interns.

Ms. Buggs announced that she will begin hosting monthly community meetings on the fifth Saturday, starting with the fifth Saturday in July. More details are forthcoming.

Ms. Shepherd expressed condolences to the family of Clinton Grange, a rising freshman at McGavock High School who had passed away.

### **4. WRITTEN INFORMATION TO THE BOARD**

A. Sales Tax Collections as of June 20, 2017

B. Fiscal Year 2016-2017 Operating Budget Financial Reports

### **5. ADJOURNMENT**

Ms. Buggs adjourned the meeting at 6:13 p.m.



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Chris M. Henson  
Board Secretary

Anna Shepherd  
Board Chair

Date

## GOVERNANCE ISSUES

### A. ACTIONS

#### 1. CONSENT

#### b. AWARDING OF PURCHASES AND CONTRACTS

VENDOR:           Catapult Learning LLC  
                      Learn It Systems LLC  
                      Public Consulting Group, Inc.

SERVICE/GOODS: Tutoring services for eligible students in participating non-public schools in Davidson County, identified homeless students in MNPS non-Title 1 district schools, identified students in low performing MNPS schools, and professional development for teachers. These contracts are awarded from MNPS Request for Proposals (RFP) #17-22.

TERM:   August 23, 2017 through June 30, 2020

FOR WHOM:   Eligible students and teachers

COMPENSATION: Total compensation under these contracts is not to exceed \$4,000,000.

OVERSIGHT:   Teaching and Learning

EVALUATION: Quality and timeliness of services provided.

MBPE CONTRACT NUMBER:       2-450561-07 Catapult Learning, LLC  
  2-796931-00 Learn It System, Inc.  
  2-869819-02 Public Consulting Group, LLC

SOURCE OF FUNDS:       Federal Funds – Title I

\*Please see attachment for a list of schools.

## GOVERNANCE ISSUES

### A. ACTIONS

#### 1. CONSENT

#### c. AWARDING OF PURCHASES AND CONTRACTS

VENDOR: Certica Solutions, Inc.

SERVICE/GOODS: Assessment Item Bank for Math, English /Language Arts, Social Studies, and Science. Contractor's Item Bank will be available to MNPS teachers via the Performance Matters Unify platform. This contract is awarded from MNPS Request for Proposals (RFP) #17-7.

TERM: August 23, 2017 through August 22, 2020

FOR WHOM: All MNPS teachers

COMPENSATION: The annual per student license fee is \$2.13 per student enrolled. Total compensation under this contract is not to exceed \$500,000.

OVERSIGHT: Curriculum and Instruction

EVALUATION: Quality and effectiveness of the products provided.

MBPE CONTRACT NUMBER: Pending

SOURCE OF FUNDS: Operating Budget

## GOVERNANCE ISSUES

### A. ACTIONS

#### 1. CONSENT

#### d. AWARDING OF PURCHASES AND CONTRACTS

VENDOR: Hurst-Rosche, Inc.

SERVICE/GOODS: Architectural, design, and Engineering consulting services on miscellaneous small projects that require these services. This is an Indefinite Delivery/Indefinite Quantity (IDIQ) contract.

TERM: August 23, 2017 through June 30, 2022

FOR WHOM: Facility and Grounds Maintenance

COMPENSATION: Contractor will be paid at fixed hourly rates as follows:

Engineer IV	\$160 per hour
Engineer III	\$140 per hour
Engineer II	\$115 per hour
Engineer I	\$ 95 per hour
Architect IV	\$160 per hour
Architect III	\$130 per hour
Architect II	\$100 per hour
Architect I	\$ 80 per hour
Land Surveyor IV	\$135 per hour
Land Surveyor III	\$110 per hour
Land Surveyor II	\$ 90 per hour
Survey Tech I	\$ 50 per hour
Engineer Technician VI	\$116 per hour
Engineer Technician V	\$100 per hour
Engineer Technician IV	\$ 92 per hour
Engineer Technician III	\$ 78 per hour
Engineer Technician II	\$ 70 per hour
Engineer Technician I	\$ 60 per hour
CADD Technician IV	\$ 85 per hour
CADD Technician III	\$ 75 per hour
CADD Technician II	\$ 65 per hour
CADD Technician I	\$ 55 per hour
Clerical	\$ 55 per hour
Project related travel	\$0.50 per mile

All other direct charges include a 15% handling fee

Total compensation under this contract is not to exceed \$1,000,000.

OVERSIGHT: Facility and Grounds Maintenance

EVALUATION: Quality and timeliness of services provided.

MBPE CONTRACT NUMBER: Pending

SOURCE OF FUNDS: Operating Budget; Capital Funds



## GOVERNANCE ISSUES

### A. ACTIONS

#### 1. CONSENT

#### e. AWARDING OF PURCHASES AND CONTRACTS

VENDOR: Institutional Wholesale Company, Inc.

SERVICE/GOODS: General supplies for MNPS Nutrition Services. This contract is awarded from MNPS Invitation to Bid (ITB) #B17-27.

TERM: August 23, 2017 through June 30, 2019

FOR WHOM: Nutrition Services

COMPENSATION: Total compensation under this contract is not to exceed \$735,566.93.

OVERSIGHT: Nutrition Services

EVALUATION: Timeliness of deliveries and quality of products provided.

MBPE CONTRACT NUMBER: 2-172501-09

SOURCE OF FUNDS: Nutrition Services Fund

#### f. AWARDING OF PURCHASES AND CONTRACTS

VENDOR: Noser Consulting, LLC

SERVICE/GOODS: This is the third Amendment to the contract, extending the term and increasing compensation for the services during the 2017-2018 school year. They will conduct a multi-method, multi-informant process, and outcome evaluation across the full-service Community School Sites with the goal of continuous quality improvement throughout the development and continuous implementation. Evaluation design and implementation will be structured around the results-based accountability framework proposed by the Coalition for Community Schools, with emphasis on sustainability.

TERM: August 12, 2015 through June 30, 2018

FOR WHOM: Support Services – Community Achieves

COMPENSATION: This Amendment increases compensation under the contract by \$118,000.

Total compensation under this contract is not to exceed \$374,400.

OVERSIGHT: Support Services – Community Achieves

EVALUATION: Quality of services provided.

MBPE CONTRACT NUMBER: 2-549794-05A3

SOURCE OF FUNDS: Operating Budget

## GOVERNANCE ISSUES

### A. ACTIONS

#### 1. CONSENT

#### g. AWARDING OF PURCHASES AND CONTRACTS

VENDOR: PENCIL Foundation

SERVICE/GOODS: Contract to provide Family Resource Centers at Ivanetta H. Davis Early Learning Center, Antioch High School, Madison Middle Prep, Maplewood High School, Tusculum Elementary School, and Glencliff High School.

TERM: August 23, 2017 through August 23, 2022

FOR WHOM: MNPS students and parents at the serviced schools

COMPENSATION: This compensation under this contract is \$177,669.90

OVERSIGHT: Teaching and Learning

EVALUATION: Quality of services provided

MBPE CONTRACT NUMBER: 2-171814-15

SOURCE OF FUNDS: State of Tennessee Family Resource Center (FRC) Grant

#### i. AWARDING OF PURCHASES AND CONTRACTS

VENDOR: Purity Dairies, LLC

SERVICE/GOODS: Furnish milk and dairy products to MNPS schools. This contract is awarded from MNPS Invitation to Bid (ITB) #B17-28.

TERM: August 23, 2017 through July 31, 2018

FOR WHOM: Nutrition Services

COMPENSATION: Total compensation under this contract is not to exceed \$2,531,065.21.

OVERSIGHT: Nutrition Services

EVALUATION: Quality of products and timeliness of delivery.

MBPE CONTRACT NUMBER: 2-172500-08

SOURCE OF FUNDS: Nutrition Services Fund

## GOVERNANCE ISSUES

### A. ACTIONS

#### 1. CONSENT

#### k. AWARDING OF PURCHASES AND CONTRACTS

VENDOR: Vanderbilt University Medical Center

SERVICE/GOODS: Second Amendment to the contract, increasing compensation to cover increased usage and staffing requirements to operate the MNPS Wellness Center and clinics.

TERM: October 1, 2014 through September 30, 2019

FOR WHOM: MNPS employees and retirees

COMPENSATION: Contractor is reimbursed for all labor and operating costs to run the five MNPS on-site clinics each month (less insurance payments and other reimbursements) and paid a management fee equal to 5% of the total labor.

The estimated monthly cost to operate five MNPS clinics

:

Labor for patient care, benefits, and indirect labor:	\$ 383,980
Operating expenses:	\$ 60,000
Average monthly receivables from insurance:	- \$ 180,000
Average monthly net cost:	\$ 263,980
Management Fee to Contractor:	$\$383,980 \times 5\% = \$ 19,199$

This amendment increases total compensation under the contract by \$6,000,000.  
Total compensation for this contract is not to exceed \$23,000,000.

OVERSIGHT: Employee Benefits

EVALUATION: Based on contractor's ability to properly manage patient care and cost.

MBPE CONTRACT NUMBER: 2-218740-22A2

SOURCE OF FUNDS: Insurance Trust Fund

### Title I Services to Eligible Students in Participating Nonpublic Schools

Akiva School  
 Born Again Christian Academy  
 Christ the King School  
 Davidson Academy  
 Ezell-Harding Christian School  
 F. H. Jenkins Elementary School  
 Father Ryan High School  
 Goodpasture Christian School  
 Holy Rosary Academy  
 Jesus Only Academy  
 Lipscomb Academy  
 Madison Academy  
 Madison Campus Elementary School  
 Nashville Christian School  
 Nashville International Academy  
 St. Ann School  
 St. Bernard Academy  
 St. Clement Coptic Orthodox Christian Academy  
 St. Edward School  
 St. Henry School  
 St. Joseph School  
 St. Pius X Classical Academy  
 The Academy for G.O.D.  
 Benton Hall Academy

### Title I Services to Homeless Students in MNPS Non-Title I Schools

Andrew Jackson Elementary  
 Crieve Hall Elementary  
 Dan Mills Elementary  
 Eakin Elementary  
 Glendale Elementary  
 Gower Elementary  
 Granbery Elementary  
 Harpeth Valley Elementary  
 Head Middle School  
 Hume-Fogg Magnet HS  
 J.T. Moore Middle School  
 Julia Green Elementary  
 Lockeland Elementary  
 Martin Luther King Magnet HS  
 Meigs Magnet Middle School  
 Metro-Nashville Virtual School  
 Nashville School of the Arts  
 Percy Priest Elementary  
 Rose Park Middle School  
 Stanford Elementary  
 Sylvan Park Elementary  
 West End Middle School  
 W.H. Oliver Middle School

### Supplemental Title I Services to Students in Low Performing Schools (Bottom 7%)

Amqui Elementary  
 Cumberland Elementary  
 Tom Joy Elementary  
 Tusculum Elementary  
 Warner Elementary  
 Gra Mar Middle School  
 Haynes Middle School  
 John Early Middle School  
 McKissack Middle School  
 Wright Middle School  
 Maplewood HS  
 Whites Creek HS

### Title I Services to Eligible Students in Davidson Co Neglected & Delinquent Facilities

CH: River Road Academy  
 Davidson Co Juvenile Detention Center: YOI  
 G4S: Youth Services Boys  
 G4S: Youth Services Girls  
 Alternative Youth Services Magnolia Academy House 4  
 Oasis Center, Inc  
 UHS: Hermitage Hall  
 Youth Villages - Binkley Home  
 Youth Villages - Tallwood Home

# **Smithson Craighead Renewal Application Recommendation Report**

**Office of Charter Schools  
August, 2017**

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• Academic Results 2014 and 2015	
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## **Renewal Review Team**

Dennis Queen, Executive Officer of Charter Schools, MNPS

Katy Enterline, Manager of Applications Instructional Support, MNPS

Dr. Mary Laurens Seely, Coordinator of Data Coaches, MNPS

Brian Hull, Director of Resource Strategy, MNPS

John Thomas, Planning Facilitator, MNPS

Adrienne Useted, Chief Financial Officer, LEAD Public Schools, MNPS

Carol Swann, Coordinator of Charter Schools, MNPS

## Applicant and Enrollment Information

Smithson Craighead Academy  
Mark Faulkner, Board Chair and Acting Executive Director  
730 Neely's Bend Road  
Madison, TN 37115  
e-mail - [markf@vireosystems.com](mailto:markf@vireosystems.com)

### Enrollment Information (next ten (10) years)

Year	Grade Levels	Target Student Enrollment	Maximum Student Enrollment**
Year 0 (2018-19)	K-4	200	200
Year 1 (2019-20)	K-4	220	220
Year 2 (2020-21)	K-4	240	240
Year 3 (2021-22)	K-4	260	260
Year 4 (2022-23)	K-4	280	280
Year 5 (2023-24)	K-4	280	280
Year 6 (2024-25)	K-4	280	280
Year 7 (2025-26)	K-4	280	280
Year 8 (2026-27)	K-4	280	280
Year 9 (2027-28)	K-4	280	280
Year 10 (2029-30)	K-4	280	280



## Standard of Review

### Conditional Renewal Review

The applicant has struggled with academic and financial concerns throughout the life of the contract and qualified for the conditional renewal review.

<b>Conditional Review Criteria</b>	<p>During the current term, the charter school will have attained:</p> <ul style="list-style-type: none"><li>• A three year status of “review” or “target” on the academic performance framework</li><li>• Within the previous charter term, a status of “target” two or more times on the academic performance framework</li><li>• Within the previous charter term, school has received “review” or “target” status on the organizational performance framework</li><li>• Audited financials have not been appropriately prepared according to state law, and/or three-year average as determined by the financial performance framework has been “review” or “target”</li><li>• School has been cited within the charter term more than twice for violations of its charter, and/or been put on probation once or more for material violations of their contract</li><li>• School has consistently over the charter term been given “on track to non-renew” status on the yearly school report card</li></ul>	<p>Renewal application will contain the following information:</p> <ul style="list-style-type: none"><li>• Full academic plan with new academic benchmarks, plan for correcting academic deficits with appropriate controls to ensure school meets the targets, and a timeline with specific checkpoints to ensure school is on track</li><li>• New organizational structure addressing organizational deficits with a plan for correcting those deficits and timeline with specific checkpoints to ensure school is on track</li><li>• Updated financial plan that addresses fiscal irregularities, audit findings, and financial performance framework issues, including new budget assumptions as well as projected financials and a plan to remain fiscally sustainable and financially sound</li><li>• Narrative explaining academic, organizational and fiscal challenges with contingency plans for meeting those challenges</li></ul>
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The review team evaluated several documents as the basis for its evaluation of the criteria for renewal as found in the MNPS Charter Renewal Benchmarks rubric. Evidence included:

- Smithson Craighead Renewal Application and 10 year budget
- MNPS Operational Framework
- MNPS Academic Performance Framework
- Smithson Craighead audited financial statements
- MNPS Data Warehouse
- Past performance reviews
- Past and current financial documents
- Notices of Concern, Deficiency, and Probation to the school

Each member of the team reviewed the evidence and evaluated the application according to the benchmark indicators on the MNPS Charter Renewal Benchmarks rubric. The team then met several times, reviewed the ratings together, discussed evidence and formulated this recommendation.

The review team was charged with evaluating the available evidence and determining whether the applicant satisfied the benchmarks sufficiently to answer the four renewal questions:

- Is the school an academic success?
- Is the school an effective, viable organization?
- Is the school fiscally sound?
- Is the renewal plan for the next charter period reasonable, feasible, and achievable?

### **Conclusion**

The review team found that Smithson Craighead Academy **does not** meet the criteria for each of the four renewal questions and identified evidence for renewal benchmarks. Because of this finding, explained in greater detail in the next section of this report, **the review team recommends non-renewal for Smithson Craighead Academy.**

## Detailed Answers to the Four Renewal Questions

### 1. Is the school an academic success?

Analysis of the academic performance framework since the 2011-12 school year leaves little room for doubt that Smithson Craighead Academy has struggled academically almost since its inception. The MNPS Renewal Policy clearly states that schools who have been in Review or Target status during their contract period will not be considered on track for renewal. The three-year academic average on the latest report card shows Smithson Craighead to be in Review status, and the report card also indicates they are on track for non-renewal.

The district sent Notices of Academic Concern and Probation in 2013, 2014, and 2015 specifically addressing the lack of academic progress. The letter dated October, 2015, far in advance of renewal, served notice to the school that MNPS would be recommending non-renewal or revocation unless dramatic academic progress was made. Smithson Craighead has been on probation due to poor academic performance for much of the time since it opened in 2003, and the renewal application presented did not give the Office of Charter Schools confidence the school has a well-thought out plan to remediate known deficiencies and improve academic performance for all students.

The district also offered many supports throughout the life of the school, including data coaches, special education liaisons, school improvement facilitators, professional development, and many visits from the Office of Charter Schools to discuss ways to improve.

The renewal application does not present a plan that will significantly increase student academic performance. There is no research presented that indicates the chosen curriculum is valid or appropriate for the targeted population of students, and there is no alignment with the mission and vision of the school. One reading program listed, Reading for Success, has not been updated or revised since 1995. As described, the curriculum does not align to Tennessee standards, and there are no specific strategies for closing the achievement gap.

The return to “non-graded learning” is not well-explained, and no research is given suggesting this is a viable strategy for elementary students that will result in improved academic achievement. The team was also concerned this could lead to possible due process violations.

The school did not provide a clear explanation of how data will be used to inform instructional decision making, nor is the assessment plan clearly outlined or explained. Additionally, the plans for ensuring students with disabilities and students whose first language is not English are well served are lacking. By the school’s own admission, there has never been a plan to identify and serve students who are gifted.

The overwhelming evidence of academic deficiencies, the lack of a well developed plan to correct them, and our guiding policy that schools not in “excelling” or “achieving” status on the Academic Performance Framework will not be considered for renewal, the review team recommends non-renewal for Smithson Craighead.

## **2. Is the school an effective, viable organization?**

Smithson Craighead has struggled over the years to retain stable and effective leadership. There have been more than five (5) Executive Directors, and the governing board has seen significant and frequent turnover. Since the renewal application was written, the Executive Director has resigned, and there is currently a new principal and interim Executive Director. The school had the same principal from its opening until the 2016-17 school year, but academic results have been significantly below standard.

There is not a sound plan presented in the renewal application for board recruitment, and it is unclear how new board members are “on-boarded”, or what training is offered to board members.

The school has been located in two separate areas, and has a large mortgage on its present facility. Enrollment has been fairly steady, averaging around 200 students in grades K-4. However, the projected enrollment for 2017-18 is only 125.

There was not a solid plan for recruiting teachers, and the plan presented used outdated terminology. There was no plan presented for supporting, developing and evaluating teachers, nor was there a staffing plan presented that gave the review team confidence the school could meet its obligations to serve all students. Equally concerning, there were no clear professional development plans to support teachers’ professional growth or establish a leadership pipeline within the school.

Additionally, there was not a solid, well-thought out plan for student recruitment, or engaging families. The application mentions a parent outreach group, but there was no clearly outlined plan or effective outreach strategies presented.

Technology was mentioned as a strategy, but there was no detail presented for its use, even for state assessments. The application mentioned such on-line supports as Khan Academy, Prodigy, and Let’s Go Math, but the amount of money budgeted would not support use of these technologies.

The operational structure must support the academic structure that leads to improved student outcomes. Given the leadership instability exhibited by this organization, the lack of a clear plan to recruit and train board members, lack of a plan to recruit and train highly effective teachers, and a lack of a clear student recruitment plan, the review team does not believe the operational plan meets standard and recommends the school for non-renewal.

### **3. Is the school fiscally sound?**

The review of the 10 year budget submitted with the renewal application, recent financial audits, and monthly financial documents given to the Office of Charter Schools, show a school with unsustainable financial debt and without a solid plan to retire the debt and return to solid operating status. Budget assumptions are not realistic against budget numbers, and the school struggles to meet their obligations. Liquid assets are low and in breach of contract with MNPS, which was brought to the attention of the school through a letter sent July 26, 2017.

The latest financials (June 2017) show the school over \$100,000 in debt, showing few liquid assets and with projected low enrollment numbers the school finds itself in a precarious position.

The submitted budget for the renewal reflects three (3) months cash on hand, but the most recent audit shows 37 days cash on hand, and the latest June financials do not reflect cash liquidity. Also noted on the latest audit is the balance of the principal and interest on the facility loan is due August, 2017, but there was no explanation or plan presented, which left the review team even more concerned about the financial sustainability of this school.

Earlier in the spring, the Executive Director sent a request to the MNPS business office for an advance on the monthly payment in order to meet financial obligations.

The Executive Director, who is also the board chair, sets the budget, and approves and signs checks, which is a conflict of interest and sets a troubling precedent.

The budget also excludes facilities expenses other than utilities. According to the audit, there should be roughly \$80,000 in the budget for debt service. The review team is concerned that this is not a complete budget.

The budget also shows \$300,000 - \$400,000 of additional compensation yearly, but does not explain what this in the budget assumptions.

Overall, the review team found this school is in a financially unsustainable position, with few assets that are liquid and available. Due to this concern, the team finds the Smithson Craighead Academy financial plan does not meet standard and recommends the school should not be renewed.

**4. Is the renewal plan for the next charter period reasonable, feasible, and achievable?**

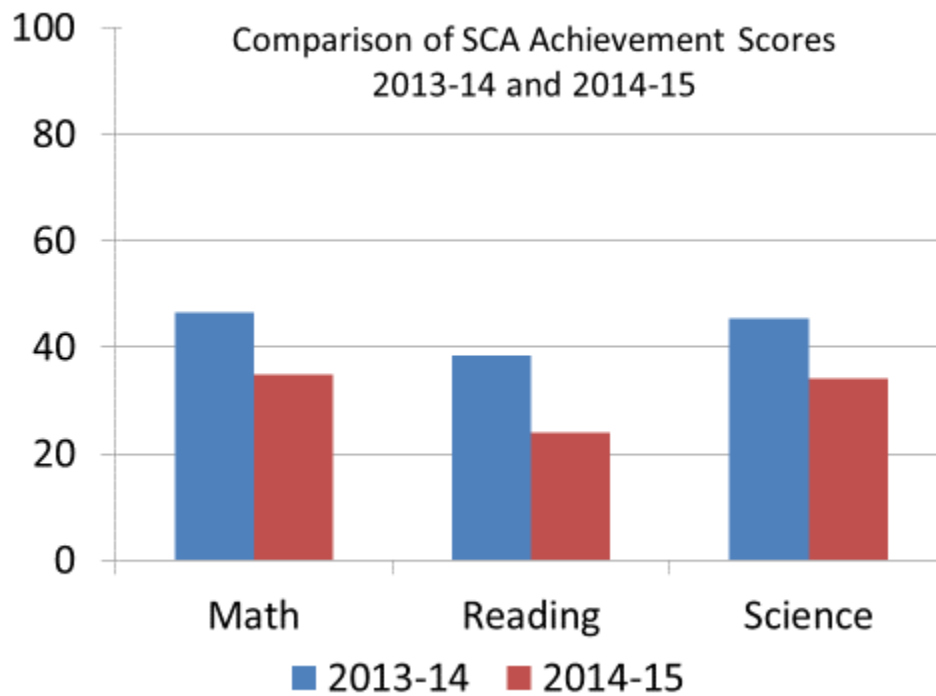
Given the track record of poor academic success, instability in leadership, and fiscal uncertainty, the review team recommends that this school not be renewed. The renewal plan was vague and unclear, and did not give confidence that the school will be able to remediate the deficiencies or become financially stable.

Very little detail is offered, and no research was given to indicate the curriculum and instructional choices were appropriate for the targeted population of students. It is unclear how the school will address its most vulnerable populations effectively, and the use of outdated terminology throughout the document suggests the school has not cultivated leadership that can improve student outcomes through data driven, highly effective instruction delivered in personalized settings.

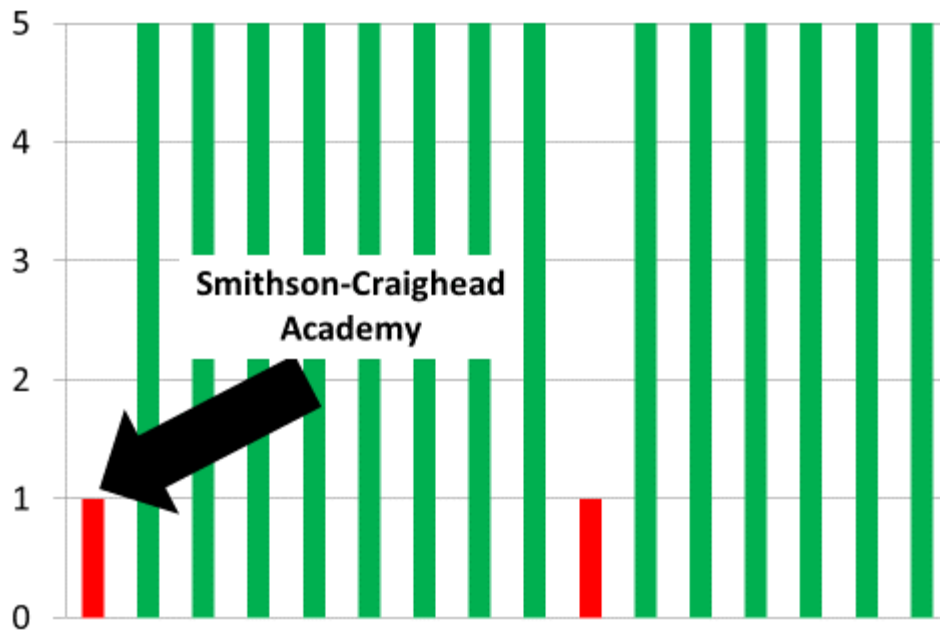
For the reasons listed above, the review team does not have confidence the renewal plan is reasonable, feasible or sustainable.

## Appendices

### SCA Composite Scores from 2014-15 and 2015-16



## 2014-15 TVAAS School-Wide: Composite



## Academic Performance Framework

Schl #	School	Overall Performance							
		2013 Total Pts	2013 Status	2014 Total Pts	2014 Status	2015 Total Pts	2015 Status	3-Year Avg Pts	3-Year Status
8001	Smithson-Craighead Acad	19.61	Target	46.66	Satisfactory	10.97	Target	25.75	Review

Tennessee Value Added Assessment System (TVAAS)						Mean Achievement Level Increase (MALI)					
2013 TVAAS Gain	2013 TVAAS % of Pts	2014 TVAAS Gain	2014 TVAAS % of Pts	2015 TVAAS Gain	2015 TVAAS % of Pts	2013 MALI	2013 MALI % of Pts	2014 MALI	2014 MALI % of Pts	2015 MALI	2015 MALI % of Pts
-2.6	0.0%	-2.3	0.0%	-6.9	0.0%	0.9	30.7%	28.1	100.0%	-26.5	0.0%



## Consensus Rubric

### Renewal Question 1 Is the School an Academic Success?

Evidence Category	MNPS Renewal Benchmarks	Scoring Notes (Meets/Does Not Meet)
<b>Academic Performance Framework</b>	<p><b>Over the accountability period, the school has met the “achieving” or “excelling” categories on the academic performance framework in the following areas:</b></p> <ul style="list-style-type: none"> <li>English language arts</li> <li>Mathematics</li> <li>Science</li> <li>Social Studies</li> <li>High School graduation and college preparation (if applicable)</li> <li>Optional academic goals included in the original application by the school</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>School report Card</li> <li>Detailed APF data</li> <li>Academic Probation</li> <li>Review status</li> </ul> <p>Analysis: <b>Does not meet category standards</b></p>
<b>Use of Assessment Data</b>	<p><b>The school has an assessment system, outside of the required state assessments, that improves instructional effectiveness and student learning.</b></p> <ul style="list-style-type: none"> <li>The school regularly administers valid and reliable assessments aligned to the school’s curriculum and state performance standards</li> <li>The school makes assessment data accessible to teachers, school leaders, and board members</li> <li>Teachers use assessment results to inform instructional practice</li> <li>School leaders use assessment results to evaluate teacher effectiveness and to develop professional development and coaching strategies</li> <li>School regularly communicates with parents/guardians about their students’ progress and growth</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>Fountas and Pinnell</li> <li>TCAP</li> <li>Classroom-created formative assessments</li> <li>Cannot be determined if teachers use data to inform instruction</li> <li>Application indicated the school would hire a principal whose focus was data driven since the district would no longer provide a data coach</li> </ul> <p>Analysis: <b>Does Not Meet Standard</b></p>
<b>Curriculum</b>	<p><b>The school’s curriculum supports teachers in their instructional planning.</b></p> <ul style="list-style-type: none"> <li>The school has a curriculum framework with student performance expectations aligned with state and Common Core standards and across grades</li> <li>Teachers know what to teach and when to teach it</li> <li>School has a process for selecting, developing, and reviewing chosen curriculum for effectiveness</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>Curriculum not TN Ready aligned</li> <li>Hit or miss process for selecting curriculum</li> <li>Curriculum choices not well researched and one has not been updated since 1995</li> </ul> <p>Analysis: <b>Does Not Meet Standard</b></p>

	<ul style="list-style-type: none"> <li>Teachers plan purposeful and focused lessons and those plans are approved by school instructional leadership</li> </ul>	
<b>Instructional Leadership</b>	<p><b>The school has strong instructional leadership.</b></p> <ul style="list-style-type: none"> <li>School's leadership establishes an environment of high expectations for teacher performance in content knowledge and pedagogical skills</li> <li>The instructional leadership is adequate to support the development and mentoring of the teaching staff</li> <li>Instructional leaders provide sustained, systemic, and effective coaching and supervision that improves teachers' instructional effectiveness</li> <li>Instructional leaders implement a comprehensive professional development system designed to develop the competencies and skills of all teachers</li> <li>Instructional leaders regularly conduct teacher evaluations with clear criteria that accurately identify teachers' strengths and weaknesses</li> <li>School holds teachers accountable for quality instruction and student achievement</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>No clear plan for recruitment of teachers</li> <li>PD not described</li> <li>Instability in leadership</li> </ul> <p>Analysis: <b>Does Not Meet Standard</b></p>
<b>At-Risk Students</b>	<p><b>The school meets the educational needs of at-risk students.</b></p> <ul style="list-style-type: none"> <li>The school uses clear procedures for identifying at-risk students with disabilities, English language learners, and those struggling academically</li> <li>The school implements the state's RTI2 program with respect to meeting the needs of all students</li> <li>School adequately monitors the progress and success of at-risk students</li> <li>School follows state requirements for English Language Learners and has appropriately licensed teachers</li> <li>School provides adequate professional development to identify, differentiate instruction and meet the needs of students with disabilities for both general and special education students.</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>RTI2 not fully developed</li> <li>Unclear plan for at-risk students</li> <li>School cited by state monitors for underserved EL population</li> <li>On-going professional development for teachers inadequate</li> <li>Professional Development unclear</li> </ul> <p>Analysis: <b>Does Not Meet standard</b></p>

**Renewal Question 2**  
**Is the School an Effective, Viable Organization?**

<b>Evidence Category</b>	<b>MNPS Renewal Benchmarks</b>	<b>Scoring Notes (Meets/Does Not Meet)</b>
<b>Mission and Key Design Elements</b>	<p><b>The school is faithful to its mission and has implemented key design elements included in its original charter.</b></p> <ul style="list-style-type: none"> <li>• The school follows its original mission and/or has worked with the district to change its original mission in the best interests of the students, families and community</li> <li>• The school has implemented its key design elements</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>• School academic plan not aligned with mission and vision</li> <li>• School intends to use “non-graded” learning, but no research presented on effectiveness</li> </ul> <p>Analysis: <b>Does Not Meet Standard</b></p>
<b>Parents and Students</b>	<p><b>Parents and Students are satisfied with the school.</b></p> <ul style="list-style-type: none"> <li>• School regularly communicates each student’s academic performance results to families</li> <li>• As demonstrated on the district student survey, students are satisfied with the school</li> <li>• Parents are satisfied with the school and keep their students enrolled from year to year</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>• Enrollment consistent, but no clear recruiting plan</li> <li>• It is not clear how or when the school communicates with parents.</li> </ul> <p>Analysis: <b>Does Not Meet Standard</b></p>

<b>Organizational Capacity</b>	<p><b>The school organization effectively supports the delivery of the educational program, as demonstrated on the organizational performance framework.</b></p> <ul style="list-style-type: none"> <li>• School has established an administrative structure with staff, operational systems, policies and procedures that allow the school to carry out its academic program with fidelity</li> <li>• Organizational structure establishes clear lines of accountability with clearly defined roles and responsibilities</li> <li>• School has published complaint policy in place and works with families to resolve issues in a timely manner</li> <li>• School recruits and retains highly qualified staff</li> <li>• School has a clear student discipline plan in place that has been communicated to families and is differentiated for students with disabilities.</li> <li>• School maintains adequate student enrollment</li> <li>• School has a diversity plan in place that aligns with the MNPS Diversity Plan, with procedures to monitor progress toward meeting enrollment and retention targets for special education students, ELL students, and economically disadvantaged students</li> <li>• School regularly monitors and evaluates its programs and makes needed changes</li> <li>• School complies with applicable health and safety laws</li> <li>• School maintains adequate facilities</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>• Instability in organization leadership</li> <li>• Board turnover</li> <li>• Unclear lines of accountability</li> <li>• School meets some diversity targets (income)</li> <li>• The school does not have a clear plan for evaluating itself and making changes.</li> <li>• School does have adequate facilities</li> </ul> <p>Analysis: <b>Partially Meets Standard</b></p>
<b>Board Oversight</b>	<p><b>The school's governing board works effectively to achieve the school's academic, organizational and financial goals.</b></p> <ul style="list-style-type: none"> <li>• Board members possess adequate skills and have in place the structures and procedures with which to govern the school and oversee management</li> <li>• Board requests and receives sufficient information to provide rigorous</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>• Board has consistently turned over and reconstituted itself</li> <li>• Unclear if Board attends training at least once per year</li> <li>• No evidence board established clear</li> </ul>

	<p>oversight of the school's programs and finances</p> <ul style="list-style-type: none"> <li>• Board establishes clear priorities, objectives, and long range goals and has in place benchmarks for tracking progress as well as a process for regular review and revision</li> <li>• Board successfully recruits, hires, and retains key leadership personnel and provides them with sufficient resources to function effectively</li> <li>• Board evaluates its own performance and that of school leaders, attends at least one board training per year as required by Tennessee law, and holds leadership accountable for academic achievement</li> <li>• Board effectively communicates with school community, including school leadership, staff, parents, and students</li> </ul>	<p>priorities, objectives and long range goals</p> <p>Analysis: <b>Does Not Meet Standard</b></p>
<b>Governance</b>	<p><b>The board implements, maintains, and abides by appropriate policies, systems and processes.</b></p> <ul style="list-style-type: none"> <li>• Board effectively communicates with key contractors such as back-office providers and ensures value in exchange for contracts and relationships it enters into</li> <li>• Board takes appropriate and timely corrective action when there are organizational, leadership, management, facilities or fiscal deficiencies and puts in place benchmarks for determining if the corrections are effective</li> <li>• Board effectively recruits and selects new members in order to maintain adequate skill sets and expertise for effective governance, and has in place an orientation process for new members</li> <li>• Board has clear conflict of interest policies</li> <li>• Board has clear, transparent process for dealing with complaints, makes the complaint policy clear to all stakeholders, and follows the policy, including acting on complaints in a timely manner</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>• It is unclear if the board takes corrective action when there are deficiencies</li> <li>• Board does not have a clear, effective practice of recruiting new members.</li> <li>• A search of the SCA website reveals an outdated complaint policy and a vague conflict of interest policy as it relates to board members.</li> </ul> <p>Analysis: <b>Does Not Meet Standard</b></p>

	<ul style="list-style-type: none"> <li>Board holds all meetings in accordance with the state's Open Meetings law and records minutes for all meetings</li> </ul>	
<b>Legal Requirements</b>	<p><b>The school substantially complies with applicable laws, rules, and regulations and the provisions of its charter.</b></p> <ul style="list-style-type: none"> <li>School compiles a record of substantial compliance with the terms of its charter and applicable state and federal laws, rules and regulations including but not limited to, reporting in a timely manner, teacher licensing, open meetings, conflict of interest, and audits</li> <li>School implements effective systems and controls to ensure it meets legal and charter requirements</li> <li>School has an active and on-going relationship with either in-house or independent legal counsel who reviews and makes recommendations on relevant policies, documents, transactions, and incidents and handles other legal matters as needed</li> <li>School manages any litigation appropriately, and provides litigation papers to insurers and MNPS in a timely manner</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>Legal counsel on board, but unclear if this person reviews policy, or documents transactions.</li> <li>Operational review found school in legal compliance</li> </ul> <p>Analysis: <b>Partially Meets Standard</b></p>

**Renewal Question 3  
Is the School Fiscally Sound?**

Evidence Category	MNPS Renewal Benchmarks	Scoring Notes (Meets/Does Not Meet)
<b>Budgeting and Long Range Planning</b>	<p><b>The school operates pursuant to a long-range financial plan in which it creates realistic budgets that it monitors and adjusts when appropriate.</b></p> <ul style="list-style-type: none"> <li>• School has clear budgetary objectives and budget preparation procedures</li> <li>• Board members, school staff and administration contribute to the budget process as appropriate</li> <li>• School frequently compares its long-range fiscal plan to actual progress and adjusts it to meet changing conditions</li> <li>• Yearly audit required by the state is turned in by the due date and is in compliance with state requirements.</li> <li>• Audited financial statements show appropriate levels of revenues/expenses when run through the formulas contained within the financial performance framework</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>• Annual budgets are unrealistic</li> <li>• Annual Audits had findings for the last two years</li> <li>• 10 year budget and narrative provided are unclear and did not align with assumptions</li> <li>• School is in debt and there is no clear plan for retiring the debt</li> <li>• Expenses far exceed revenues</li> </ul> <p>Analysis: <b>Does Not Meet Standard</b></p>
<b>Internal Controls</b>	<p><b>The school maintains appropriate internal controls and procedures.</b></p> <ul style="list-style-type: none"> <li>• School follows a set of comprehensive written fiscal policies and procedures</li> <li>• School keeps accurate records and appropriately documents transactions in accordance with generally accepted accounting principles</li> <li>• School identifies/analyzes risks and takes mitigating actions</li> <li>• School has controls in place to ensure management decisions are appropriately carried out and monitors and assesses controls to ensure their adequacy</li> <li>• School ensures duties are appropriately segregated and proper controls are in place</li> <li>• School has systems in place to provide the appropriate information needed by staff and the board to make sound financial decisions and to fulfill compliance requirements</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>• Audit cited weak internal controls</li> <li>• Executive Director also Board Chair, a clear conflict of interest</li> <li>• Executive Director approves, writes and signs checks, another clear conflict of interest</li> <li>• Unclear if there are systems in place to provide appropriate information to the board to make sound financial decisions</li> </ul> <p>Analysis: <b>Does Not Meet Standard</b></p>

	<ul style="list-style-type: none"> <li>School ensures that employees, or vendors who handle cash, payroll, or other payments are bonded and trained appropriately</li> <li>School takes corrective action in a timely manner to address any internal control or compliance deficiencies identified by an external auditor</li> </ul>	
<b>Financial Reporting</b>	<p><b>The School has complied with financial reporting requirements by providing the required financial reports on time, ensuring their accuracy and completeness</b></p> <ul style="list-style-type: none"> <li>Annual budget turned into the Office of Innovation, Budget Office and State Department of Charter Schools</li> <li>Audited financial statements as required by Tennessee law no later than December 31</li> <li>Other financial reports as requested by the district</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>All reporting is on time and compliant with applicable law</li> <li>Most recent operational review found school in compliance with reporting requirements</li> <li>Audited financial statements have been received, but have findings</li> </ul> <p>Analysis: <b>Partially Meets Standard</b></p>
<b>Financial Condition</b>	<p><b>The school maintains adequate financial resources to ensure stable operations. Critical financial needs of the school are not dependent on variable income (grants, donations, fundraising).</b></p> <ul style="list-style-type: none"> <li>School maintains sufficient cash on hand to pay current bills, including those owed to the district such as benefits</li> <li>School maintains adequate liquid reserves to fund expenses in the event of income loss (generally three months)</li> <li>School prepares and monitors cash flow projections</li> <li>If philanthropy is included in the budget, school monitors progress toward its development goals on a periodic basis</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>Inadequate liquidity and low cash flow</li> <li>Expenses far exceed revenue flow</li> <li>School has large debts for which there is not a clear plan to retire</li> </ul> <p>Analysis: <b>Does Not Meet Standard</b></p>



**Renewal Question 4**  
**Is the Renewal Plan for the Next Charter Period Reasonable, Feasible and Achievable?**

Evidence Category	MNPS Renewal Benchmarks	Scoring Notes (Meets/Does Not Meet)
<b>Plans for School's Structure</b>	<p><b>Key structural elements of the school, as defined in the Renewal Application, are reasonable, feasible and achievable</b></p> <ul style="list-style-type: none"> <li>School is likely to fulfill its mission in the next charter period</li> <li>School has an enrollment plan that can support the school program</li> <li>School calendar and daily schedule clearly provide sufficient instructional time to meet all legal requirements, allow the school to meet its stated academic benchmarks, and abide by its proposed budget</li> <li>Key design elements are consistent with the mission statement and are feasible given the budget and staffing projections</li> <li>Curriculum framework for added grades aligns with the state's performance standards and Common Core</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>School is not likely to fulfill its mission</li> <li>Key indicators are unclear</li> <li>Curriculum is not well-researched or designed</li> <li>Curriculum not consistent with mission and vision.</li> </ul> <p>Analysis:  <b>Does Not Meet Standard</b></p>
<b>Plans for the Educational Program</b>	<p><b>The school's action plan for implementing the educational program to meet academic goals.</b></p> <ul style="list-style-type: none"> <li>School has plans for sustaining and improving upon student outcomes compiled during the previous charter period</li> <li>For schools providing secondary instruction, the graduation requirements meet or exceed state standards, and the school will have met the accreditation requirements as set forth by the State of Tennessee before the first graduating class occurs.</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>Plans for sustaining and improving the school are unclear and not well-researched.</li> <li>Academic goals are not clear nor do they include special populations</li> </ul> <p>Analysis:  <b>Does Not Meet Standard</b></p>
<b>Plans for Board Oversight and Governance</b>	<p><b>The school provides a reasonable, feasible and achievable plan for board oversight and governance.</b></p> <ul style="list-style-type: none"> <li>School governing board possesses wide range of experience, skills and abilities sufficient to oversee the</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>Governing board has turned over frequently and it is unclear if they possess the skillsets needed to oversee academic, operational,</li> </ul>

	<p>academic, organizational and fiscal performance of the school</p> <ul style="list-style-type: none"> <li>• If governing board oversees more than one school within the organization, board has sufficient resources and skills to ensure all schools are monitored efficiently</li> <li>• Plans are in place for additional board members to be added as needed expertise is identified</li> </ul>	<p>and finance performance of the school</p> <p>Analysis: <b>Does Not Meet Standard</b></p>
<b>Fiscal, Facility, and Transportation Plans</b>	<p><b>The school provides a reasonable, feasible and achievable fiscal plan including plans for an adequate facility.</b></p> <ul style="list-style-type: none"> <li>• School's budgets adequately support staffing, enrollment, facility and transportation projections (if school provides transportation)</li> <li>• Fiscal plans and projections are based on sound use of financial resources to support academic program needs</li> <li>• Information on enrollment demand provides clear evidence for enrollment projections and school growth (where applicable)</li> <li>• Facility plans are adequate to meet educational program needs.</li> </ul>	<p>Evidence:</p> <ul style="list-style-type: none"> <li>• Budget as submitted is not aligned with assumptions</li> <li>• At present, the financial state of the school is not adequate to sustain it for any length of time</li> <li>• Facility is heavily mortgaged</li> </ul> <p>Analysis: <b>Does Nor Meet Standard</b></p>

# ATTACHMENTS

- SCA Report Card
- Notices of Concern
- Notices of Probation
- Annual Audits (past three years)
- Monthly Budget Documents

<b>Smithson Craighead Academy</b> Based on the data accumulated to date, this school is on track to: School Name: Smithson Craighead Academy Address: 730 Neelys Bend Road Madison, TN 37115 Website: <a href="http://www.smithsoncraighead.net">www.smithsoncraighead.net</a> Phone: (615) 228-9886						<b>School Performance Summary (2011-15)</b> <table border="1"> <tr> <td rowspan="2">No Renewal</td> <td>Renewal Application Due:</td> <td>April</td> <td>2017</td> </tr> <tr> <td>5-year Review:</td> <td>October</td> <td>2012</td> </tr> </table>						No Renewal	Renewal Application Due:	April	2017	5-year Review:	October	2012																																																																																															
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<b>Profile</b> Principal: Shameka Beasley and Dana Dillard Jackson Opened: 2003 Current Grades: K-4 Approved Grades: K-4 Enrollment: 192						<table border="1"> <tr> <th>Demographics</th> <th>2011-12</th> <th>2012-13</th> <th>2013-14</th> <th>2014-15</th> <th>2015-16</th> <th>2016-17</th> </tr> <tr> <td>African-American:</td> <td>99%</td> <td>99%</td> <td>99%</td> <td>71%</td> <td>71%</td> <td>57%</td> </tr> <tr> <td>Hispanic:</td> <td>12%</td> <td>1%</td> <td>1%</td> <td>24%</td> <td>25%</td> <td>41%</td> </tr> <tr> <td>White:</td> <td>0%</td> <td>0%</td> <td>0%</td> <td>3%</td> <td>2%</td> <td>2%</td> </tr> <tr> <td>Asian:</td> <td>&lt;1%</td> <td>0%</td> <td>0%</td> <td>1%</td> <td>1%</td> <td>3%</td> </tr> <tr> <td>FARM:</td> <td>95%</td> <td>97%</td> <td>96%</td> <td>91%</td> <td>91%</td> <td>N/A</td> </tr> <tr> <td>SWD:</td> <td>13%</td> <td>15%</td> <td>13%</td> <td>12%</td> <td>13%</td> <td>7%</td> </tr> <tr> <td>EL:</td> <td>0%</td> <td>0%</td> <td>0%</td> <td>8%</td> <td>8%</td> <td>22%</td> </tr> <tr> <td>ED::</td> <td colspan="5"></td> <td>64%</td> </tr> </table>						Demographics	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	African-American:	99%	99%	99%	71%	71%	57%	Hispanic:	12%	1%	1%	24%	25%	41%	White:	0%	0%	0%	3%	2%	2%	Asian:	<1%	0%	0%	1%	1%	3%	FARM:	95%	97%	96%	91%	91%	N/A	SWD:	13%	15%	13%	12%	13%	7%	EL:	0%	0%	0%	8%	8%	22%	ED::						64%																																							
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**SMITHSON CRAIGHEAD ACADEMY  
ELEMENTARY SCHOOL**

**AUDITED FINANCIAL STATEMENTS  
AND OTHER INFORMATION**

**JUNE 30, 2013**

# SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL

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## Independent Auditor's Report

To the Board of Directors  
Smithson Craighead Academy Elementary School  
Nashville, Tennessee

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Smithson Craighead Academy Elementary School (the "School"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Smithson Craighead Academy Elementary School, as of June 30, 2013, 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 4 - 11 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 Smithson Craighead Academy Elementary School's basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, are presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State of Tennessee and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.





To the Board of Directors  
Smithson Craighead Academy Elementary School

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Crosslin & Associates, P.C.*

Nashville, Tennessee  
September 30, 2013

## SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Smithson Craighead Academy Elementary School's annual financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2013. This section should be read in conjunction with the financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The assets of the School exceeded its liabilities by \$720,966
- Net position decreased \$196,269 during the year
- Outlays for new capital assets totaled \$29,599, and construction in progress completed and transferred to capital assets being depreciated totaled \$36,502
- Total revenues of \$2,610,257 were comprised of Federal and State Pass-through Funds- 10%, District Funds- 87% and Charitable Giving/Other- 3%

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of a series of financial statements, notes to those statements 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 12.

The Statement of Net Position reports the School's net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources). Private sector entities would report retained earnings. The School's net position balance at 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. It 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.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

**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 14. 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 school wide financial statements to report on the School as a whole. The relationship between governmental activities, as reported in the Statement of Net Position and the Statement of Activities, and governmental funds, as reported in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances is reconciled in the basic financial statements on pages 15 and 17.

**SCHOOL WIDE FINANCIAL ANALYSIS**

**Net Position:**

The School's assets exceeded the School's liabilities at the close of the fiscal year, resulting in net position of \$720,966. The School's net position include \$217,434 of cash. The cash is available to meet the School's ongoing activities.

As of June 30, 2013, the School had invested \$2,435,639 in capital assets. This investment includes building and improvements for instructional purposes, instructional and support furniture, instructional computers for teachers and students, maintenance equipment and vehicles for transportation of students. Additional information on property and equipment is located in the notes to the financial statements.

The School has debt in the amount of \$1,884,467. This debt was used to fund the purchase of the School's building and land and significant improvements to the School building.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

A schedule of the School's net position as of June 30, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Current assets	\$ 266,001	\$ 175,998
Capital assets	<u>2,435,639</u>	<u>2,508,590</u>
Total assets	<u>2,701,640</u>	<u>2,684,588</u>
Current liabilities	186,327	314,451
Long-term liabilities	<u>1,794,347</u>	<u>1,452,902</u>
Total liabilities	<u>1,980,674</u>	<u>1,767,353</u>
Net position:		
Net investment in capital assets	982,737	1,026,416
Restricted - nonexpendable	2,289	2,888
Unrestricted	<u>( 264,060)</u>	<u>( 112,069)</u>
Total net position	<u>\$ 720,966</u>	<u>\$ 917,235</u>

The School had no deferred net outflows or inflows of resources at June 30, 2013 or 2012. The School's total net position decreased \$196,269 during the 2013 fiscal year. The decrease in the School's net position indicates that the School had more outgoing expenses than incoming revenues during the year. Total revenues generated from government grants, governmental funds, foundation grants and donations were \$2,603,435 during the 2013 fiscal year. The overall decrease in net position was expected since the School's expenses increased in the 2013 fiscal year.

A schedule of the School's revenue and expenses for the years ended June 30, 2013 and 2012, is as follows. The schedule is for the School as a whole, not for the governmental funds.

	<u>2013</u>	<u>2012</u>
Revenues		
District funding	\$2,277,313	\$2,075,506
Federal and state grants	262,103	180,527
Contributions	64,019	73,778
Other	<u>6,822</u>	<u>64,375</u>
Total revenues	<u>2,610,257</u>	<u>2,394,186</u>

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

	<u>2013</u>	<u>2012</u>
Expenses		
Employee compensation	2,256,102	1,917,890
Occupancy	167,991	139,849
Transportation	56,459	57,305
Depreciation	102,550	93,634
Insurance	10,530	43,061
Office expense	11,119	9,084
Interest	106,713	93,120
Instructional	32,892	35,941
Professional services	31,240	14,971
Food services	17,796	33,408
Organizational development	3,175	4,321
Other expenses	<u>9,959</u>	<u>87</u>
Total expenses	<u>2,806,526</u>	<u>2,442,671</u>
Change in net position	<u>\$( 196,269)</u>	<u>\$( 48,485)</u>

### FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The School's funds, as presented on the balance sheet on page 14 reported a combined fund balance of \$169,794. The majority of the School's total funds are in the General Fund, which is the chief operating fund of the School. The School has one other major fund consisting of the Federal and State Grants Fund.

Due to different basis of accounting, there is a difference between the amounts reported under the School's funds and the amounts reported as school wide. For the June 30, 2013 year end, the differences consist of capital assets and debt, which are not reported on the School's funds.

### SCHOOL ACTIVITIES

The mission of Smithson Craighead Academy Elementary School (the "School") is to provide children who are underachieving in traditional public schools with a strong foundation in basic academic skills and positive behavior skills. Achieving these two ends requires interaction among educators, the students' families, and the community resulting in a school with a welcoming, supportive environment that leads each child toward success in school and in life. To achieve this, the School:

1. Implements a non-graded, sequentially organized, skill-based curriculum designed to eradicate students' academic deficits;
2. Provides ongoing training of certified and non-certified personnel to use methodology effective in teaching underachieving children;
3. Brings together School, student families, and community partners to implement the program with maximum effectiveness.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

## **SCHOOL DESCRIPTION**

Project Reflect, Inc., the nonprofit sponsor of Smithson Craighead Academy, submitted an application in November 2002 to the Metropolitan Nashville Public Schools (MNPS) for a charter to open the School. The application was approved in February 2003 and was signed in July 2003. Project Reflect purchased and renovated a ten-classroom school facility at 3307 Brick Church Pike in northeast Nashville to house the School for children in kindergarten through grade four. From its inception, the School was designed to meet the needs of underachieving students. Since opening in 2003, the School has continued to involve the parents and community in creating a primary academic center that is safe, welcoming, stimulating, and where students and staff are encouraged to strive for high achievement.

During the 2012-2013 school year, the School served approximately 263 students living in Davidson County. The ethnic distribution of the student population was: 98.8% African American and 1.2% Hispanic. The percentage of students receiving free and reduced-price meals was 96%. The attendance rate was 95.4%. One hundred percent (100%) of teachers were "Highly Qualified."

## **EXECUTIVE SUMMARY**

In May 2013, the School completed its tenth year as a K-4 charter school in Nashville, Tennessee. Over 90% of employees had been employed at the School one or more years. Teachers work in teams for planning and execution of programming. Education Assistants help in each grade; therefore, no outside substitute teachers are needed when a teacher is absent, and the School program goes on uninterrupted, incorporating minor staff shifts into the usual daily program of studies.

The School program is based on best practices suggested by established educational research. All learners receive information and engage in projects through visual, oral, kinesthetic, and tactile opportunities. Best practices for accomplishing goals are identified for implementation by the staff as a team, which includes parents and community stakeholders represented on our School Improvement Plan (SIP) Committee. Literacy and numeracy are emphasized to address the specific deficits of the population we serve.

For the third year, we sponsored the popular Numeracy, Literacy, Science, and Social Studies Family Nights. These events provided families opportunities to engage in learning experiences and strategies that they could implement at home to support and supplement learning at school. All parents become familiar with the three School rules to use at home as a reinforcement tool:

1. Self-control
2. We obey our teachers
3. We work before we play

Special education: During the year, as every year, special needs students were placed in mainstream classrooms with teachers who hold dual certification in regular and special education. The Fifty Forward Seniors Program, a federal jobs program, provided classes with a foster grandparent four hours each morning to assist the students and teachers. A part-time special-needs coach consulted with the teachers on appropriate strategies for student success.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

The spring 2013 TCAP tests required the School's students to perform Tennessee Benchmarks for Reading/Language Arts and Math at the Elementary School Level. Also in spring 2013, for the first time, children in grades k-2 took a standardized test commonly called the SAT-10. Scores for both the TCAP and SAT-10 are embargoed as this report is being written, but results are expected to meet State Department of Education targets, and second grade scores in particular are expected to match or exceed Metro and State averages.

Community partners for the 2012-2013 school year, excluding government agencies for the purposes of this report, included the following:

- |  |   |                                  |
|--|---|----------------------------------|
| • Avenue Bank                                    | • IBIS Communications                               | • St. Ann Catholic               |
| • Cassidy Turley Commercial Real Estate          | • IKON Construction                                 | Community                        |
| • Catholic Heart WorkCamp                        | • Metropolitan Nashville Chapter of the Links, Inc. | • St. Cecilia Academy            |
| • Christ the King Church                         | • Nashville Ballet                                  | • St. Henry Church               |
| • Deloitte Services LP                           | • Nashville Motorplex                               | • St. Joseph Church and School   |
| • Father Ryan High School                        | • Speedway  | • St. Matthew Church and School  |
| • Girls on the Run                               | • Nashville Predators                               | • St. Stephen Church             |
| • Hands On Nashville                             | • Pope John Paul II High School                     | • Second Harvest Food Volunteers |
| • HCA Foundation                                 | • Regions Bank                                      | • Walker Electric Co.            |
| • Hendersonville Area Chapter of the Links, Inc. |   | • Wehby Plumbing                 |

Collectively, there were approximately 3,700 volunteer hours logged in as a result of community partnerships during the 2012-2013 school year.

## **STUDENT ENROLLMENT FACTORS AND 2012-2013 BUDGET**

Enrollment: For school year 2012-2013, the enrollment was 263 students.

Revenue: Our primary revenue came from our per pupil Basic Education Program (BEP) funding, supplemented by Title I federal funds and donations. Also, in this tenth school year, community collaborations with various organizations provided ongoing support to the school, as they have since inception.

Staffing: An action on November 13, 2012, by the Metropolitan Nashville School Board ("MNPS Board") greatly impacted the Education Assistants at the School. The MNPS Board voted to close the School's sister school, Smithson Craighead Academy Middle School. This decision threw the School and Project Reflect into financial upset that required swift and decisive action by the Finance Committee of Project Reflect's Board of Directors. Directives included a decrease in School Education Assistants from 11 to five between November 2012 and May 2013. Another three Education Assistants were not invited to return for the 2013-2014 school year after a careful evaluation of the planned revenue and program structure revealed that the School could save on Education Assistant salaries and use the funding to increase technology, purchase another needed school bus, and otherwise infuse new resources into the School.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

Title I allocation funds were used to cover the expenses of one Instructional Model position (the principal), one Parent Involvement Liaison/Clerical position, and a Title I Tutor.

Non-personnel: These expenses were accurately predicted based on previous years' expenditures. The School gets a tremendous contribution of in-kind work on annual maintenance of grounds and facilities from Catholic Heart WorkCamp each July. Significant repairs and upgrades were donated this year by Walker Electric, Wehby Plumbing, and other community partners, which greatly benefitted the working budget.

Title I allocation funds were used for additional instructional supplies and materials necessary for an optimal educational experience for underachieving students.

## LOOKING AHEAD

Historically, since Project Reflect's first children's summer school program in 1994, our operational model has been continuous improvement. The failure of the Smithson Craighead Academy Middle School was a clear indication to the Project Reflect Board that our success has been at the K-4 grade levels, and future expansion will weight that history heavily. In the coming year, the Project Reflect Board plans to do strategic planning to determine a direction for growth in the next five to ten years. Meanwhile, the Madison campus, which was vacated by Smithson Craighead Academy Middle School, is being rented by another charter school, for a one year, renewable lease.

Actions that Project Reflect has taken to enhance the School's academic success record on standardized tests and to enhance the holistic environment in the 2013-2014 school year include several important changes:

- Teachers will be in self-contained classrooms for the first time. This means that instead of students changing classrooms for different subjects being taught by different teachers, they will be assigned to one teacher all day except for computer lab and physical education. This will help teachers understand their students on a deeper level and be able to address their affective needs more effectively, which will result in students' ability to focus more on academics. Self-contained classrooms also will eliminate travel time between classes and increase instructional time.
- The addition of a 42-seat computer lab so that each student in grades 1-4 will have one hour of online learning in language and math each day in addition to classroom instruction. Online work will target each child's individual learning challenges and is planned to help children make faster forward progress on skills mastery.
- Teacher training scheduled for every Friday afternoon from 3:00 p.m. to 5:00 p.m. Much of this required training will focus on the book *Teach Like a Champion: 49 Techniques that Put Students on the Path to College*. This acclaimed book presents techniques to increase teaching time and student and teacher motivation for high achievement.
- Principal Janelle Glover will attend a workshop in September sponsored by Uncommon Schools in New York, the group behind the *Teach Like a Champion* book. The workshop is designed to train the trainer and to inspire participants to go back to their schools and share that inspiration and new knowledge with their staff.



SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

- The addition of a PREP After-School Program from 3:00 p.m. to 5:30 p.m., Monday through Thursday on regular school days. During this time, children who are performing significantly below grade level will receive appropriate tutoring, and children who are performing above, at, or close to grade level will do enrichment activities. All participants, which will be about 90% of the School students, will participate in DEAR (Drop Everything And Read) for 30 minutes each afternoon to practice reading skills. Research verifies that children that read 30 minutes each day improve their reading skills significantly over those that do not read 30 minutes per day.

Persistence and creativity are two hallmarks of Project Reflect, and we will continue to improve the School program to reach the top tier of TCAP scores in Tennessee.

### **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 for the money it receives. For questions about this report or additional financial information, contact the School's Executive Director, Nancy Denning-Martin, by telephone at (615) 262-5553, or by email to [nancy.denningmartin@projectreflect.org](mailto:nancy.denningmartin@projectreflect.org).

This report was submitted by Joan Anderson, Executive Director of Project Reflect for the 2012-2013 school year and through August 9, 2013.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	<u>Governmental Activities</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
Cash and cash equivalents	\$ 217,434
Receivables	46,278
Prepaid expenses and other assets	2,289
Capital assets, net	<u>2,435,639</u>
Total assets	2,701,640
 Deferred outflows of resources	 <u>-</u>
Total assets and deferred outflow of resources	<u>2,701,640</u>
 <b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	
Accounts payable and accrued expenses	96,207
Long-term debt, payable within one year	90,120
Long-term debt, payable in more than one year	<u>1,794,347</u>
Total liabilities	1,980,674
 Deferred inflows of resources	 <u>-</u>
Total liabilities and deferred inflows of resources	<u>1,980,674</u>
 <b>NET POSITION</b>	
Net investment in capital assets	982,737
Restricted - nonexpendable	2,289
Unrestricted	<u>(264,060)</u>
Total net position	<u><u>\$ 720,966</u></u>

See accompanying notes to financial statements.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013

GOVERNMENTAL ACTIVITIES:	Total	Functions		
		Student Instruction and Services	Administration	Fundraising
EXPENSES				
Instructional	\$ 32,892	\$ 32,892	\$ -	\$ -
Occupancy	167,991	142,752	25,239	-
Office	11,119	7,783	3,336	-
Other	9,959	-	9,959	-
Organizational development	3,175	1,957	217	1,001
Professional services and fees	31,240	-	31,240	-
Employee compensation	2,256,102	2,036,587	219,515	-
Food services	17,796	17,796	-	-
Insurance	10,530	-	10,530	-
Interest	106,713	-	106,713	-
Transportation	56,459	56,459	-	-
Depreciation	<u>102,550</u>	<u>-</u>	<u>102,550</u>	<u>-</u>
Total expenses	2,806,526	2,296,226	509,299	1,001
PROGRAM REVENUES				
Operating grants and contributions	225,903	225,903	-	-
Capital grants and contributions	<u>36,200</u>	<u>36,200</u>	<u>-</u>	<u>-</u>
Net program expenses	<u>2,544,423</u>	<u>\$ 2,034,123</u>	<u>\$ 509,299</u>	<u>\$ 1,001</u>
GENERAL REVENUES				
District funding	2,277,313			
Contributions	64,019			
Other income	<u>6,822</u>			
Total general revenues	<u>2,348,154</u>			
CHANGE IN NET POSITION	(196,269)			
NET POSITION, June 30, 2012	<u>917,235</u>			
NET POSITION, June 30, 2013	<u>\$ 720,966</u>			

See accompanying notes to financial statements.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General Purpose School Fund	Federal and State Grants Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 217,434	\$ -	\$ 217,434
Receivables	-	46,278	46,278
Due from other funds	46,278	-	46,278
Other current assets	2,289	-	2,289
Total assets	<u>\$ 266,001</u>	<u>\$ 46,278</u>	<u>\$ 312,279</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,639	\$ -	\$ 2,639
Accrued expenditures	93,568	-	93,568
Due to other funds	-	46,278	46,278
Total liabilities	<u>96,207</u>	<u>46,278</u>	<u>142,485</u>
<b>FUND BALANCES</b>			
Nonspendable	2,289	-	2,289
Unassigned	167,505	-	167,505
Total fund balances	<u>169,794</u>	<u>-</u>	<u>169,794</u>
Total liabilities and fund balances	<u>\$ 266,001</u>	<u>\$ 46,278</u>	<u>\$ 312,279</u>

See accompanying notes to financial statements.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS - CONTINUED  
JUNE 30, 2013

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

Total governmental fund balances above	\$ 169,794
Capital assets not reported above	2,435,639
Some liabilities may not be due and payable in the current period, and therefore, are not reported in the funds:	
Long-term debt	<u>(1,884,467)</u>
Net position of governmental activities in the statement of net position	<u>\$ 720,966</u>

See accompanying notes to financial statements.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

	General Purpose School Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES			
Contributions	\$ 64,019	\$ -	\$ 64,019
District funding	2,277,313	-	2,277,313
Federal and state grants	-	262,103	262,103
Other income	6,822	-	6,822
Total revenues	<u>2,348,154</u>	<u>262,103</u>	<u>2,610,257</u>
EXPENDITURES			
Current:			
Instructional	29,062	3,830	32,892
Occupancy	167,991	-	167,991
Food service	17,796	-	17,796
Office	11,119	-	11,119
Organizational development	3,175	-	3,175
Other	9,959	-	9,959
Professional services and fees	41,770	-	41,770
Employee compensation	2,034,029	222,073	2,256,102
Transportation	56,459	-	56,459
Debt Service:			
Principal	1,755,331	-	1,755,331
Interest	106,713	-	106,713
Capital Outlay	<u>(6,601)</u>	<u>36,200</u>	<u>29,599</u>
Total expenditures	<u>4,226,803</u>	<u>262,103</u>	<u>4,488,906</u>
OTHER FINANCING SOURCES:			
Issuance of debt	<u>1,975,975</u>	<u>-</u>	<u>1,975,975</u>
NET CHANGE IN FUND BALANCES	97,326	-	97,326
FUND BALANCES, June 30, 2012	<u>72,468</u>	<u>-</u>	<u>72,468</u>
FUND BALANCES, June 30, 2013	<u>\$ 169,794</u>	<u>\$ -</u>	<u>\$ 169,794</u>

See accompanying notes to financial statements.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - CONTINUED  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2013

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

Net change in fund balances as reported in the governmental funds statements	\$ 97,326
Issuance of debt recorded as revenue in the governmental fund statements, but reflected as long-term debt in the school-wide statements	(1,975,975)
Amounts reported as expenditures in the governmental funds not included as expenses in the school-wide statements:	
Capital outlays	29,599
Payments on long-term debt	1,755,331
Expenses in the school-wide statements not included in the governmental funds:	
Depreciation expense	<u>(102,550)</u>
Change in net position of governmental activities	<u>\$ (196,269)</u>

See accompanying notes to financial statements.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Smithson Craighead Academy Elementary School (the “School”) is sponsored by Project Reflect, Inc. (“Project Reflect” or the “Corporation”), a not for profit organization organized under the laws of the State of Tennessee, with an exemption from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Pursuit to Section 6(1)(a) of the Tennessee Public Charter School Act of 2002 (the “Act”), the School has been approved as a public charter school. Pursuant to the Act, public charter schools are part of the state’s public education program offering an alternative means with the public school system for accomplishing necessary outcomes of education. The School entered into a Charter School Agreement with the Metropolitan Nashville Board of Education to operate a charter school in Nashville, Tennessee. The School began classes in August 2003 with kindergarten through fourth grade classes. The mission of the School is to improve the academic achievement of elementary school students.

Through fiscal year 2013, the Corporation operated another charter school, Smithson Craighead Academy Middle School (“Middle School”), which is independent from the School. The Middle School closed at the end of fiscal year 2013. The Corporation and Middle School each issue separately available financial statements.

Basic Financial Statements

The School’s activities have been accounted for together with the activities of Smithson Craighead Academy Middle School and Project Reflect, Inc. Certain significant allocations of joint activities have been made in determining the School’s financial statement amounts.

School-wide financial statements

The school-wide financial statements focus on the sustainability of the School as an entity and the change in the School’s net position resulting from the current year’s activities. In the school-wide statement of net position, amounts are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as any long-term debt and obligations. The statement of net position presents the financial condition of the School at year-end.

When applicable, the School’s net position is reported in three categories - net investment in capital assets; net position - restricted; and net position - unrestricted. When both restricted and unrestricted resources are available for use, it is the School’s policy to use restricted resources first, and then unrestricted resources as they are needed.



SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The school-wide statement of activities reports both the gross and net cost of the School's functions. The functions are also supported by general government revenues (general revenues are primarily made up of district Basic Education Program ("BEP") funding and donations to the General Purpose School Fund). The statement of activities reduces gross expenses by related function revenues, including operating grants and contributions and capital grants and contributions. Program revenues must be directly associated with the function. The net costs by function are normally covered by general revenue.

Fund financial statements

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

The emphasis in fund financial statements is on the major funds. When applicable, nonmajor funds by category are summarized in a single column. Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, sets forth minimum criteria for the determination of major funds. The School reports the following major governmental funds:

The General Purpose School Fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

The Federal and State Grants Special Revenue Fund is used to account for the receipt and disbursement of federal and state grants where unused balances, if any, are returned to the grantor at the close of specified project periods.

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

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

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*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.

*Assigned* - This classification consists of all fund balances that are not in the General Purpose School Fund or classified as nonspendable, restricted or committed. In addition, General Purpose School Fund balances that the School intends to use for specific purposes are also classified as assigned. The School gives the authority to assign amounts to specific purposes to the School's accountant and personnel under the supervision of the accountant tasked with financial recording responsibilities.

*Unassigned* - This classification consists of all fund balances in the General Purpose School Fund that are not reported as nonspendable, restricted, committed or assigned.

Basis of Accounting

The School's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB.

The School is considered a special purpose governmental entity engaged in governmental type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared in the same manner as general purpose governments.

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

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

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The governmental funds financial statements are presented on the modified accrual basis of accounting. Revenues under the modified accrual basis are recognized when measurable and available and expenditures are recognized when the related liability is incurred. "Available" means collectible within the current period or within 60 days after the end of the year.

Since the governmental funds financial statements are presented on a different basis than the school-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the school-wide financial statements.

Estimates and Uncertainties

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the useful lives of property and equipment and the allocation of joint revenues and expenses between the School, the Middle School and Project Reflect.

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, 2013, the School's cash and cash equivalents were deposited with a financial institution. The School may, from time to time, maintain deposit balances in excess of federally insured limits.

Receivables

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

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 5 to 39 years.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the respective governmental fund upon acquisition.

Income Taxes

The School is a not-for-profit school that is exempt from federal income taxes under the Internal Revenue Code, classified by the Internal Revenue Service as other than a private foundation and is similarly exempt from state income taxes. The School accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the School include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the School has determined that such tax positions do not result in an uncertainty requiring recognition.

Grants

The School receives awards and financial assistance through federal, state, local and private agencies. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Purpose School Fund or Federal and State Grants Fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Financial Instruments

The carrying value of cash equivalents, receivables, accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The fair value of long-term debt approximates carrying value as interest approximates market rates.

Interfund Balances

Transactions which constitute reimbursement of expenditures initially made from a fund, which are properly applicable to another fund, are recorded as expenditures, as appropriate, in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

B. DEPOSITS WITH FINANCIAL INSTITUTIONS

As of June 30, 2013, the School had cash deposits with a financial institution that had carrying amount of \$21,734, which is collateralized by FDIC insurance. Additionally, the School's financial institution participates in the State of Tennessee's Bank Collateral Pool, which helps the School to mitigate custodial credit risk.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

C. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2012	Reclass- ifications	Additions	Retirements	Balance June 30, 2013
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 305,000	\$ -	\$ -	\$ -	\$ 305,000
Construction in progress	<u>36,502</u>	<u>(36,502)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>341,502</u>	<u>(36,502)</u>	<u>-</u>	<u>-</u>	<u>305,000</u>
Capital assets being depreciated:					
Building and improvements	2,319,566	36,502	-	-	2,356,068
Equipment	404,928	-	7,599	-	412,527
Furniture and fixtures	53,794	-	-	-	53,794
Vehicles	<u>107,955</u>	<u>-</u>	<u>22,000</u>	<u>(78,845)</u>	<u>51,110</u>
Total capital assets being depreciated	<u>2,886,243</u>	<u>36,502</u>	<u>29,599</u>	<u>(78,845)</u>	<u>2,873,499</u>
Less accumulated depreciation for:					
Building and improvements	334,029	-	63,240	-	397,269
Equipment	240,066	-	33,422	-	273,488
Furniture and fixtures	53,794	-	-	-	53,794
Vehicles	<u>91,266</u>	<u>-</u>	<u>5,888</u>	<u>(78,845)</u>	<u>18,309</u>
Total accumulated depreciation	<u>719,155</u>	<u>-</u>	<u>102,550</u>	<u>(78,845)</u>	<u>742,860</u>
Total capital assets being depreciated, net	<u>2,167,088</u>				<u>2,130,639</u>
Governmental activities capital assets, net	<u>\$ 2,508,590</u>				<u>\$ 2,435,639</u>

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

D. LINE OF CREDIT

The School had a \$200,000 demand revolving line of credit, collateralized by land and a building, with a variable interest rate at the bank's index rate plus 1.75%. Interest is due monthly and the principal is due in full upon the request of the lender. If no demand is made, any unpaid principal and interest are due on July 14, 2013. The line of credit was paid in full at June 30, 2013, and was not renewed when it expired.

The following is a summary of changes in the School's line of credit obligation for governmental activities for the fiscal year ended June 30, 2013.

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2013</u>
Line of credit	\$181,649	\$ -	\$181,649	\$ -

The line of credit, along with the land and building collateralizing the line of credit, have been allocated to the School by Project Reflect, Inc., and are carried on the School's books.

Project Reflect also has a line of credit, totaling \$750,000 for which the School's assets serve as collateral. The line of credit has been assigned to the Middle School and Project Reflect, and is reported in the Middle School and Project Reflect financial statements. The outstanding balance of the line of credit totaled \$375,000 at June 30, 2013. The line of credit was initially due in September 2013 and has been extended through September 2014. The renewed line of credit has an available limit of \$550,000.

E. LONG-TERM DEBT

At June 30, 2012, the School was obligated under a note payable with an outstanding principal balance of \$1,482,174, collateralized by land and property. The note was in the name of Project Reflect, but was assigned to the School and relates to the School's building. The note accrued interest at a rate of 5.75% fixed during the first five years of the loan, including the construction period. During August 2012, Project Reflect refinanced the note by entering into a promissory note agreement with a bank in the amount of \$1,950,000. The new note is collateralized by land and building of the Elementary School facilities. The note accrues interest at a fixed rate of 4.79%. Principal and interest are due in monthly installments of \$12,644 through August 2, 2017. The remaining principal and accrued interest on the note is due in full on August 2, 2017. The outstanding balance at June 30, 2013 totaled \$1,858,492.

During fiscal year 2013, Project Reflect entered into a note payable arrangement with the interim executive director, totaling \$25,975. The note has been assigned to the School and is to fund development of future programs. The note bears no interest and is payable on demand.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

E. LONG-TERM DEBT - Continued

The following is a summary of changes in the School's long-term debt for governmental activities for the fiscal year ended June 30, 2013:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2013</u>
Note payable - bank	\$1,482,174	\$ -	\$1,482,174	\$ -
Note payable - bank	-	1,950,000	91,508	1,858,492
Note payable - employee	-	<u>25,975</u>	<u>-</u>	<u>25,975</u>
Total	<u>\$1,482,174</u>	<u>\$1,975,975</u>	<u>\$1,573,682</u>	<u>\$1,884,467</u>

A summary of annual principal and interest requirements follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>
2014	\$ 87,583	\$ 90,120
2015	84,442	67,286
2016	81,147	70,581
2017	77,691	74,037
2018	<u>18,863</u>	<u>1,582,443</u>
	<u>\$349,726</u>	<u>\$1,884,467</u>

Project Reflect also has a note payable with an outstanding principal balance of \$476,980 at June 30, 2013. The School's assets serve as collateral on this note. The note relates to the Middle School and has been recorded in the Middle School's financial statements.

F. COMMITMENTS AND CONTINGENCIES

The School has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes any required reimbursements would not be material to the financial statements.

The School may become subject to various claims and legal actions, which arise in the ordinary course of business. In the opinion of management, in consultation with legal counsel, the ultimate resolution of such matters will not have a material adverse effect on the School's financial position or results of operations, as of the date of these financial statements.



SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

G. CONCENTRATIONS

The School received approximately 87% 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, 2013, was \$2,277,313.

Outside fundraising for capital needs is on-going to supplement funding received from State BEP capital since the charter school agreement with MNPS does not include an allocation for capital expenditures.

H. RETIREMENT PLANS

Teacher Plan Description

The School contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan participants and their beneficiaries. Benefits are determined by a formula using the participant's high five-year average salary and years of service. Participants become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested participants who are at least 55 years of age or have 25 years of service. Disability benefits are available to active participants with five years of service and who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the participant was in the performance of duty.

Participants joining the plan on or after July 1, 1979, are vested after five years of service. Participants joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statutes found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if CPI increases less than one-half percent. The annual COLA is capped at three percent.

TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETH EPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us).

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

H. RETIREMENT PLANS - Continued

Funding Policy

Participants are required to contribute 5.00% of their salary to the plan. The employer contribution rate is based on the rate for Davidson County Schools, which is established at an actuarially determined rate. The employer rate for the year ended June 30, 2013, was 8.88% of annual covered payroll.

Non-Teacher Plan Description

The School contributes to the Metropolitan Government of Nashville and Davidson County's Division B Pension Plan (Metro Plan), a defined benefit single-employer pension plan managed and administered by the Metropolitan Employee Benefit Board, an independent board created by the Metropolitan Charter. Benefits are determined by a formula using the participant's highest five-year average salary and years of service.

Participants become eligible to retire at the age of 60 once their age plus the completed years of service equal 85 or at age 65 with five years of service. A reduced retirement benefit is available to vested participants prior to the age of 60 or with less than an age plus years of service sum of 85. Reduced benefits are determined by reducing full benefits by 4% per year for each of the first five years by which the retirement date precedes the normal retirement age, and by 8% for each additional year beyond the first five years with a maximum reduction of 60%. Vesting occurs after 5 years for employees employed on or between October 1, 2001 and December 31, 2012, and after 10 years for employees employed on or after January 1, 2013. No separate financial reports are issued for the Metro Plan. The Metro Plan financial and required supplementary information is included in The Metropolitan Government of Nashville and Davidson County Comprehensive Annual Financial Report. That report may be obtained by writing to the Department of Finance, Division of Accounts, 1 Public Square, Suite 106, Nashville, TN 37201 or can be accessed at [www.nashville.org/finance/financial\\_reports.asp](http://www.nashville.org/finance/financial_reports.asp).

Funding Policy

The Metro Plan requires no participant contribution. The employer contribution is established at an actuarially determined rate. The employer rate for the year ended June 30, 2013, was 15.938% of annual covered payroll.

The School's contributions for both teachers and non-teachers are not refundable to either the School or employee. The School's expense, related to both plans for the years ended June 30, 2013, 2012, and 2011, totaled \$149,798, \$182,503, and \$155,175, respectively.

## **OTHER INFORMATION**

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013

<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract/ Grant Number</u>	<u>Balance July 1, 2012 (Receivable) Payable</u>
U.S. DEPARTMENT OF EDUCATION:			
Passed through Tennessee Department of Education and Metropolitan Nashville Public Schools			
Title I, Part A Cluster Title I Grants to Local Educational Agencies	84.010	N/A	\$( 5,528)
Special Education Cluster (IDEA) Special Education - Grants to States	84.027	N/A	(29,840)
Passed through Tennessee Department of Education			
21st Century Community Centers Learning Program (21 <sup>st</sup> CCLC)	84.287C	33109-02513	_____ -
			<u>\$(35,368)</u>

Note: The schedule of expenditures of federal awards includes the federal grant activity of the School. The information in this schedule is presented in accordance with the requirements of the OMB Circular A-133 and the State of Tennessee.

<u>Receipts</u>	<u>Expenditures</u>	Balance June 30, 2013 (Receivable) <u>Payable</u>
\$115,307	\$109,779	\$ -
99,686	69,846	-
<u>-</u>	<u>46,278</u>	<u>(46,278)</u>
<u>\$214,993</u>	<u>\$225,903</u>	<u>\$(46,278)</u>

See independent auditor's report.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2013

<u>Grantor</u>	<u>State Contract Number</u>	Balance July 1, 2013 (Receivable) <u>Payable</u>	<u>Receipts</u>	<u>Expenditures</u>	Balance June 30, 2013 (Receivable) <u>Payable</u>
TENNESSEE DEPARTMENT OF EDUCATION:					
Basic Education Program	N/A	\$ -	\$ 36,200	\$ 36,200	\$ -
Passed through Metropolitan Nashville Public Schools Basic Education Program	N/A	- _____	<u>2,277,313</u>	<u>2,277,313</u>	- _____
		<u>\$ -</u>	<u>\$2,313,513</u>	<u>\$2,313,513</u>	<u>\$ -</u>

Note: The schedule of expenditures of state financial assistance includes the state grant activity of the School. The information in this schedule is presented in accordance with the requirements of the State of Tennessee, Comptroller of the Treasury.

See independent auditor's report.



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  
Smithson Craighead Academy Elementary School  
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Smithson Craighead Academy Elementary School (the "School"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 30, 2013.

**Internal Control Over Financial Reporting**

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

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



To the Board of Directors  
Smithson Craighead Academy Elementary School

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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings as item 2013-01, that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The Organization's Response to Finding**

The School's response to the finding identified in our audit is described in the accompanying schedule of findings. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Crosslin & Associates, P.C.*

Nashville, Tennessee  
September 30, 2013



SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2013

**FINANCIAL STATEMENT FINDINGS**

***2013-01 - Segregation of Duties***

Condition, Criteria, Cause and Effect

While the Organization has implemented certain policies and procedures that help to reduce the risks associated with lack of segregation of duties, the Organization does not have segregation of duties over certain areas of the financial process. Segregation of duties controls are important as such controls reduce the risk of misappropriation of assets and errors. During the audit, we noted that the Organization utilizes a third-party accounting service to assist with the accounting function. This allows some financial tasks to be segregated. The Organization has made certain enhancements in the controls during fiscal year 2013 to mitigate risk.

Recommendation and Benefit

We recommend that the Organization continue its efforts to review and improve current practices, and when able, maintain proper segregation of duties and reviews controls. Additionally, when segregation of duties controls are not cost beneficial, we recommend that the Organization use review controls to help mitigate risk. These review controls should include active monitoring by supervisory management personnel and the finance committee of the Board of Directors. The review should be documented on a checklist to evidence the review.

Management's Response

Project Reflect has worked to ensure proper financial safeguards, including segregation of duties. In August 2013, under new leadership, the organization began developing new financial policies and procedures that clearly segregate duties and provide multiple checks and balances as safeguards.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
STATUS OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2013

<u>Item #</u>	<u>Description of Condition</u>	<u>Status of Corrective Action</u>
2012-01	Segregation of Duties	This item has been repeated in the current year. See finding 2013-01.
2012-02	Bank Reconciliations	This item has been resolved.
2012-03	Recording of Accounts Payable	This item has been resolved.
2012-04	Cash Disbursements	This item has been resolved.

**SMITHSON CRAIGHEAD ACADEMY  
ELEMENTARY SCHOOL**

**AUDITED FINANCIAL STATEMENTS  
AND OTHER INFORMATION**

**JUNE 30, 2014**

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL

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## Independent Auditor's Report

To the Board of Directors  
Smithson Craighead Academy Elementary School  
Nashville, Tennessee

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Smithson Craighead Academy Elementary School (the "School"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Smithson Craighead Academy Elementary School, as of June 30, 2014, 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 4 - 8 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 Smithson Craighead Academy Elementary School's basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, are presented for purposes of additional analysis as required by the State of Tennessee Comptroller of the Treasury's *Audit Manual for Local Governmental Units and Other Organizations* and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



To the Board of Directors  
Smithson Craighead Academy Elementary School

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2014, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Crosslin & Associates, P.C.*

Nashville, Tennessee  
November 3, 2014

## SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Smithson Craighead Academy Elementary School's annual financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2014. This section should be read in conjunction with the financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The assets of the School exceeded its liabilities by \$856,177
- Net position increased \$135,211 during the year
- Total revenues and transfers in of \$3,180,734 were comprised of Federal and State Pass-through Funds- 9%, District Funds- 74%, Charitable Giving/Other- 7%, and Transfers of Assets- 10%.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of a series of financial statements, notes to those statements 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 9.

The Statement of Net Position reports the School's net position (total assets less total liabilities). (The School has no deferred inflow or outflow of resources at June 30, 2014). 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. It 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.



SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

**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 11. 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 school wide financial statements to report on the School as a whole. The relationship between governmental activities, as reported in the Statement of Net Position and the Statement of Activities, and governmental funds, as reported in the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances is reconciled in the basic financial statements on pages 12 and 14.

**SCHOOL WIDE FINANCIAL ANALYSIS**

*Net Position:*

The School's assets exceeded the School's liabilities at the close of the fiscal year, resulting in net position of \$856,177. The School's net position includes \$196,402 of cash. The cash is available to meet the School's ongoing activities.

As of June 30, 2014, the School had invested \$2,566,261 in capital assets. This investment includes building and improvements for instructional purposes, instructional and support furniture, instructional computers for teachers and students, maintenance equipment and vehicles for transportation of students. Additional information on property and equipment is located in the notes to the financial statements.

The School has debt in the amount of \$1,795,641. This debt was used to fund certain capital purchases and improvements as well as consolidated other operating debt. The debt has been assigned to the School by Project Reflect, Inc., the School's sponsoring organization. See Note A to the financial statements for further information.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

A schedule of the School's net position as of June 30, 2014 and 2013, is as follows:

	<u>2014</u>	<u>2013</u>
Current assets	\$ 266,844	\$ 266,001
Capital assets	<u>2,566,261</u>	<u>2,435,639</u>
Total assets	<u>2,833,105</u>	<u>2,701,640</u>
Current liabilities	248,573	186,327
Long-term liabilities	<u>1,728,355</u>	<u>1,794,347</u>
Total liabilities	<u>1,976,928</u>	<u>1,980,674</u>
Net position:		
Net investment in capital assets	1,183,620	982,737
Unrestricted	<u>( 327,443)</u>	<u>( 261,771)</u>
Total net position	<u>\$ 856,177</u>	<u>\$ 720,966</u>

The School had no deferred outflows or inflows of resources at June 30, 2014 or 2013. The School's total net position increased \$135,211 during the 2014 fiscal year. The increase in the School's net position indicates that the School had more incoming revenues and transfers than outgoing expenses during the year. Total revenues generated from government grants, governmental funds, foundation grants and donations were \$2,864,688 during the 2014 fiscal year. The overall increase in net position was expected since the School's revenue and transfers increased in the 2014 fiscal year. The net transfers in represent the net book value of capital assets transferred from Project Reflect, Inc. See Note C to the financial statements for further information.

At June 30, 2014, the School's unrestricted net position was (\$327,443). Management intends to address this net position through increased enrollment and related revenues. Additionally, Project Reflect currently has excess property held for sale, the expected proceeds from which can be transferred to the School for the payment of debt.

A schedule of the School's revenue and expenses for the years ended June 30, 2014 and 2013, is as follows. The schedule is for the School as a whole, not for the governmental funds.

	<u>2014</u>	<u>2013</u>
Revenues and Transfers:		
District funding	\$2,360,258	\$2,277,313
Federal and state grants	298,161	262,103
Contributions	206,269	64,019
Other	7,528	6,822
Transfers in	<u>308,518</u>	<u>-</u>
Total revenues and transfers	<u>3,180,734</u>	<u>2,610,257</u>

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

	<u>2014</u>	<u>2013</u>
Expenses:		
Employee compensation	2,234,724	2,256,102
Occupancy	224,354	167,991
Transportation	57,116	56,459
Depreciation	191,265	102,550
Insurance	14,108	10,530
Office expense	25,553	11,119
Interest	87,583	106,713
Instructional	49,628	32,892
Professional services	83,263	31,240
Food services	58,394	17,796
Organizational development	14,943	3,175
Other expenses	<u>4,592</u>	<u>9,959</u>
Total expenses	<u>3,045,523</u>	<u>2,806,526</u>
Change in net position	<u>\$ 135,211</u>	<u>\$( 196,269)</u>

### FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The School's funds, as presented on the balance sheet on page 11 reported a combined fund balance of \$85,557. The majority of the School's total funds are in the General Fund, which is the chief operating fund of the School. The School has one other major fund consisting of the Federal and State Grants Fund.

Due to different basis of accounting, there is a difference between the amounts reported under the School's funds and the amounts reported as school wide. For the June 30, 2014 year end, the differences consist of capital assets and debt, which are not reported in the School's funds.

### SCHOOL ACTIVITIES

The mission of Project Reflect is to transform urban America through education and policy reform...to save every child. In service of this mission, Project Reflect opened the first charter school in Middle Tennessee, Smithson Craighead Academy (the "School"). Highlights of the School's education program are:

- A 24% jump in TCAP scores in 2013-14, the highest jump in math scores of all elementary schools in Metropolitan Nashville Public Schools ("MNPS") with strong reading, science, and social studies scores.
- Extended day, 7:30am to 4pm, Monday through Thursday, and 7:30am to 12:30pm on Fridays with the option for students to stay for PREP on Friday afternoons. PREP tutoring is also available Monday through Friday from 6:30am to 7:30am and during monthly Saturday School sessions that are optional.
- Weekly professional development for all faculty.
- Door-to-door transportation in most of Davidson County.
- Free breakfast and lunch (catered) for all students as well as a substantial afternoon snack from Second Harvest that can serve as a third meal of the day to insure food security for all students.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

- One of only 26 schools in MNPS offering fresh fruits and veggies each week.
- One of only 11 schools in Tennessee chosen by Vanderbilt University for a special intervention training program.
- Character development through a school-wide discipline plan that encourages responsibility and accountability through self reflection.
- Foster grandparents in classrooms who are provided through a partnership with FiftyForward.
- Use of Title I tutors and Instructional Coaches.
- Data-driven instruction and project-based learning.
- Differentiated instruction – reading groups, small math groups, one-on-one tutoring.
- Use of higher level thinking techniques – asking open-ended questions, providing sentence starters.
- Inclusion of special needs students in classes – all students working collectively in the classroom setting with accommodations for special needs students captured in a detailed IEP.
- Computer lab, mobile labs, and a library.
- A gorgeous, 22-acre campus on Neely's Bend Road in Madison, Tennessee – great classrooms, a large gym and cafeteria, playgrounds, a garden, and athletic fields.

Over 96% of the children served by the School live in poverty (qualify for free or reduced lunch), and many come to us more than a grade level behind in school. In a confidential survey sample of our students, we found that over 30% of our students live in households with annual incomes of less than \$10,000. Another 11% live in households with incomes of less than \$20,000. Another 25% live in households below the median household income level in Davidson County - \$39,000 - but may have multiple generations of family in the same home. Many of these students live in highly-stressful environments marked by frequent disruptions in living arrangements, dangerous neighborhoods, inconsistent relationships, and some question about the stability of their day-to-day life with regards to meals and sleeping habits.

In 2013-14, Smithson Craighead Academy served 247 students, 99% African American. In 2014-15, following the 24% jump in our TCAP scores and the move to our Neely's Bend campus, the School has expanded to serve approximately 270 students with a similar socio-economic demographic and with 90% of students African American, 8% Latino, 1% Asian, and 1% Caucasian.

The School recently completed a comprehensive, five-year plan that includes goals to achieve proficiency for 90% or more students through a detailed academic plan, to explore opening a Pre K and/or 5<sup>th</sup> grade, and to increase diversity.

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide transparency and accountability to all stakeholders and interested parties in the financial management and sustainability of Smithson Craighead Academy. For questions about this report or additional financial information, contact the School's CEO, Nancy Denning-Martin, by telephone at 615.228.9886 or by email to: [nancy.denningmartin@projectreflect.org](mailto:nancy.denningmartin@projectreflect.org)

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 196,402
Receivables	70,442
Capital assets, net	<u>2,566,261</u>
 Total assets	 <u>2,833,105</u>
 <b>LIABILITIES</b>	
Accounts payable and accrued expenses	181,287
Long-term debt, payable within one year	67,286
Long-term debt, payable in more than one year	<u>1,728,355</u>
 Total liabilities	 <u>1,976,928</u>
 <b>NET POSITION</b>	
Net investment in capital assets	1,183,620
Unrestricted	<u>(327,443)</u>
 Total net position	 <u>\$ 856,177</u>

See accompanying notes to financial statements.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

GOVERNMENTAL ACTIVITIES:	Total	Functions		
		Student Instruction and Services	Administration	Fundraising
EXPENSES				
Instructional	\$ 49,628	\$ 49,628	\$ -	\$ -
Occupancy	224,354	186,286	27,358	10,710
Office	25,553	21,390	2,347	1,816
Other	4,592	55	4,532	5
Organizational development	14,943	6,454	-	8,489
Professional services and fees	83,263	64,709	18,254	300
Employee compensation	2,234,724	1,938,765	212,691	83,268
Food services	58,394	58,394	-	-
Insurance	14,108	12,240	1,343	525
Interest	87,583	75,984	8,336	3,263
Transportation	57,116	57,116	-	-
Depreciation	191,265	165,934	18,204	7,127
Total expenses	3,045,523	2,636,955	293,065	115,503
PROGRAM REVENUES				
Operating grants and contributions	257,161	257,161	-	-
Capital grants and contributions	41,000	41,000	-	-
Net program expenses	2,747,362	\$ 2,338,794	\$ 293,065	\$ 115,503
GENERAL REVENUES				
District funding	2,360,258			
Contributions	206,269			
Other income	7,528			
Total general revenues	2,574,055			
Transfers in	308,518			
CHANGE IN NET POSITION	135,211			
NET POSITION, June 30, 2013	720,966			
NET POSITION, June 30, 2014	\$ 856,177			

See accompanying notes to financial statements.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General Purpose School Fund	Federal and State Grants Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 196,402	\$ -	\$ 196,402
Receivables	-	70,442	70,442
Due from other funds	<u>70,442</u>	<u>-</u>	<u>70,442</u>
Total assets	<u>\$ 266,844</u>	<u>\$ 70,442</u>	<u>\$ 337,286</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 98,895	\$ -	\$ 98,895
Accrued expenditures	82,392	-	82,392
Due to other funds	<u>-</u>	<u>70,442</u>	<u>70,442</u>
Total liabilities	<u>181,287</u>	<u>70,442</u>	<u>251,729</u>
<b>FUND BALANCES</b>			
Unassigned	<u>85,557</u>	<u>-</u>	<u>85,557</u>
Total fund balances	<u>85,557</u>	<u>-</u>	<u>85,557</u>
Total liabilities and fund balances	<u>\$ 266,844</u>	<u>\$ 70,442</u>	<u>\$ 337,286</u>

See accompanying notes to financial statements.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
BALANCE SHEET  
GOVERNMENTAL FUNDS - CONTINUED  
JUNE 30, 2014

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

Total governmental fund balances above	\$ 85,557
Capital assets not reported above	2,566,261
Some liabilities may not be due and payable in the current period, and therefore, are not reported in the funds:	
Long-term debt	<u>(1,795,641)</u>
Net position of governmental activities in the statement of net position	<u>\$ 856,177</u>

See accompanying notes to financial statements.



SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

	General Purpose School Fund	Federal and State Grants Fund	Total Governmental Funds
REVENUES			
Contributions	\$ 206,269	\$ -	\$ 206,269
District funding	2,360,258	-	2,360,258
Federal and state grants	-	298,161	298,161
Other income	7,528	-	7,528
Total revenues	<u>2,574,055</u>	<u>298,161</u>	<u>2,872,216</u>
EXPENDITURES			
Current:			
Instructional	49,628	-	49,628
Occupancy	224,354	-	224,354
Office	25,553	-	25,553
Other	4,592	-	4,592
Organizational development	14,943	-	14,943
Professional services and fees	83,263	-	83,263
Employee compensation	1,977,563	257,161	2,234,724
Food services	58,394	-	58,394
Insurance	14,108	-	14,108
Transportation	57,116	-	57,116
Debt service:			
Principal	88,826	-	88,826
Interest	87,583	-	87,583
Capital outlay	<u>(27,631)</u>	<u>41,000</u>	<u>13,369</u>
Total expenditures	<u>2,658,292</u>	<u>298,161</u>	<u>2,956,453</u>
NET CHANGE IN FUND BALANCES	(84,237)	-	(84,237)
FUND BALANCES, June 30, 2013	<u>169,794</u>	<u>-</u>	<u>169,794</u>
FUND BALANCES, June 30, 2014	<u>\$ 85,557</u>	<u>\$ -</u>	<u>\$ 85,557</u>

See accompanying notes to financial statements.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - CONTINUED  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2014

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

Net change in fund balances as reported in the governmental funds statements	\$ (84,237)
Amounts reported as expenditures in the governmental funds not included as expenses in the school-wide statements:	
Capital outlays	13,369
Payments on long-term debt	88,826
Revenues in the school-wide statements not included in the governmental funds:	
Transfers in	308,518
Expenses in the school-wide statements not included in the governmental funds:	
Depreciation expense	<u>(191,265)</u>
Change in net position of governmental activities	<u>\$ 135,211</u>

See accompanying notes to financial statements.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Smithson Craighead Academy Elementary School (the “School”) is sponsored by Project Reflect, Inc. (“Project Reflect” or the “Corporation”), a not for profit organization organized under the laws of the State of Tennessee, with an exemption from federal income taxation under Section 501(c)(3) of the Internal Revenue Code. Pursuit to Section 6(1)(a) of the Tennessee Public Charter School Act of 2002 (the “Act”), the School has been approved as a public charter school. Pursuant to the Act, public charter schools are part of the state’s public education program offering an alternative means with the public school system for accomplishing necessary outcomes of education. The School entered into a Charter School Agreement with the Metropolitan Nashville Board of Education to operate a charter school in Nashville, Tennessee. The School began classes in August 2003 with kindergarten through fourth grade classes. The mission of the School is to improve the academic achievement of elementary school students.

Through fiscal year 2013, the Corporation operated another charter school, Smithson Craighead Academy Middle School (“Middle School”), which is independent from the School. The Middle School closed at the end of fiscal year 2013. The Corporation issues separately available financial statements.

Basic Financial Statements

The School’s activities have been accounted for together with the activities of Project Reflect, Inc. and certain significant allocations of joint activities have been made in determining the School’s financial statement amounts.

*School-wide financial statements*

The school-wide financial statements focus on the sustainability of the School as an entity and the change in the School’s net position resulting from the current year’s activities. In the school-wide statement of net position, amounts are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as any long-term debt and obligations. The statement of net position presents the financial condition of the School at year-end.

When applicable, the School’s net position is reported in three categories - net investment in capital assets; net position - restricted; and net position - unrestricted. When both restricted and unrestricted resources are available for use, it is the School’s policy to use restricted resources first, and then unrestricted resources as they are needed.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The school-wide statement of activities reports both the gross and net cost of the School's functions. The functions are also supported by general government revenues (general revenues are primarily made up of district Basic Education Program ("BEP") funding and donations to the General Purpose School Fund). The statement of activities reduces gross expenses by related function revenues, including operating grants and contributions and capital grants and contributions. Program revenues must be directly associated with the function. The net costs by function are normally covered by general revenue.

Fund financial statements

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

The emphasis in fund financial statements is on the major funds. When applicable, nonmajor funds by category are summarized in a single column. Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, sets forth minimum criteria for the determination of major funds. The School reports the following major governmental funds:

The General Purpose School Fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

The Federal and State Grants Special Revenue Fund is used to account for the receipt and disbursement of federal and state grants where unused balances, if any, are returned to the grantor at the close of specified project periods.

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

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

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

*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.

*Assigned* - This classification consists of all fund balances that are not in the General Purpose School Fund or classified as nonspendable, restricted or committed. In addition, General Purpose School Fund balances that the School intends to use for specific purposes are also classified as assigned. The School gives the authority to assign amounts to specific purposes to the School's accountant and personnel under the supervision of the accountant tasked with financial recording responsibilities.

*Unassigned* - This classification consists of all fund balances in the General Purpose School Fund that are not reported as nonspendable, restricted, committed or assigned. The School's fund balance was unassigned at June 30, 2014.

Basis of Accounting

The School's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB.

The School is considered a special purpose governmental entity engaged in governmental type activities and is not a component unit of another governmental entity. Therefore, the financial statements are prepared in the same manner as general purpose governments.

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

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

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The governmental funds financial statements are presented on the modified accrual basis of accounting. Revenues under the modified accrual basis are recognized when measurable and available and expenditures are recognized when the related liability is incurred. "Available" means collectible within the current period or within 60 days after the end of the year.

Since the governmental funds financial statements are presented on a different basis than the school-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the school-wide financial statements.

Estimates and Uncertainties

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the useful lives of property and equipment and the allocation of joint revenues and expenses between the School and Project Reflect.

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, 2014, the School's cash and cash equivalents were deposited with a financial institution. The School may, from time to time, maintain deposit balances in excess of federally insured limits.

Receivables

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

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. Initial individual expenditures generally exceeding \$1,000, which materially extend the economic lives, change capacities or improve the efficiency of the related assets are capitalized. Upon sale or retirement, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss, if any, is included in the statement of activities. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 39 years.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the respective governmental fund upon acquisition.

Income Taxes

The School is a not-for-profit school that is exempt from federal income taxes under the Internal Revenue Code, classified by the Internal Revenue Service as other than a private foundation and is similarly exempt from state income taxes. The School accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the School include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the School has determined that such tax positions do not result in an uncertainty requiring recognition.

Grants

The School receives awards and financial assistance through federal, state, local and private agencies. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Purpose School Fund or Federal and State Grants Fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Financial Instruments

The carrying value of cash equivalents, receivables, accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The fair value of long-term debt approximates carrying value as interest approximates market rates.

Interfund Balances

Transactions which constitute reimbursement of expenditures initially made from a fund, which are properly applicable to another fund, are recorded as expenditures, as appropriate, in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Continuing Activities

The School is dependent on certain significant contracts and grants for its continued operations. These contracts and grants are from state, local and other sources and are subject to the School's ability to fulfill the contract and grant requirements. Additionally, the School's receipt of such contracts and grants may also be contingent upon its ability to maintain certain financial condition, cash flows, level of operations, payment of liabilities, and test scores and academic standards. If a grantor agency finds that the School is not meeting these requirements, the agency may not provide continuing funding, which would have a material adverse impact on the School's ability to continue its operations.

B. DEPOSITS WITH FINANCIAL INSTITUTIONS

As of June 30, 2014, the School had cash deposits with a financial institution that had carrying amount of \$196,402, which is collateralized by FDIC insurance. Additionally, the School's financial institution participates in the State of Tennessee's Bank Collateral Pool, which helps the School to mitigate custodial credit risk.



SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

C. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2013	Additions	Net Transfers In	Retirements	Balance June 30, 2014
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 305,000	\$ -	\$ (5,000)	\$ -	\$ 300,000
	<u>305,000</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>300,000</u>
Capital assets being depreciated:					
Building and improvements	2,356,068	-	(125,717)	-	2,230,351
Equipment	412,527	1,369	325,673	-	739,569
Furniture and fixtures	53,794	-	83,804	-	137,598
Vehicles	<u>51,110</u>	<u>12,000</u>	<u>50,310</u>	<u>(16,610)</u>	<u>96,810</u>
Total capital assets being depreciated	<u>2,873,499</u>	<u>13,369</u>	<u>334,070</u>	<u>(16,610)</u>	<u>3,204,328</u>
Less accumulated depreciation for:					
Building and improvements	397,269	67,499	(194,019)	-	270,749
Equipment	273,488	101,000	160,285	-	534,773
Furniture and fixtures	53,794	8,936	28,935	-	91,665
Vehicles	<u>18,309</u>	<u>13,830</u>	<u>25,351</u>	<u>(16,610)</u>	<u>40,880</u>
Total accumulated depreciation	<u>742,860</u>	<u>191,265</u>	<u>20,552</u>	<u>(16,610)</u>	<u>938,067</u>
Total capital assets being depreciated, net	<u>2,130,639</u>				<u>2,266,261</u>
Governmental activities capital assets, net	<u>\$ 2,435,639</u>				<u>\$ 2,566,261</u>

Net transfers in include capital assets transferred from the SCA Middle School, including equipment and furniture. Additionally, at the conclusion of the 2013-2014 school year, the School moved from its location on Brick Church Pike in Nashville, Tennessee, to its location on Neelys Bend Road in Madison, Tennessee. The Brick Church campus was subsequently leased to another, unaffiliated charter school in July 2014, for a one-year term.

Annual rental income on the property calls for \$1 in base rent plus a maximum of \$76,200 for capital repairs to be made by the tenant. In August 2014, the charter school entered into a contract with Project Reflect to purchase the Nashville campus for \$2.2 million. The sale is subject to various conditions and due diligence by the purchaser. If all conditions are met, the closing is to occur within 30 days following a 90 day due diligence period from the contract date. With the move to the Madison campus, the land, building and related improvements were transferred to the School's financial statements and the Brick Church Pike campus, the land, building and related improvements were transferred back to Project Reflect's financial statements. The difference has been included as a "transfer in" the Statement of Activities.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

D. LINE OF CREDIT

Project Reflect has a line of credit, totaling \$550,000 for which the School's assets serve as collateral. The line of credit has been assigned to Project Reflect, and is reported in its financial statements. The outstanding balance of the line of credit totaled \$510,000 at June 30, 2014. The line of credit was initially due in September 2014 and has been extended through December 2014.

E. LONG-TERM DEBT

At June 30, 2012, the School was obligated under a note payable with an outstanding principal balance of \$1,482,174, collateralized by land and property. The note was in the name of Project Reflect, but was assigned to the School as it related to the School. During August 2012, Project Reflect refinanced the note by entering into a promissory note agreement with a bank in the amount of \$1,950,000. The new note is collateralized by the School's facilities. The note accrues interest at a fixed rate of 4.79%. Principal and interest are due in monthly installments of \$12,644 through August 2017. The remaining principal and accrued interest on the note is due in full in August 2017. The outstanding balance at June 30, 2014 totaled \$1,795,641.

During fiscal year 2013, Project Reflect entered into a funding arrangement with the interim executive director, totaling \$25,975. The arrangement was to fund development of future programs. During fiscal year 2014, the arrangement has been included in contribution revenue.

The following is a summary of changes in the School's long-term debt for governmental activities for the fiscal year ended June 30, 2014:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Contribution/</u> <u>Payments</u>	<u>Balance</u> <u>June 30, 2014</u>
Note payable - bank	\$1,858,492	\$ -	\$ 62,851	\$1,795,641
Funding arrangement - employee	<u>25,975</u>	<u>-</u>	<u>25,975</u>	<u>-</u>
Total	<u>\$1,884,467</u>	<u>\$ -</u>	<u>\$ 88,826</u>	<u>\$1,795,641</u>

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

E. LONG-TERM DEBT - Continued

A summary of annual principal and interest requirements follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>
2015	\$ 84,442	\$ 67,286
2016	81,147	70,581
2017	77,691	74,037
2018	<u>18,863</u>	<u>1,583,737</u>
	<u>\$262,143</u>	<u>\$1,795,641</u>

Project Reflect also has a note payable with an outstanding principal balance of \$456,892 at June 30, 2014. The School's assets serve as collateral on this note. The note relates to the closed SCA Middle School and has been recorded in Project Reflect's financial statements.

F. COMMITMENTS, CONTINGENCIES AND RISK MANAGEMENT

The School is exposed to various risk of loss relating to torts, theft of, damage to, and destruction of assets; errors or commissions; illness or injuries to employees; and natural disasters. The School, through Project Reflect, carries insurance for certain risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes any required reimbursements would not be material to the financial statements.

The School may become subject to various claims and legal actions, which arise in the ordinary course of business. In the opinion of management, in consultation with legal counsel, the ultimate resolution of such matters will not have a material adverse effect on the School's financial position or results of operations, as of the date of these financial statements.

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

G. CONCENTRATIONS

The School received approximately 82% 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, 2014, was \$2,360,258.

Outside fundraising for capital needs is on-going to supplement funding received from State BEP capital since the charter school agreement with MNPS does not include an allocation for capital expenditures.

H. RETIREMENT PLANS

Certificated Employees Plan Description

The School contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan participants and their beneficiaries. Benefits are determined by a formula using the participant's high five-year average salary and years of service. Participants become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested participants who are at least 55 years of age or have 25 years of service. Disability benefits are available to active participants with five years of service and who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the participant was in the performance of duty.

Participants joining the plan on or after July 1, 1979, are vested after five years of service. Participants joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statutes found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if CPI increases less than one-half percent. The annual COLA is capped at three percent.

TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/schools](http://www.tn.gov/treasury/tcrs/schools).

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

H. RETIREMENT PLANS - Continued

Funding Policy

Participants are required to contribute 5.00% of their salary to the plan. The employer contribution rate is based on the rate for Davidson County Schools, which is established at an actuarially determined rate. The employer rate for the year ended June 30, 2014, was 8.88% of annual covered payroll. The employer contribution rate requirement is established by and may be amended by the TCRS Board of Trustees.

Non-Certificated Employees Plan Description

The School contributes to the Metropolitan Government of Nashville and Davidson County's Division B Pension Plan (Metro Plan), a defined benefit single-employer pension plan managed and administered by the Metropolitan Employee Benefit Board, an independent board created by the Metropolitan Charter. Benefits are determined by a formula using the participant's highest five-year average salary and years of service.

Participants become eligible to retire at the age of 60 once their age plus the completed years of service equal 85 or at age 65 with five years of service. A reduced retirement benefit is available to vested participants prior to the age of 60 or with less than an age plus years of service sum of 85. Reduced benefits are determined by reducing full benefits by 4% per year for each of the first five years by which the retirement date precedes the normal retirement

age, and by 8% for each additional year beyond the first five years with a maximum reduction of 60%. Vesting occurs after 5 years for employees employed on or between October 1, 2001 and December 31, 2012, and after 10 years for employees employed on or after January 1, 2013. The Metro Plan financial and required supplementary information is included in The Metropolitan Government of Nashville and Davidson County Comprehensive Annual Financial Report. That report may be obtained by writing to the Department of Finance, Division of Accounts, 1 Public Square, Suite 106, Nashville, TN 37201 or can be accessed at [www.nashville.org/finance/financial\\_reports.asp](http://www.nashville.org/finance/financial_reports.asp).

Funding Policy

The Metro Plan requires no participant contribution. The employer contribution is established at an actuarially determined rate. The employer rate for the year ended June 30, 2014, was 17.117% of annual covered payroll.

The School's contributions for both teachers and non-teachers are not refundable to either the School or employee. The School's expense, related to both plans for the years ended June 30, 2014, 2013, and 2012, totaled \$215,444, \$149,798, and \$182,503, respectively.

## **OTHER INFORMATION**

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2014

<u>Program Name</u>	<u>CFDA Number</u>	<u>Contract/ Grant Number</u>	<u>Balance July 1, 2013 (Receivable) Payable</u>
U.S. DEPARTMENT OF EDUCATION:			
Passed through Tennessee Department of Education and Metropolitan Nashville Public Schools			
Title I, Part A Cluster Title I Grants to Local Educational Agencies	84.010	N/A	\$ -
Special Education Cluster (IDEA) Special Education - Grants to States	84.027	N/A	-
Passed through Tennessee Department of Education			
21st Century Community Centers Learning Program (21 <sup>st</sup> CCLC)	84.287C	33109-02513	<u>(46,278)</u>
			<u>\$(46,278)</u>

Note: The schedule of expenditures of federal awards includes the federal grant activity of the School. The information in this schedule is presented in accordance with the requirements of the State of Tennessee, Comptroller of the Treasury.

<u>Receipts</u>	<u>Expenditures</u>	Balance June 30, 2014 (Receivable) <u>Payable</u>
\$ 52,354	\$ 90,924	\$ (38,570)
46,237	46,237	-
<u>143,722</u>	<u>120,000</u>	<u>(22,556)</u>
<u>\$242,313</u>	<u>\$257,161</u>	<u>\$(61,126)</u>

See independent auditor's report.



SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
YEAR ENDED JUNE 30, 2014

<u>Grantor</u>	<u>State Contract Number</u>	Balance July 1, 2013 (Receivable) <u>Payable</u>	<u>Receipts</u>	<u>Expenditures</u>	Balance June 30, 2014 (Receivable) <u>Payable</u>
TENNESSEE DEPARTMENT OF EDUCATION:					
Basic Education Program	N/A	\$ -	\$ 41,000	\$ 41,000	\$ -
Passed through Metropolitan Nashville Public Schools Basic Education Program	N/A	<u>-</u>	<u>2,350,942</u>	<u>2,360,258</u>	<u>( 9,316)</u>
		<u>\$ -</u>	<u>\$2,391,942</u>	<u>\$2,401,258</u>	<u>\$( 9,316)</u>

Note: The schedule of expenditures of state financial assistance includes the state grant activity of the School. The information in this schedule is presented in accordance with the requirements of the State of Tennessee, Comptroller of the Treasury.

See independent auditor's report.

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  
Smithson Craighead Academy Elementary School  
Nashville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Smithson Craighead Academy Elementary School (the "School"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 3, 2014.

**Internal Control Over Financial Reporting**

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

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

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.



To the Board of Directors  
Smithson Craighead Academy Elementary School

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *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.

*Crosslin & Associates, P.C.*

Nashville, Tennessee  
November 3, 2014

SMITHSON CRAIGHEAD ACADEMY ELEMENTARY SCHOOL  
STATUS OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2014

<u>Item #</u>	<u>Description of Condition</u>	<u>Status of Corrective Action</u>
2013-01	Segregation of Duties	This item has been resolved.

**PROJECT REFLECT, INC.**

**AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2015**

**Operating Tennessee Public Charter School:  
SMITHSON CRAIGHEAD ACADEMY  
ELEMENTARY SCHOOL**

PROJECT REFLECT, INC.

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PROJECT REFLECT, INC.  
INTRODUCTORY SECTION

BOARD OF TRUSTEES

Mark Faulkner	Chair
Eunice Bell	Trustee
Sister Mary Sarah Galbraith	Trustee
James Holzemer	Trustee
Dr. Jacqueline Mitchell	Trustee
Sister Sandra Smithson	Trustee

LEADERSHIP TEAM

Allison Driver	Executive Director
Lekita Stevenson	Senior Operations Administrator
Brianna McEntee	Director of PREP
Larry Clopton	Campus Supervisor
Janelle Glover	Principal, Smithson Craighead Academy Elementary School



## Independent Auditor's Report

To the Board of Trustees  
Project Reflect, Inc.  
Smithson Craighead Academy  
Nashville, Tennessee

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Project Reflect, Inc., operating Tennessee Public Charter School Smithson Craighead Academy, (the "Organization"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.





To the Board of Trustees  
Project Reflect, Inc.  
Smithson Craighead Academy

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, each major fund, and the aggregate remaining fund information of Project Reflect, Inc., operating Tennessee Public Charter School Smithson Craighead Academy as of June 30, 2015, 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.

### ***Emphasis of Matters***

As discussed in Note B to the financial statements, the Organization's continued activities are contingent upon its ability to maintain its charter status with Metropolitan Nashville Public Schools as well as certain significant contracts and grants. Our opinion is not modified with respect to this matter.

As discussed in Note A to the financial statements, during fiscal year 2015, the Organization adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

### ***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 5-18 and the schedule of the proportionate share of the net pension liability (asset) and schedule of employer contributions on pages 47 and 48 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.



To the Board of Trustees  
Project Reflect, Inc.  
Smithson Craighead Academy

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The introductory section on page 1 and the combining nonmajor fund financial statements on pages 50 and 51 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, are presented for purposes of additional analysis as required by the State of Tennessee Comptroller of the Treasury's *Audit Manual for Local Governmental Units and Other Organizations* and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Crosslin & Associates, PLLC*

Nashville, Tennessee  
December 22, 2015

PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

Our discussion and analysis of Project Reflect, Inc.'s ("Project Reflect") annual financial performance provides an overview of financial activities for the fiscal year ended June 30, 2015. Project Reflect operates Tennessee Public Charter School Smithson Craighead Academy ("SCA" and collectively the "Organization"). 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 Project Reflect exceeded its liabilities and deferred inflows of resources by \$1,701,196.
- Net position decreased \$36,803 during the year.
- Total revenues of \$3,126,355 were comprised of Federal and State Pass-through Funds- 16%, District Funds- 75%, and Charitable Giving/Other- 9%.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

## **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 Organization 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 Organization as a whole and about 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 19.

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. It 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.

PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

**REPORTING THE SCHOOL'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 21. 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 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 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 22 and 24.

**GOVERNMENT WIDE FINANCIAL ANALYSIS**

*Net Position:*

The Organization's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the fiscal year, resulting in a net position of \$1,701,196. Project Reflect's net position includes \$556,677 of cash. The cash is available to meet ongoing activities.

As of June 30, 2015, Project Reflect had invested \$2,311,457 in capital assets. This investment includes building and improvements for instructional purposes, instructional and support furniture, instructional computers for teachers and students, maintenance equipment and vehicles for transportation of students. Additional information on property and equipment is located in the notes to the financial statements.

The Organization has debt in the amount of \$824,604. This debt was used to consolidate other operating debt. During fiscal year 2015, the Organization sold excess property in 2015 and used all but \$200,000 of the proceeds to pay down principle on outstanding debt. See Note F to the financial statements for further information.

PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

A schedule of the Organization's net position as of June 30, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Current assets	\$ 587,505	\$ 266,844
Capital assets	<u>2,311,457</u>	<u>4,762,559</u>
Total assets	<u>2,898,962</u>	<u>5,029,403</u>
 Deferred outflows of resources – pensions	 <u>191,712</u>	 <u>84,532</u>
Current liabilities	145,320	779,937
Long-term liabilities	<u>855,485</u>	<u>2,595,999</u>
Total liabilities	<u>1,000,805</u>	<u>3,375,936</u>
 Deferred inflows of resources – pensions	 <u>388,673</u>	 <u>-</u>
Net position:		
Net investment in capital assets	1,486,853	2,000,027
Restricted	11,440	-
Unrestricted	<u>202,903</u>	<u>( 262,028)</u>
 Total net position, as restated	 <u>\$1,701,196</u>	 <u>\$ 1,737,999</u>

Deferred outflows and inflows of resources related to pensions at June 30, 2015. After the impact of the GASB No. 68 restatement, the Organization's total net position decreased \$36,803 during the 2015 fiscal year. The decrease in net position indicates that there were more outgoing expenses than incoming revenues during the year. Total revenues generated from government grants, governmental funds, foundation grants and donations were \$3,126,355 during the 2015 fiscal year. The overall decrease in net position was expected since the Brick Church property sold for a loss of approximately \$138,000. See Note D to the financial statements for further information on the sale.

At June 30, 2015, the Organization's unrestricted net position was \$202,903, an increase of \$464,931 from 2014.

A schedule of revenue and expenses for the years ended June 30, 2015 and 2014, is as follows. The schedule is for the Organization as a whole, not for the governmental funds.

	<u>2015</u>	<u>2014</u>
Revenues:		
District funding	\$ 2,343,132	\$ 2,360,258
Federal and state grants	502,886	298,161
Contributions	247,216	206,269
Other	<u>33,121</u>	<u>153,244</u>
Total revenues and transfers	<u>3,126,355</u>	<u>3,017,932</u>

PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

	<u>2015</u>	<u>2014 (1)</u>
Expenses:		
Employee compensation	2,009,865	2,234,724
Occupancy	131,243	239,378
Transportation	66,477	57,116
Depreciation	234,231	306,088
Insurance	52,582	62,180
Office expense	24,894	25,553
Interest	94,755	136,483
Instructional	67,703	49,628
Professional services	106,201	83,263
Food services	226,474	58,394
Organizational development	8,589	14,943
Other expenses	<u>140,144</u>	<u>87,212</u>
Total expenses	<u>3,163,158</u>	<u>3,354,962</u>
Change in net position	<u>\$( 36,803)</u>	<u>\$( 337,030)</u>

(1) This information has not been restated to reflect the adoption of GASB No. 68 in fiscal year 2015.

## FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The Organization's funds, as presented on the balance sheet on page 21 reported a combined fund balance of \$482,119. The majority of funds are in the General Fund, which is the chief operating fund. The Organization has one other major fund consisting of the Federal and State Grants Fund.

Due to different basis of accounting, there is a difference between the amounts reported under the funds and the amounts reported as government wide. For the June 30, 2015 year end, the differences consist of capital assets, debt, and pensions, which are not reported in the funds.

## SCHOOL ACTIVITIES

Our mission is to provide children with a strong foundation in academics and positive behavior skills, enabling them to learn and grow toward becoming successful citizens.

We strive to establish and maintain a collaborative culture that propels each child toward success in school and in life.

Overview of major academic and operational changes:

1. Increase recruitment of students in kindergarten and grade one to result in two classes each grade; three classes in third and fourth. Strong effort to retain students from kindergarten through grade four to build on student progress year-to-year, provide the students with continuity of location and staffing, and promote a feeling of a school family for students, staff, and parents.

PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

2. Establish the regular school day, Monday through Friday, as 7:45 A.M. through 3:15 P.M.
3. In grades K-2, increase the emphasis on language development, math, and the introduction of technology, which is foundational for all future learning.
4. Increase data driven, individualized academic support. Children will be tested in all subject areas bi-weekly to track progress, identify gaps in learning, and reteach, as needed.
5. Increase technological support: children in grades K-4 will have 45 minutes on the computer each day. Children in grades 3-4 will spend 90 minutes a day with online software that supports classroom instruction and is streamlined to each student's manifested academic need.
6. Children functioning below basic and basic will receive an additional hour of tutoring each morning, Monday through Friday, and two hours in the afternoon, Monday through Thursday, for academic support in reading and math. This equals 13 additional hours of instruction per week. This additional support is offered through a supplemental educational program, PREP, sponsored by Project Reflect.
7. Dual-certified teachers will support the individual needs of our ELL and exceptional education students.
8. A partnership with Madison Public Library will support SCA's literacy requirement of 30 minutes of reading each night at home. All children will visit the library once a month during school hours to check out reading materials.
9. A partnership with Vanderbilt University will establish the Positive Behavior Intervention Support (PBIS) school-wide. This discipline plan encourages responsibility and accountability through positive reinforcement.
10. A part-time, certified, experienced school counselor has been added to SCA's school staff to support the implementation of PBIS.
11. A partnership with Vanderbilt University, department of Teaching and Learning, will provide fourth grade STEM (Science, Technology, Engineering, and Math) lessons on a weekly basis as an addition to the standard curriculum.
12. Collaborations with Mental Health Cooperative will offer social services for students and families, which will address both educational and mental health needs.
13. Foster grandparents in each classroom will support literacy and numeracy. This resource is provided through a community partnership with Fifty Forward.

## **STUDENT PROFILE**

SCA serves students in grades K-4 who live in Davidson County. In 2014-15, our student population was 84% African American, 13% Latino, 2% Caucasian, and 1% Asian. The 16% non-African Americans represented at least a 13% increase over all previous years. SCA will seek even greater diversification through recruitment to reflect the populations of the Madison school location and Davidson County.

Each year, at least 92% of SCA students qualify for Title I benefits based on family income. Results of a confidential survey sample of our students indicate:

- Over 30% live in households with annual incomes of less than \$10,000

PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

- 11% live in households with incomes between \$10,000 and \$20,000
- 25% live in households with incomes between \$20,000 and \$39,000, the median household income level in Davidson County. A percentage of these households have multiple generations residing there.

Many of these students live in highly stressful environments marked by frequent disruptions in living arrangements, dangerous neighborhoods, and inconsistent and often pernicious relationships.

These conditions interfere with academic success because students' basic needs are unmet, according to Maslow's Hierarchy of Needs. To meet these challenges, SCA provides a holistic and stabilizing environment for students through three basic emphases: a safe environment, addressing social-emotional needs, and promoting academic achievement. This tripod of services gives students the best chance for holistic development and maximum academic progress. We will continue to accept all students working to ensure that they are successful.

## **CURRICULUM AND INSTRUCTIONAL DESIGN**

**Instruction:** High quality teaching strategies that engage and challenge all students in learning

**Curriculum:** Assurance that all students are exposed to a rigorous curriculum

**Assessment:** Data-driven high expectations of all students

**Support:** A culture and climate that is conducive to productive and supportive collaboration, healthy socialization of students, and a desire for ongoing learning.

### Reading

SCA will prepare its students to meet or exceed the performance standards set by the Tennessee Department of Education using a curriculum that follows the Common Core Standards. The curriculum basal will be the Reading Wonders series, which is aligned with the Common Core Curriculum. SCA's curriculum and instructional design will include the following pedagogical practices of balanced literacy:

- Word study, grade appropriate, addressing mastery of phonemic awareness, including prefixes, suffixes, root words, and word families.
- Guided reading with the teacher leading small group instruction based on assessed skill levels.
- Independent reading: Each student reads a book on his or her level. The teacher oversees the program and dialogues with each student to analyze the reading material.
- Shared reading through the use of short texts (poems, rhymes, songs, and articles) that are carefully chosen by the teacher and presented in large text on overhead transparencies or student handouts. The text is broken down by the teacher to model specific reading and writing strategies.
- Reading out loud: the teacher chooses a text, usually at grade level or one grade higher, and reads the text out loud to the class. The teacher models reading fluency and the skills, strategies, and habits of good readers.



PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

- Independent writing: students maintain writer's notebooks containing their personal reflections. These reflections should show increasing mastery of critical analysis and synthesis.
- Interactive writing in all grade levels: The students will integrate sentences into written text. In grades K-1, the students will generate sentences orally, and with the assistance of the teacher, they will work towards translating them into written text. Year by year, students will increase the proofreading and editing skills of their own work and that of classmates.

For students that initially perform at below basic or basic skill levels, the PREP supplemental education program, mentioned on page 9, will provide additional instruction and practice in addressing deficits in reading and writing.

Teachers will use the diagnostic placement assessment from Reading Wonders to identify appropriate instructional placement for small group reading instruct. This assessment evaluates student's oral reading abilities and identifies the students reading level, style, and strategy use. The teachers will also use running records along with a sight word assessment as additional diagnostic tools to group students.

While teachers are working with their guided reading groups, other students will be in literacy centers working on components of balanced literacy. Additionally, paraprofessionals in each class will work with students in small group settings to reinforce reading skills.

Teachers at SCA will create an environment in which each student is expected to learn at their highest potential. Teachers will design lessons that reflect rigorous opportunities for learning by:

- Incorporating Blooms Taxonomy and questioning that reflects higher order thinking skills.
- Encouraging and allowing students to engage in interactive and academic talk.
- Differentiating strategies and tasks to support various student individualized learning levels.
- Responding to student misunderstanding.
- Using challenging formative and summative assessments.

Teachers at SCA will be engaged in Professional Development in the following areas to enhance their instruction in the classroom:

- Second and third session of balanced literacy
- Setting up literacy centers in the classroom
- Whole Brain Teaching
- Reading Wonders
- Aimsweb
- Anchor Charts
- Interactive Notebooks

PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

Mathematics

SCA's mathematics curriculum will be based on Tennessee Common Core Standards using The Math Connects model with the following five keys to success:

1. Balanced, in-depth content that specifically targets the skills and topics that give students the most difficulty (i.e. problem solving) in each grade span.
2. Ongoing assessment that includes diagnostic, formative and summative assessments, data driven instruction, intervention options, performance tracking, remediation, and acceleration and enrichment tools throughout the program.
3. Intervention and Differentiated Instruction which includes:
  - a. Daily interventions: teachers have the option of using the re-teach materials included in the Go Math basal series, as well as, alternative strategies to assist in teaching concepts from a different learning style.
  - b. Strategic intervention: teachers can use various intervention tips and supplemental materials to address specific data identified needs of individual students.
  - c. Intensive intervention: students who are two or more years below grade level will use the Go Math Triumphs, which provides detailed instructions, vocabulary support and data driven decision making to assist struggling students.
4. Professional development will include differentiated opportunities for teachers to use various formats. Video, online, and on site professional development instructions are fully aligned and articulated from kindergarten to grade 4. Go Math is aligned with the Tennessee Common Core Standards which supports the vertical articulation of the curriculum across the grades.
5. The instructional design of Go Math includes the following steps:
  - Introduce
  - Teach
  - Practice
  - Performance (being able to perform the functions on their own)
  - Assess and re-teach whole class, groups, or individuals, as needed for mastery

Social Studies

Social Studies instruction will be based on the Tennessee Common Core and will embed content knowledge in active learning that promotes thinking skills and that is used with the reading and language program (Reading Wonders). The main goals of the social studies program overall are:

- Help students build a common base of essential knowledge
- Strengthen comprehension
- Enhance appreciation of the human experience and structures that promote the common good
- Foster civic and political awareness and responsibilities
- Foster critical thinking

PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

Science

Scientific study is both what we know (content) and how we come to know (process). The best way for students to appreciate the study of science, learn important scientific concepts, and develop the ability to think critically is to actively construct ideas through their own inquiries, investigations, and analyses. The study of science will be incorporated within the literacy basal (Reading Wonders) along with hands-on STEM experiences in the scientific method. Additionally, part of the creative arts program and the computer classes will incorporate STEM material/experiences.

Plan for Low Achievers

At SCA, students who are performing below grade level (those who have not mastered the standards set forth by the State of Tennessee) receive multiple resources and interventions specific to their needs and complying with the Tennessee State Department of Education's Response to Intervention (RTI) model. The RTI model consists of four stages and the following three tiers which include intervention and instructional strategies:

- Tier 1 provides instruction for all students by the classroom teacher. (Note: 85% of students are expected to be successful at this stage.)
- Tier 2 provides intervention by an additional group of certified professionals in ways that are different from the regular classroom experience. This allows students to move in and out of classrooms and groups according to assessed needs.
- Tier 3 provides a minimum eight-week intensive intervention for selected students to determine if they need further intervention prior to determining a referral for psychological testing. The testing would determine if there is a need for exceptional education services. The exceptional education tier consists of students identified to receive exceptional education services and who have individualized educational plans. Those students are served by a certified resource teacher. Exceptional education students are served in keeping with IDEA and may receive small group instruction or one-on-one instruction with certificated professionals. Other interventions may include additional tutoring, small group sessions, and/or technology- based instruction.

As mentioned in the School Activities Section, the PREP pre- and after-school program provides additional tutoring for students performing at or below basic levels.

Plan for High Achievers

To challenge academically high achieving students, they will be identified in the first month or upon the first month of attendance in the school using any combination of the following criteria:

1. Two years or more scoring advanced on standardized tests,
2. Report card grades and /or placement test results including assessments from previous schools,
3. Teacher recommendations.

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SMITHSON CRAIGHEAD ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

Advanced students will be given additional grade level and/or above grade level assignments from their teachers (i.e., additional project-based learning assignments, supplemental readings, and independent study projects) to challenge them at their individual rate and level of learning. Teachers will differentiate the curriculum to include the special needs of high achievers and will incorporate these plans in their daily lesson plans. These students are identified through our universal screener, which is AimsWeb and will be served during our RTI block.

The PREP before- and after-school program, mentioned in the overview on page 9, will provide for both proficient and advanced students to have enrichment experiences - physical activities, hands-on STEM projects, art, and drama - that stretches the social and academic skills of high achievers. Once a student is identified as gifted, then they will be encouraged to participate in the Encore Program.

Plan for the English Language Learners

SCA identifies English learners through the Metropolitan Home Language Survey or by the MNPS district EL office. After the students have been identified through the Home Language Survey they are then assessed by the MNPS district EL office. Our goal is that English learners will progress academically at the same rate as other students in our school. Presently, we have dual-certified EL teachers to provide additional assistance to EL students in grades K-4. Once an English Learner is identified, a conference will be scheduled with parents to outline the instructional program, the teacher's role in its implementation, and the teachers', parents', and school's role in providing support. The EL students will be tested annually to determine their English language development levels and will be reclassified as English proficient based on testing. Once an EL student is reclassified, the Smithson Craighead staff will continue to monitor the student's performance in English through fourth grade.

The PREP before- and after-school program, mentioned in the overview on page 9, will provide an opportunity for additional assistance in learning English through both tutoring and interaction with peers.

Services for Exceptional Education Students

SCA fully complies with the Individuals with Disabilities Education Act (IDEA). We adhere to legal responsibilities to support IDEA students. Services are provided to qualified students through a certified resource teacher, a contracted speech and language teacher, along with Occupational Therapy or Physical Therapy. MNPS provides an Exceptional Education Coach to oversee compliance and instruction. We have the services of a school psychologist to do psychological testing. We collaborate with the Mental Health Cooperative to provide social services for students, as needed. Our part-time, certified school counselor provides counseling services.

Each student with exceptional needs receives an Individualized Education Plan (IEP) that identifies the disabilities and outlines the required services for the child. The parents/guardians, classroom teacher, resource teacher, principal, psychologist and, if required the speech therapist, will review the evaluation and determine the student's needs for exceptional education services. If the parent/guardian agrees with the plan of action, they give written permission for services to begin. All assessments – behavior, psychological, health and/or academic are performed according to state and federal law.

PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

Students are provided access to the core curriculum to the greatest extent possible. Based on the student's Individualized Education Plan (IEP), support is provided by the certified resource teacher, as well as the classroom teacher. Student progress towards defined goals are reviewed and revised annually by an IEP team to ensure compliance with state and federal law for student goals and implementation.

Overall, Smithson Craighead Academy Elementary School would like to achieve the following:

- All students will increase their reading comprehensive and vocabulary skills
- All students will improve in their math and higher order thinking skills
- All students will improve in their writing skills

Best practice strategies and differentiated instruction will continue to be utilized. Full implementation of textbook and online resources provided by Reading Wonders and Go Math will remain, as well as, active participation in the professional development for AIMSweb and Mastery Connect. With these components and the aforementioned strategies, we are confident that we will be able to show the necessary student growth and gains through both mastery in the classroom and the state mandated assessment.

Measuring Student Progress and Outcomes

SCA believes assessment for instruction is critical to improving student outcomes. Therefore, we will use assessment of student progress as an important indicator in student achievement. Our goal is to engage students with rigor in critical thinking skills across the curriculum. This will enable our students to become proficient in the core content areas of reading/language arts, math, science, and social studies and to maintain scores that reflect mastery of the Tennessee Common Core Standards. Assessments measure student mastery and determine next steps. We will use the AimsWeb assessment as a diagnostic tool to identify the students' academic performance level. The windows for Aimsweb administration are September 1-18, January 11-29, and May 9-24. Mastery Connect, a formative assessment, will be administered to assess and track mastery of State and Common Core Standards. Mastery Connect will be administered on an as needed basis.

Data Meetings will be held weekly with each grade level. These meetings will be lead by the administrator and/or instructional coach to identify students who have not mastered the skills taught and to place these students in tiers for intervention.

Additional, complimentary measures of student progress and outcomes will include:

- Tennessee State Common Core Standards
- TN Ready standardized assessments
- State adopted textbook assessments
- Teacher developed formative and summative assessments
- Performance on daily homework
- Daily attendance

PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

Data collection and analysis is most beneficial for student achievement when shared with students, parents, and stakeholders. This information will comply with the federal Family Educational Rights and Privacy Act (FERPA) guidelines and will be conducted and shared in the following ways:

- School-wide data wall located in the instructional coaches classroom.
- Classroom data walls to chart the students' weekly progress.
- Individual student data notebooks created and maintained by students in grades K-4 to track their weekly progress.
- Parent-school communication including student data notebooks, TN Ready preparation, updated assessments, daily agendas, universal screeners (AimsWeb), and orientation to the school website.
- Weekly meetings held with grade level teams to review and analyze data, discuss data-identified needs, instructional adjustments, and upcoming content and strategies.

Data on student performance will be analyzed and reviewed daily by the administration to ensure that the RTI levels address the needs of all students and to improve the complete educational program, ensuring educational success for all students.

SCA's present School Improvement Plan, which outlines our year to year approach to addressing the five-year plan, has received approval from the MNPS department of Federal Programs (Title I). We will continue to modify our five-year year plan to meet the needs of all of the students we serve. We will also adjust our technology plan, as needed, to support our students' preparation for the global world in which they live.

#### **ADDITIONAL SUPPORTIVE SERVICES**

SCA was one of eleven schools in Tennessee chosen by Vanderbilt University to participate in Project Support & Include: Building and Implementing a Comprehensive, Integrated, Three-Tiered (CI3T) Model of Prevention for the cohort class of 2014-2015. The six-session training series offers a team-based process for training and developing a comprehensive school-wide prevention model, addressing:

1. Academics (RTI2),
2. Behavior (Positive Interventions and Supports, PBIS), and
3. Social skills.

#### **FAMILY AND COMMUNITY ENGAGEMENT**

"When parents are involved in children's learning, at school and at home, schools work better and students learn more."

Parent and family engagement is essential to student success. To increase both the quantity and quality of engagement, SCA leverages both its Title I status and opportunities available through SCA's sponsor, Project Reflect.

- Parents/guardians will be encouraged to volunteer at least four times per year.

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SMITHSON CRAIGHEAD ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

- Parents/guardians will be encouraged to attend one parent-teacher conference each year. Report cards will be released at these conferences. If parents are unable to attend the conferences their child's report card will be mailed to them.
- Materials will be distributed, including daily agendas, student folders and a monthly school calendar to facilitate parent communication.
- SCA uses a text service to communicate urgent messages and reminders to all parents.
- SCA uses social media including Facebook and Twitter to engage families and the broader community with timely information, photographs, videos, and announcements.
- SCA hosts parent and community events featuring family nights and workshops on topics such as anti- bullying, character education, careers as well as fall and spring festivals and conflict resolution strategies.
- Family programming is provided through Project Reflect, including GED, literacy, ESL, finance classes, self- defense, nutrition, and other fun activities.

It is extremely important to have parents who are involved and informed on what is going with their child at school.

The goal at Smithson Craighead Academy Elementary School is to promote a school culture that is positive and encourages students, teachers, parents, administrators, and community stakeholders to work as a cohesive unit to ensure that students are able to maximize their fullest potential. The mission and vision of SCA is communicated at the Annual Parent Meeting which was held in August 2015. Student testing and parent orientations will take place at the academy during the summer months. Parents will be oriented on the goals of the organization and how we plan to effectively work together to achieve them. They will also be a part of developing the school wide discipline plan. There will be monthly Parent Advisory Council Meetings and community events such as Numeracy and Literacy Nights and the annual International Services of America Career Fair to bring everyone together to continue to promote increased academic achievement, a positive school culture, and cohesiveness among all of the entities invested in the productivity and success of the academy. Conflict resolution, bullying prevention, and character education will also be addressed.

Progress reports are sent home daily so that the parents are aware of their child's progress academically and in regards to behavior. During quarterly conferences, parents will be able to view weekly progress data via data folders which are maintained by each individual student. Upcoming events and activities are posted on the daily progress reports for the parents to view, and they also receive a monthly calendar to inform them of pertinent academic and student activity information. The parents also receive a copy of the Parent School Compact and are able to provide suggestions and feedback to this document as well as the School Improvement Plan during the Annual Title I Parent Meeting. Parents also receive a periodic newsletter with updates and important information, and we utilize a text system that allows us to text important reminders or updates to parents.

SCA has established and will continue to grow collaborations with various community organizations which include the following:

- Hendersonville Area Chapter of the Links, Inc., which sponsors our annual Promotion Exercise Ceremony at the Tennessee State University Downtown Avon Williams Campus;

PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) - Continued

- Metropolitan/Davidson County Foster Grandparent Program through Fifty Forward which provides 10 foster grandparents to volunteer and mentor in the classroom daily for 4 hours;
- Many organizations provide volunteers to mentor and work with the students throughout the school year, including Fisk University, Tennessee State University (Department of Education Undergraduate and Graduate School), Vanderbilt University (Peabody College of Education Undergraduate and Graduate School), Middle Tennessee State University (MTSU) Education Department, Marquette University, Father Ryan High School, John Paul II High School, Overbrook School, University School of Nashville, Currey Ingram Academy, St. Cecilia Academy,
- St. Joseph Middle School, and St. Matthew School, all of whom have volunteered their services to enhance the vision of Project Reflect.
- Hospital Corporation of America (HCA) provided volunteers and mentors for a special project with students;
- The Nashville School of Ballet has performed for students throughout the year;
- The Nashville Sounds sponsored a reward program for academic achievement;
- Second Harvest Food Bank provided substantial snacks for our students that could be used as a third meal of the day to create food security;
- Beginner's Leadership Achievement Award (BLAA) mentored our students and presented awards during the annual Promotion Exercise Ceremony;
- Belmont University provided a series of social work internships and a group study project; the Mental Health Cooperative who provided onsite counseling for students and case management for families.

These collaborations, programs, services, and relationships, many ongoing, were donated to our SCA family and were designed to meet the critical needs of our students. Services aim to support motivation, self-esteem, recognition, and encouragement; provide positive role models; expand horizons; provide cultural exposure; and increase academic opportunities.

## **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide transparency and accountability to all stakeholders and interested parties in the financial management and sustainability of Project Reflect, Inc. For questions about this report or additional financial information, contact the school office at 615.228.9886.



PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
STATEMENT OF NET POSITION  
JUNE 30, 2015

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 556,677
Receivables	30,828
Capital assets, net	<u>2,311,457</u>
 Total assets	 <u>2,898,962</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	<u>191,712</u>
 <b>LIABILITIES</b>	
Accounts payable and accrued expenses	105,386
Long-term debt, payable within one year	39,934
Long-term debt, payable in more than one year	784,670
Net pension liability	<u>70,815</u>
 Total liabilities	 <u>1,000,805</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	<u>388,673</u>
 <b>NET POSITION</b>	
Net investment in capital assets	1,486,853
Restricted	11,440
Unrestricted	<u>202,903</u>
 Total net position	 <u><u>\$ 1,701,196</u></u>

See accompanying notes to financial statements.

PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

GOVERNMENTAL ACTIVITIES:	Functions			
	Total	Student Instruction and Services	Administration	Fundraising
EXPENSES				
Instructional	\$ 84,594	\$ 84,594	\$ -	\$ -
Occupancy	131,243	112,743	12,944	5,556
Office	8,003	3,205	2,307	2,491
Other	140,144	120,441	14,101	5,602
Organizational development	8,589	959	-	7,630
Professional services and fees	106,201	91,763	14,198	240
Employee compensation	2,009,865	1,726,548	198,222	85,095
Food services	226,474	226,474	-	-
Insurance	52,582	45,170	5,186	2,226
Interest	94,755	81,398	9,345	4,012
Transportation	66,477	66,477	-	-
Depreciation	<u>234,231</u>	<u>201,213</u>	<u>23,101</u>	<u>9,917</u>
Total expenses	3,163,158	2,760,985	279,404	122,769
PROGRAM REVENUES				
Operating grants and contributions	458,886	458,886	-	-
Capital grants and contributions	<u>44,000</u>	<u>44,000</u>	<u>-</u>	<u>-</u>
Net program expenses	<u>2,660,272</u>	<u>\$ 2,258,099</u>	<u>\$ 279,404</u>	<u>\$ 122,769</u>
GENERAL REVENUES				
District funding	2,343,132			
Contributions	247,216			
Other income	<u>33,121</u>			
Total general revenues	<u>2,623,469</u>			
CHANGE IN NET POSITION	(36,803)			
NET POSITION, June 30, 2014, as restated	<u>1,737,999</u>			
NET POSITION, June 30, 2015	<u>\$ 1,701,196</u>			

See accompanying notes to financial statements.

PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

	General Purpose School Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 556,677	\$ -	\$ -	\$ 556,677
Receivables	-	30,828	-	30,828
Due from other funds	30,828	-	11,440	42,268
Total assets	<u>\$ 587,505</u>	<u>\$ 30,828</u>	<u>\$ 11,440</u>	<u>\$ 629,773</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 21,140	\$ -	\$ -	\$ 21,140
Accrued expenditures	84,246	-	-	84,246
Due to other funds	11,440	30,828	-	42,268
Total liabilities	<u>116,826</u>	<u>30,828</u>	<u>-</u>	<u>147,654</u>
<b>FUND BALANCES</b>				
Restricted	-	-	11,440	11,440
Unassigned	470,679	-	-	470,679
Total fund balances	<u>470,679</u>	<u>-</u>	<u>11,440</u>	<u>482,119</u>
Total liabilities and fund balances	<u>\$ 587,505</u>	<u>\$ 30,828</u>	<u>\$ 11,440</u>	<u>\$ 629,773</u>

See accompanying notes to financial statements.

PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
BALANCE SHEET  
GOVERNMENTAL FUNDS - CONTINUED  
JUNE 30, 2015

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

Total governmental fund balances above	\$ 482,119
Capital assets not reported above	2,311,457
Pension amounts not reported above:	
Net pension liability	(70,815)
Deferred inflows of resources for pensions	(388,673)
Deferred outflows of resources for pensions	191,712
Long-term debt not reported above	<u>(824,604)</u>
Net position of governmental activities in the statement of net position	<u>\$ 1,701,196</u>

See accompanying notes to financial statements.

PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

	General Purpose School Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Contributions	\$ 195,122	\$ -	\$ 52,094	\$ 247,216
District funding	2,343,132	-	-	2,343,132
Federal and state grants	-	502,886	-	502,886
Other income	33,121	-	-	33,121
Total revenues	<u>2,571,375</u>	<u>502,886</u>	<u>52,094</u>	<u>3,126,355</u>
EXPENDITURES				
Current:				
Instructional	-	44,000	40,594	84,594
Occupancy	131,183	-	60	131,243
Office	8,003	-	-	8,003
Other	2,096	-	-	2,096
Organizational development	8,589	-	-	8,589
Professional services and fees	106,201	-	-	106,201
Employee compensation	1,808,785	280,889	-	2,089,674
Food services	48,477	177,997	-	226,474
Insurance	52,582	-	-	52,582
Transportation	66,477	-	-	66,477
Debt service:				
Principal	1,937,928	-	-	1,937,928
Interest	94,755	-	-	94,755
Total expenditures	<u>4,265,076</u>	<u>502,886</u>	<u>40,654</u>	<u>4,808,616</u>
Excess (deficiency) of revenues over (under) expenses	(1,693,701)	-	11,440	(1,682,261)
OTHER FINANCING SOURCES				
Net proceeds from sale of capital assets	<u>2,078,823</u>	-	-	<u>2,078,823</u>
NET CHANGE IN FUND BALANCES	385,122	-	11,440	396,562
FUND BALANCES, June 30, 2014	<u>85,557</u>	-	-	<u>85,557</u>
FUND BALANCES, June 30, 2015	<u>\$ 470,679</u>	<u>\$ -</u>	<u>\$ 11,440</u>	<u>\$ 482,119</u>

See accompanying notes to financial statements.

PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - CONTINUED  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

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

Net change in fund balances as reported in the governmental funds statements	\$ 396,562
Amounts reported as expenditures in the governmental funds not included as expenses in the government-wide statements:	
Payments on long-term debt	1,937,928
Amounts reported as other financing sources in the governmental funds not included as revenues in the government-wide statements:	
Net proceeds from sale of capital assets	(2,078,823)
Expenses in the government-wide statements not included in the governmental funds:	
Depreciation expense	(234,231)
Loss on disposal of capital assets	(138,048)
Pension expense	<u>79,809</u>
Change in net position of governmental activities	<u><u>\$ (36,803)</u></u>

See accompanying notes to financial statements.

PROJECT REFLECT, INC.  
SMITHSON CRAIGHEAD ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Project Reflect sponsors and operates Smithson Craighead Academy Elementary School (“SCA” and collectively the “Organization”). The Organization is a Public Charter School under Section 6(1)(a) of the Tennessee Public Charter School Act of 2002 (the “Act”). Pursuant to the Act, public charter schools are part of the state’s public education program offering an alternative means with the public school system for accomplishing necessary outcomes of education. SCA entered into a Charter School Agreement with the Metropolitan Nashville Board of Education to operate a charter school in Nashville, Tennessee. SCA began classes in August 2003 with kindergarten through fourth grade classes. The mission of SCA is to improve the academic achievement of elementary school students.

Reporting Entity

Prior to July 1, 2014, Project Reflect operated SCA as well as certain other operations. Accordingly, separate financial statements were prepared for the Project Reflect and SCA in accordance with State of Tennessee regulations. However, effective July 1, 2014 and for all of fiscal year 2015, the activities of the Project Reflect and SCA are the same as Project Reflect had no material operations outside of SCA. Accordingly, no separate fund financial statements are presented for the SCA as of and for the year ended June 30, 2015. The operations reflected in the accompanying financial statements relate to the operation of SCA.

Basic Financial Statements

In accordance with State of Tennessee regulations, Project Reflect, Inc. reports as a special-purpose governmental entity. The activities of Smithson Craighead Academy Elementary School are essentially the same as Project Reflect, therefore separate fund financial statements are not presented for the School, as any differences in activities are immaterial.

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, amounts are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as any long-term debt and obligations. The statement of net position presents the financial condition of the Organization at year-end.

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YEAR ENDED JUNE 30, 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

When applicable, the Organization's net position is reported in three categories - net investment in capital assets; net position - restricted; and net position - unrestricted. When both restricted and unrestricted resources are available for use, it is the Organization's policy to use restricted resources first, and then unrestricted resources as they are 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 ("BEP") funding and donations to the General Purpose School Fund). The statement of activities reduces gross expenses by related function revenues, including operating grants and contributions and capital grants and contributions. Program revenues must be directly associated with the function. The net costs by function are normally covered by general revenue.

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 balance, revenues and expenditures.

The emphasis in fund financial statements is on the major funds. When applicable, nonmajor funds by category are summarized in a single column. Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, sets forth minimum criteria for the determination of major funds. The Organization reports the following major governmental funds:

The General Purpose School Fund is the primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

The Federal and State Grants Special Revenue Fund is used to account for the receipt and disbursement of federal and state grants where unused balances, if any, are returned to the grantor at the close of specified project periods.

The focus of the governmental funds is upon the determination of financial resources, their balance, sources and use, rather than upon net income. The Organization classifies governmental fund balances as nonspendable, restricted, committed, assigned and unassigned based on the level of constraints on the fund balances. When an expenditure is incurred in which both restricted and unrestricted funds are available for use, it is the 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.



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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 Board of Trustees, its highest level of decision making authority. Such commitments should include contractual obligations of fund assets. Fund balance commitments can only be removed by the same process of the same body employed to previously commit those amounts.

*Assigned* - This classification consists of all fund balances that are not in the General Purpose School Fund or classified as nonspendable, restricted or committed. In addition, General Purpose School Fund balances that are intended to be used for specific purposes and are also classified as assigned. The Organization gives the authority to assign amounts to specific purposes to the Organization's accountant and personnel under the supervision of the accountant tasked with financial recording responsibilities.

*Unassigned* - This classification consists of all fund balances in the General Purpose School Fund that are not reported as nonspendable, restricted, committed or assigned.

Basis of Accounting

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the GASB.

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

The 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.

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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The governmental funds financial statements are presented on the modified accrual basis of accounting. Revenues under the modified accrual basis are recognized when measurable and available and expenditures are recognized when the related liability is incurred. "Available" means collectible within the current period or within 60 days after the end of the year.

Since the governmental funds financial statements are presented on a different basis than the government-wide financial statements, reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the government-wide financial statements.

Estimates and Uncertainties

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.

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, cash and cash equivalents were deposited with a financial institution and those deposits may, from time to time, maintain deposit balances in excess of federally insured limits.

Receivables

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

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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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. Initial individual expenditures generally exceeding \$1,000, which materially extend the economic lives, change capacities or improve the efficiency of the related assets are capitalized. Upon sale or retirement, the cost and related accumulated depreciation are removed from the respective accounts, and the resulting gain or loss, if any, is included in the statement of activities. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from 5 to 39 years.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the respective governmental fund upon acquisition.

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. When applicable, the Organization reports deferred outflow of resources relating to the pensions: Contributions made subsequent to the pension measurement date, difference between expected and actual experience, difference between projected and actual investment earnings, and changes in proportion of the net pension liability.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. When applicable, the Organization has two types of items that qualify for reporting in this category. The first, which arises only under a modified accrual basis of accounting, is unavailable revenue, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from amounts that are deferred and recognized as an inflow of resources in the period that the amount become available. The Organization had no unavailable revenues at June 30, 2015. The Organization also reports the following deferred inflow of resources related to pensions: differences between expected and actual experience, differences between projected and actual investment earnings, and changes in the preparation of the net pension liability.

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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income taxes under the Internal Revenue Code, classified by the Internal Revenue Service as other than a private foundation and is similarly exempt from state income taxes. The Organization accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, management has determined that such tax positions do not result in an uncertainty requiring recognition.

Grants

The Organization receives awards and financial assistance through federal, state, local and private agencies. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Purpose School Fund or Federal and State Grants Fund. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Organization.

Fair Value of Financial Instruments

The carrying value of cash equivalents, receivables, accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments. The fair value of long-term debt approximates carrying value as interest approximates market rates.

Interfund Balances

Transactions which constitute reimbursement of expenditures initially made from a fund, which are properly applicable to another fund, are recorded as expenditures, as appropriate, in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Federal and State Grants Fund occasionally make disbursements in advance of receiving funds. Accordingly, interfund transfers are made from the General Purpose School Fund in the form of due to/from. The amounts due the General Purpose School Fund are repaid upon receipt of the grants or contributions. At June 30, 2015, details of the interfund balances include Federal and State Grants Fund due to General Purpose School Fund relating to operating grant expenditures in advance of receipt of grant funding of \$30,828.

The General Purpose School Fund holds certain cash funds relating to the Restricted Contribution Fund. Such funds totaled \$11,440 at June 30, 2015 and were due from the General Purpose School Fund to the Restricted Contribution Fund.

Recent Accounting Pronouncements and Restatement of Net Position

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27*, which is intended to improve the decision-usefulness of information and enhance the value for assessing accountability by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The new standard also intends to improve the financial reporting by state and local governments for pensions and by improving the transparency about the pension plan through new note disclosures and supplementary information. The provisions of Statement No. 68 are effective in fiscal year 2015.

The statement resulted in Project Reflect recognizing the net pension liability on the statement of net position for its pension plan. The statement requires retroactive application through restatement of beginning net position. This adjustment resulted in a decrease in the unrestricted net position on the statement of net position. Additionally, the new standard computes the annual actuarially determined contribution in a new manner. Other measurement changes include recognizing annual pension expense in-lieu-of pension cost.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. This Statement amends GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement were required to be applied simultaneously with the provisions of GASB 68.

PROJECT REFLECT, INC.  
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A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The impact on the financial statements of the adoption of these accounting pronouncements is restatement of beginning net position, as follows:

	<u>June 30, 2014</u>
Unrestricted net position, beginning of year, as previously reported	\$ 2,085,584
GASB 68 adjustment to record net pension liability and related deferred outflows of resources	<u>( 347,585)</u>
Unrestricted net position, beginning of year, as restated	<u>\$ 1,737,999</u>

B. CONTINUING ACTIVITIES

The Organization is dependent on certain significant contracts and grants for its continued operations. These contracts and grants are from state, local and other sources and are subject to the Organization's ability to fulfill the contract and grant requirements. Additionally, the Organization's receipt of such contracts and grants may also be contingent upon its ability to maintain certain financial condition, cash flows, level of operations, payment of liabilities, and test scores and academic standards. If a grantor agency finds that the Organization is not meeting these requirements, the agency may not provide continuing funding, which would have a material adverse impact on the Organization's ability to continue its operations.

Specifically, with respect to the Metropolitan Nashville Public Schools ("MNPS"), the Organization must demonstrate SCA's ability to maintain certain state standards, including standardized test scores, as well as maintain certain levels of financial condition and organizational structure. If such test scores and other requirements are not maintained, MNPS may revoke SCA's charter to operate as a public charter school. MNPS has communicated to the Organization regarding compliance with such standards. MNPS has communicated that a review of compliance and charter status will be performed at the end of the 2016-2017 school year. Additionally, review of compliance and charter status could take place at any time, if warranted. The outcome of such review, as well as other contingencies relating to the Organization's ability to continue to meet all requirements is not presently determinable, and accordingly, no impact of such contingencies is reflected within the financial statements.

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C. DEPOSITS WITH FINANCIAL INSTITUTIONS

The Organization does not have formal deposit policies that address its exposure to custodial credit risk. At June 30, 2015, the bank and carrying balances of cash and cash equivalents were \$560,702 and \$556,677, respectively, with the difference due primarily due to outstanding checks. The Organization, from time to time, maintains deposits in excess of FDIC coverage. The Organization's financial institution is a member of the Tennessee Bank Collateral Pool, which helps the Organization to mitigate custodial risk.

D. CAPITAL ASSETS

Capital assets activity for governmental activities for the year was as follows:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 605,000	\$ -	\$ (305,000)	\$ 300,000
	<u>605,000</u>	<u>-</u>	<u>(305,000)</u>	<u>300,000</u>
Capital assets being depreciated:				
Building and improvements	4,586,419	-	(2,356,068)	2,230,351
Equipment	739,569	-	(282,811)	456,758
Furniture and fixtures	137,598	-	(53,794)	83,804
Vehicles	96,810	-	(29,900)	66,910
Total capital assets being depreciated	<u>5,560,396</u>	<u>-</u>	<u>(2,722,573)</u>	<u>2,837,823</u>
Less accumulated depreciation for:				
Building and improvements	735,520	143,884	(498,369)	381,035
Equipment	534,773	69,717	(241,928)	362,562
Furniture and fixtures	91,665	8,936	(53,794)	46,807
Vehicles	40,879	11,694	(16,611)	35,962
Total accumulated depreciation	<u>1,402,837</u>	<u>234,231</u>	<u>(810,702)</u>	<u>826,366</u>
Total capital assets being depreciated, net	<u>4,157,559</u>			<u>2,011,457</u>
Governmental activities capital assets, net	<u>\$ 4,762,559</u>			<u>\$ 2,311,457</u>

At the conclusion of the 2013-2014 school year, Smithson Craighead Academy Elementary School moved from its location on Brick Church Pike in Nashville, Tennessee, to its location on Neelys Bend Road in Madison, Tennessee. The Brick Church campus was subsequently leased to another, unaffiliated charter school in July 2014, for a one-year term for \$1. In January 2015, the charter school purchased the Nashville campus for \$2.2 million. The proceeds of the sale were used towards debt of the Organization (See Note F), with \$200,000 being retained in cash.

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D. CAPITAL ASSETS - Continued

In certain circumstances, grantor agencies may retain an interest in equipment purchased with grant funds. Management has worked with grantor agencies with respect to the certain equipment and obtained approval to retain and use for other operations, including the Elementary School. Accordingly, no provision was made in the financial statements for the return of equipment to grantor agencies.

E. LINE OF CREDIT

The Organization had a line of credit, totaling \$550,000 for which the Organization's assets served as collateral. The outstanding balance of the line of credit was paid with the sale of the Brick Church campus as described in Note D, and the line of credit was closed. The balance at the time of repayment was \$510,000.

F. LONG-TERM DEBT

In July 2012, the Organization obtained a note payable for \$492,514. The funds were used for capital improvements to facilities as well as to consolidate other debts, and was collateralized by property. The note bore interest at a rate of 4.79% per annum with principal and interest payments due in monthly installments of \$3,568. The note payable was paid in full in January 2015 with the proceeds from the sale of the Brick Church location (see Note D).

In August 2012, the Organization entered into a promissory note agreement with a bank in the amount of \$1,950,000. The note is collateralized by the Organization's facilities. The note accrues interest at a fixed rate of 4.79%. During fiscal year 2015, \$919,828 of the proceeds from the sale of the Brick Church campus was applied towards the note (see Note D). The outstanding balance at June 30, 2015 totaled \$824,604. Principal and interest are due in monthly installments of \$6,536 through August 2017. The remaining principal and accrued interest on the note is due in full in August 2017.



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F. LONG-TERM DEBT - Continued

The following is a summary of changes in the Organization's long-term debt for governmental activities for the fiscal year ended June 30, 2015:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2015</u>
Note payable - bank	\$ 456,892	\$ -	\$ 456,892	\$ -
Note payable - bank	<u>1,795,641</u>	<u>-</u>	<u>971,037</u>	<u>824,604</u>
Total	<u>\$2,252,533</u>	<u>\$ -</u>	<u>\$1,427,929</u>	<u>\$824,604</u>

A summary of annual principal and interest requirements follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>
2016	\$38,498	\$ 39,934
2017	36,543	41,889
2018	<u>2,954</u>	<u>742,781</u>
	<u>\$77,995</u>	<u>\$824,604</u>

G. COMMITMENTS, CONTINGENCIES AND RISK MANAGEMENT

The Organization is exposed to various risk of loss relating to torts, theft of, damage to, and destruction of assets; errors or commissions; illness or injuries to employees; and natural disasters. The Organization carries insurance for certain risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The Organization has received federal and state grants for specific purposes that are subject to review and audit by grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes any required reimbursements would not be material to the financial statements.

The Organization may become subject to various claims and legal actions, which arise in the ordinary course of business. In the opinion of management, in consultation with legal counsel, the ultimate resolution of such matters will not have a material adverse effect on financial position or results of operations, as of the date of these financial statements.

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H. CONCENTRATIONS

The Organization received approximately 75% 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, 2015, was \$2,343,132.

Outside fundraising for capital needs is on-going to supplement funding received from State BEP capital since the charter school agreement with MNPS does not include an allocation for capital expenditures.

I. PENSION PLANS

The Organization participates in the following three defined benefit pension plans (collectively the "Pension Plans"):

Certificated Employees

Tennessee Consolidated Retirement System ("TCRS"):

Teachers Legacy Pension Plan

Teachers Retirement Plan (collectively the "TCRS Plans")

Non-Certificated Employees

Metropolitan Government of Nashville and Davidson County, Tennessee  
(the "Metropolitan Government")

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

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

(I.) TCRS Plans

(A) General Information - TCRS Plans

PROJECT REFLECT, INC.  
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I. PENSION PLANS - Continued

Description of the TCRS Plans

Teachers with membership in the 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 is closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning on 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 pension plan.

The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

Benefits provided

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

*Teachers Legacy Pension Plan*

Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

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I. PENSION PLANS - Continued

*Teachers Retirement Plan*

Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. 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. By law, employer contributions are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted.

*Teachers Legacy Pension Plan*

Employer contributions by Project Reflect for the year ended June 30, 2015 to the Teacher Legacy Pension Plan were \$46,775 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.

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I. PENSION PLANS - Continued

*Teachers Retirement Plan*

Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. Employer contributions for the year ended June 30, 2015 to the Teacher Retirement Plan were \$11,567, 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.

(B) Pension Liabilities (Assets) – TCRS Plans

Pension Liability (Asset)

*Teachers Legacy Pension Plan*

Project Reflect reported an asset of \$(3,941) for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. Project Reflect's proportion of the net pension liability was based on Project Reflect's employer contributions to the pension plan during the year ended June 30, 2014 relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014 measurement date, Project Reflect's proportion was 0.0243 percent. The proportion measured as of June 30, 2013 was 0.0121 percent.

*Teachers Retirement Plan*

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 liability to report at June 30, 2015.

Actuarial assumptions

*Teachers Legacy Pension Plan*

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

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent

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YEAR ENDED JUNE 30, 2015

I. PENSION PLANS - Continued

Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of living adjustment	2.5 percent

Mortality rates are customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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%

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