

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

I. PENSION PLANS - Continued

Discount rate

Teachers Legacy Pension Plan

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(II.) Metro Plan

(A) General Information - Metro Plan

Plan Description

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

Benefits Provided

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

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

I. PENSION PLANS - Continued

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

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

Contributions

The funding policy is to provide for periodic contributions at actuarially determined rates that are designed to accumulate sufficient assets to pay benefits when due. All funding is provided under an actuarially recommended employee contribution rate of 17.987% for the non-certificate employees of the Metropolitan Nashville Public Schools, including charter schools, and all other Metropolitan Government Employees.

(B) Pension Liabilities - Metro Plan

Pension Liability

The Organization reported a liability of \$74,756 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The Organization's proportion of the net pension liability was based on the Organization's employer contributions to the pension plan during the year ended June 30, 2015 relative to all contributions for 2015. At the June 30, 2015 measurement date, the Organization's proportionate share was 0.1085 percent.

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

I. PENSION PLANS - Continued

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2014. Actuarial assumptions are summarized below:

Inflation	2.6 percent
Salary increases	4.0 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of living adjustment	1.5 percent

Mortality rates were based on the 110% RP-2000 Healthy Annuitant Mortality Table for Males and Females, as determined by the period actuarial experience study. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period 2007 to 2012.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.60%	14.50%
International equity	10.10%	23.00%
Equity hedge	5.80%	10.00%
Fixed income	1.80%	15.00%
Fixed income alternatives	5.60%	15.00%
Real estate	6.10%	12.50%
Private equity	7.60%	12.00%

Discount Rate

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

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

I. PENSION PLANS - Continued

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

Pension Liabilities (Assets)

The Organization reports the following net pension liability (asset) as of June 30, 2015:

TCRS Plans	\$(3,941)
Metro Plan	<u>74,756</u>
Net pension liability	<u>\$ 70,815</u>

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability (asset):			
TCRS Plans	\$665,982	\$(3,941)	\$(558,579)
Metro Plan	<u>414,764</u>	<u>74,756</u>	<u>234,404</u>
Total	<u>\$1,080,746</u>	<u>\$70,815</u>	<u>\$(324,175)</u>

Pension plan fiduciary net position

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

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

I. PENSION PLANS - Continued

Pension expense

For the year ended June 30, 2015, the Organization recognized pension expense of \$80,559.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
TCRS Plans	\$9,568	\$ -
Metro Plan	-	63,957
Net difference between projected and actual earnings on pension plan investments		
TCRS Plans	-	324,716
Metro Plan	58,687	-
Changes in proportion of net pension liability (asset) for TCRS plan	65,115	-
Contributions subsequent to the measurement date of June 30, 2014	58,342	Not applicable
Total	<u>\$ 191,712</u>	<u>\$ 388,673</u>

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

I. PENSION PLANS - Continued

Employer contributions of \$58,342, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (63,197)
2017	(63,197)
2018	(63,197)
2019	(63,197)
2020	3,311
Thereafter	(5,826)

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

Payable to the Pension Plan

At June 30, 2015, there were no significant amounts outstanding for contributions to the Pension Plans.

REQUIRED SUPPLEMENTARY INFORMATION

PROJECT REFLECT, INC.
SMITHSON CRAIGHEAD ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF
NET PENSION LIABILITY (ASSET)
(UNAUDITED)

Plan	<u>Teachers Legacy Plan of TCRS</u>	<u>Metro Plan</u>
Measurement date	June 30, 2014	June 30, 2015
Proportion of the net pension liability (asset)	0.0243%	0.1085%
Proportionate share of the of the net pension liability (asset)	\$ (3,941)	\$ 74,756
Covered-employee payroll	\$ 958,694	\$ 567,221
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-0.41%	13.18%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	97.57%

The amounts presented in this schedule were determined as of the measurement date.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Information is not applicable in this schedule for the Teachers Retirement Plan of TCRS as the measurement date was June 30, 2014 and the Teachers Retirement plan did not commence until July 1, 2014.

PROJECT REFLECT, INC.
SMITHSON CRAIGHEAD ACADEMY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FISCAL YEAR ENDING JUNE 30,
(UNAUDITED)

Teachers Legacy Pension Plan of TCRS

	<u>2015</u>	<u>2014</u>
Actuarial determined contributions (ADC)	\$ 46,775	\$ 84,532
Contributions in relation to the actuarially determined contribution	<u>46,775</u>	<u>84,532</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 517,423	\$ 958,694
Contributions as a percentage of covered-employee payroll	9.04%	8.88%

Teachers Retirement Plan of TCRS

	<u>2015</u>	<u>2014</u>
Actuarial determined contributions (ADC)	\$ 11,567	Not applicable
Contributions in relation to the actuarially determined contribution	<u>11,567</u>	
Contribution deficiency (excess)	<u>\$ -</u>	
Covered-employee payroll	\$ 289,175	
Contributions as a percentage of covered-employee payroll	4.00%	

Metro Plan

	<u>2015</u>	<u>2014</u>
Actuarial determined contributions (ADC)	\$ 102,026	\$ 146,022
Contributions in relation to the actuarially determined contribution	<u>102,026</u>	<u>146,022</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 567,221	\$ 853,082
Contributions as a percentage of covered-employee payroll	17.987%	17.117%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

OTHER INFORMATION

PROJECT REFLECT, INC.
SMITHSON CRAIGHEAD ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2015

Program Name	CFDA Number	Contract/ Grant Number	Expenditures
<u>Federal Awards</u>			
U.S. DEPARTMENT OF AGRICULTURE			
Passed through the Tennessee Department of Education:			
Child Nutrition Cluster			
National School Lunch Program	10.555	N/A	\$ 115,480
National School Breakfast Program	10.553	N/A	<u>58,962</u>
Total Child Nutrition Cluster			174,442
Fresh Fruit and Vegetable Program	10.582	N/A	<u>3,555</u>
Total U.S. Department of Agriculture			<u>177,997</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	96,705
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	N/A	52,869
Passed through Tennessee Department of Education:			
Twenty-First Century Community Centers Learning Program	84.287C	33109-02513	<u>131,315</u>
Learning Program (21st CCLC)			
Total U.S. Department of Education			<u>280,889</u>
Total federal awards			<u>\$ 458,886</u>
<u>State Financial Assistance</u>			
TENNESSEE DEPARTMENT OF EDUCATION			
Basic Education Program	N/A	N/A	\$ 44,000
Passed Through Metropolitan Nashville Public Schools:			
Basic Education Program	N/A	N/A	<u>2,343,132</u>
Total state financial assistance			<u>\$ 2,387,132</u>
Total federal and state awards			<u>\$ 2,846,018</u>

Basis of presentation:

Note 1: The accompanying schedule of Federal Awards and State Financial Assistance summarizes the expenditures of Smithson Craighead Academy under programs of the federal and state governments for the year ended June 30, 2015. The schedule is presented using the accrual basis of accounting.

See independent auditor's report.

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

	Restricted Contribution Fund	Total Nonmajor Governmental Funds
ASSETS		
Due from other funds	\$ 11,440	\$ 11,440
Total assets	<u>\$ 11,440</u>	<u>\$ 11,440</u>
FUND BALANCES		
Restricted	\$ 11,440	\$ 11,440
Total fund balances	<u>\$ 11,440</u>	<u>\$ 11,440</u>

See independent auditor's report.

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

	Restricted Contribution Fund	Total Nonmajor Governmental Funds
REVENUES		
Contributions	\$ 52,094	\$ 52,094
Total revenues	<u>52,094</u>	<u>52,094</u>
EXPENDITURES	<u>40,654</u>	<u>40,654</u>
NET CHANGE IN FUND BALANCES	11,440	11,440
FUND BALANCES, June 30, 2014	<u>-</u>	<u>-</u>
FUND BALANCES, June 30, 2015	<u><u>\$ 11,440</u></u>	<u><u>\$ 11,440</u></u>

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 Trustees
Project Reflect, Inc.
Smithson Craighead Academy
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, 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 the Organization's basic financial statements and have issued our report thereon dated December 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as identified in the accompanying schedule of findings and responses, we identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses, as item 2015-001, to be a material weakness.



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

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. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2015-002, 2015-003, 2015-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 Findings

The Organization's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Organization's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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, PLLC

Nashville, Tennessee
December 22, 2015

PROJECT REFLECT, INC.
SMITHSON CRAIGHEAD ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2015

MATERIAL WEAKNESS

2015-001 – Organizational Structure

Condition, Criteria, Cause and Effect

During fiscal year 2015, the Organization experienced significant turnover in its senior leadership positions as well as its Board of Trustees. Specifically, the Executive Director position experienced turnover, the Director of Development left the Organization, and there was significant changes in Board membership which occurred on a continuous basis through the year and subsequent. The Organization also changed its bylaws covering Board membership and committee structure.

Such significant turnover in organizational leadership has the potential to cause lack of continuity and institutional knowledge, continued development of programs as well as funding to support these programs could also become an issue.

Recommendation and Benefit

We recommend that the Organization address the turnover in senior leadership and the Board through formal recruitment and retention procedures. The Organization should consider the assistance of Nashville Center for NonProfit Management or a similar organization to assist with training and retention. Specific attention should be paid to why the turnover is occurring, and measures should be timely adopted to address the causes. Attention to senior leadership and Board retention will help the Organization to ensure continuity of institutional knowledge and program activities.

Management's Response

See Corrective Action Plan on pages 57 - 58

SIGNIFICANT DEFICIENCIES

2015-002 – Cash Receipts

Condition, Criteria, Cause and Effect

During our testing of accounts receivable, we noted that cash receipts are being recorded in the general ledger once a month based on the bank statement.

Recommendation and Benefit

We recommend the Organization implement a process where cash receipts are timely recorded from the remittances and other support received with deposits. This process should occur on a weekly basis at a minimum. The deposits should then be reconciled to the bank during the reconciliation process at month end. This will help to ensure that receipts are recorded timely and that the bank reconciliation process is used as an internal control to review proper recording of receipts.

PROJECT REFLECT, INC.
SMITHSON CRAIGHEAD ACADEMY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2015

Management's Response

See Corrective Action Plan on pages 57 - 58

2015-003 – Payroll Accruals

Condition, Criteria, Cause and Effect

Salaries and related payroll expenses are recorded when payroll is processed each period. During our audit we noted that, for the payroll related to June 2015, payroll accruals were not recorded. This understated the liability and related salary expenses for the fiscal year.

Recommendation and Benefit

We recommend the Organization review payroll each month to determine the period to which it relates, and record an accrual as appropriate. Capturing salaries and related expenses in the proper period will help to ensure that the payroll costs for the period are appropriately reflected within the financial statements.

Management's Response

See Corrective Action Plan on pages 57 - 58

2015-004 – Disbursements

Condition, Criteria, Cause and Effect

During our testing of cash disbursements, we noted 8 of 25 selections did not have evidence of management approval for payment.

Recommendation and Benefit

We recommend that all disbursements be supported with valid invoices other documentation which has been reviewed and approved by authorized management personnel. Management personnel should evidence their approval through signature. No disbursement should be made without approval. This process will help to ensure that all disbursements are valid business purposes and that such disbursements are supported.

Management's Response

See Corrective Action Plan on pages 57 - 58

PROJECT REFLECT, INC.
SMITHSON CRAIGHEAD ACADEMY
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015

There were no prior year audit findings.

The Response to the Audit Findings FY14-15
Submitted by: Allison Driver, Executive Director

2015-001 Organizational Structure - The Organization is working to address the turnover in senior leadership and the Board by working to develop a plan which will allow the Executive Director the opportunity to seek board members who are committed to offering their time, talents, and resources on a continual basis. The commitment of the board members who are voted onto the Board is vital to the success of the organization. Roles and responsibilities must be clearly defined throughout the organization. When the Board and the Executive Director work as a cohesive unit to affect positive change, then the climate and culture of the organization is one that individuals are willing to be a part of and in turn, positive results are reflected. The Executive Director is currently a member of the Center for Non-Profit Management and in September, attended a workshop for new Executive Directors. This workshop was extremely beneficial and provided various strategies on the importance of defining the role of Executive Director and ways in which to recruit and maintain board members. The core of an organization is its leadership and the current Executive Director knows the importance of fostering relationships, attracting individuals who would like to invest in the organization in some way, the implementation of sound financial procedures, and the assurance that our educational and institutional programming continues to work to fulfill the stated mission of the organization, which is transforming urban America through education and policy reform.

2015-002 Cash Receipts - A new bookkeeper has been hired on by the Executive Director. This change was made so that there would be a bookkeeper available to come to the school on a weekly basis and she is readily available to address any financial related issues that may arise.

The bookkeeper has now been entering cash receipts weekly as they come in. The bank reconciliations are now

The Response to the Audit Findings FY14-15 (Continued)
Submitted by: Allison Driver, Executive Director

conducted by the new bookkeeper. Data entry is done at the time of submitting for reimbursement so that the entries are in QuickBooks on time. The Executive Director and Bookkeeper both have access to online banking and that allows both individuals to see the deposits and withdrawals as they come in and out prior to reconciling as well.

2015-003 Payroll Accruals - The new bookkeeper has been informed of the issues that occurred previously with the payroll accruals and she handles the accrual accordingly so that all liabilities are recorded appropriately.

2015-004 Disbursements - Disbursements will not be issued unless there is an approved Purchase Order with the signature of the Executive Director and attached receipts.

**PROJECT REFLECT, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2016**

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

PROJECT REFLECT, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2016
Operating Tennessee Public Charter School:
SMITHSON CRAIGHEAD ACADEMY
ELEMENTARY SCHOOL

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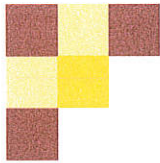
**PROJECT REFLECT, INC.
INTRODUCTORY SECTION**

BOARD OF DIRECTORS

Eunice Bell	Director
James Holzemer	Director
Dr. Jacqueline Mitchell	Director
Ed Kindall	Director
James Cobb	Director
Brenda Gilmore	Director
Andrei Lee	Director
Father John Raphael	Director
Dr. Betty Reynolds	Director
Rebecca Horton	Director
Carmen Villagrana	Director

LEADERSHIP TEAM

Allison Driver	Executive Director
Lekita Stevenson	Senior Operations Administrator



Edmondson, Betzler & Dame, PLLC

(Certified Public Accountants)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
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, 2016, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT, CONTINUED

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, 2016, 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 2 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.

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 5-20 and the schedule of the proportionate share of the net pension liability (asset) and schedule of employer contributions on pages 47 and 50 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 the 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 acceptable 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 the Organization's basic financial statements. The introductory section on page 1 and the combining nonmajor fund financial statements on pages 53 and 54 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.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Other Information (continued)

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 related 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 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 15, 2016, 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.

A handwritten signature in black ink, appearing to read "Catherine E. Wame, CPA". The signature is fluid and cursive, with the initials "C" and "W" being particularly prominent.

December 15, 2016

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

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, 2016. 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 resource of Project Reflect exceeded its liabilities and deferred inflows of resources by \$1,544,422.
- Net position decreased \$43,105 during the year.
- Total revenues of \$2,810,888 were comprised of Federal and State Pass-through Funds- 17%, District Funds- 78%, and Charitable Giving/Other- 5%.

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 revenues and expenses are taken into consideration regardless of when cash is received or paid. The statements start on page 21.

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 23. 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 as reconciled in the basic financial statements on pages 25 and 26.

GOVERNMENT WIDE FINANCIAL ANALYSIS

Net Position:

The Organization's assets and deferred outflows of resources exceed liabilities and deferred inflows of resources at the close of the fiscal year, resulting in a net position of \$1,544,422. Project Reflect's net position includes \$294,721 of cash. The cash is available to meet ongoing activities.

As of June 30, 2016, Project Reflect had invested \$2,144,838 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 \$771,662. This debt was used to consolidate other operating debt.

**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, 2016 and 2015 is as follows:

	2016	2015
Current assets	\$ 327,859	\$ 587,505
Capital assets	<u>2,144,838</u>	<u>2,311,457</u>
Total assets	<u>2,472,697</u>	<u>2,898,962</u>
Deferred outflows of resources - pensions	<u>561,585</u>	<u>191,712</u>
Current liabilities	179,125	258,989
Long-term liabilities	<u>949,013</u>	<u>855,485</u>
Total liabilities	<u>1,128,138</u>	<u>1,114,474</u>
Deferred inflows of resources - pensions	<u>361,722</u>	<u>388,673</u>
Net position:		
Net investment in capital assets	1,373,176	1,486,853
Restricted	4,249	11,440
Unrestricted	<u>166,997</u>	<u>89,234</u>
Total net position, as restated	<u><u>\$1,544,422</u></u>	<u><u>\$1,587,527</u></u>

Deferred outflows and inflows of resources related to pensions at June 30, 2016. After the impact of accounting error restatement, the Organization's total net position decreased \$43,105 during the 2016 fiscal year. The decrease in net position indicates that there were more outgoing expenses than income revenues during the year. Total revenues generated from government grants, governmental funds, foundation grants and donations were \$2,810,888 during the 2016 fiscal year.

At June 30, 2016, the Organization's unrestricted net position was \$166,997, a decrease of \$35,906 from 2015.

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

A schedule of revenues and expenses for the years ended June 30, 2016 and 2015, is as follows. The schedule is for the Organization as a whole, not for the governmental funds.

	2016	2015
Revenues:		
District funding	\$2,179,853	\$2,343,132
Federal and state grants	479,315	502,886
Contributions	150,172	247,216
Other	1,548	33,121
Total revenues and transfers	<u>2,810,888</u>	<u>3,126,355</u>
Expenses:		
Employee compensation	1,856,973	2,009,865
Transportation	237,694	151,383
Food services	178,855	226,474
Depreciation	161,708	234,231
Occupancy	138,318	131,243
Professional services	63,071	106,201
Instructional	62,888	67,703
Insurance	44,229	52,582
Office expense	39,710	24,894
Interest	39,667	94,755
Other expenses	19,947	168,907
Organizational development	10,933	8,589
Total expenses	<u>2,853,993</u>	<u>3,276,827</u>
Change in net position	<u>\$ (43,105)</u>	<u>\$ (150,472)</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 23 reported a combined fund balance of \$191,126. 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, 2016 year end, the differences consist of capital assets, debt, and pensions, which are not reported in the funds.

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

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.

Overall 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.
2. Establish the regular school day, Monday through Friday, as 7:30 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 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.

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

10. A part-term, 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 kindergarten through 4 who reside within the boundaries of Davidson County. Open to all students, SCA traditionally serves a population of students of whom 92% or more qualify for free or reduced lunch. Many of our students live in highly-stressful environments marked by frequent disruptions in living arrangements, dangerous neighborhoods, inconsistent relationships, and some question the stability of their day-to-day life with regards to meals and sleeping habits. It is our goal to provide as much consistency as possible to ensure that our scholars receive a high quality education and perform at their maximum potential.

Our current student population is 59% African American, 38% Latino, 1% Caucasian, and 2% Asian.

SCA, sponsored by Project Reflect, was the first charter school in Nashville and all of Middle Tennessee. SCA offers a rigorous academic program that specializes in helping students who are behind catch up while offering wonderful options for students who are on grade level or advanced. SCA also offers a loving, nurturing environment in which children become part of a real and life-long family. We maintain data walls to track academic mastery on a weekly basis. However, it is not all work and no play, we also have fall festivals and pep rallies. We offer intensive intervention strategies for students as well as daily hugs and high fives. We offer academic excellence while creating the atmosphere of the neighborhood schools we grew up in and loved as children ourselves.

SCA Highlights:

- ✓ PREP tutoring & computer training available Monday through Friday from 6:30 am – 7:30 am.
- ✓ Free breakfast and lunch (catered) for all students as well as a substantial afternoon snack from Second Harvest that can add to the third meal of the day.
- ✓ Data-driven instruction & project-based learning.
- ✓ Differentiated instruction – reading groups, small math groups, one-on-one tutoring.
- ✓ 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, a game room for exploratory learning, and a library for ongoing development in reading and research.

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

CURRICULUM AND INSTRUCTIONAL DESIGN

SCA's model is similar to the highly-effective workshop model with a constant mandate to monitor and adjust.

SCA hires highly-qualified educators who present their talents, educational knowledge, and experiences with a mission mentality, a posture of service in which student needs are always first priority. Teachers are on campus from 7:15am to 3:30pm, Monday through Friday. In addition to classroom instruction, they have lunch with their students, building a greater sense of relationship that result in higher student performance. On the last Friday of every month, teachers participate in intensive planning, data coaching, and professional development sessions. These sessions also provide necessary time for support, encouragement, team building, and an ongoing educational improvement.

The second component of the SCA model is the role of the academic leaders. The academic leaders at SCA serve as the instructional leaders, providing vision and leadership to ensure that all students are successful. The academic leaders are active in the classrooms to monitor the fidelity of the curriculum to ensure best practices are implemented. Additionally, the academic leaders participate in the review of student assessments and interventions, direct and participate in academic and behavioral interventions, and leads weekly planning and professional development.

Collaboration is the third component of our instructional model. Each grade level team has established common planning times to coordinate instruction, discuss innovative strategies and models for student instruction, and review weekly student assessments. The district benchmarks are communicated with all stakeholders through staff professional development meetings and parent meetings. The School Improvement Plan for each year is developed with the assistance of designated staff members of Metropolitan Nashville Public Schools, Smithson Craighead Academy educators and administrators, and community stakeholders. Local universities play important roles in instructional training and support.

The model also creates a strong level of parent engagement through a variety of incentives, expectations, and programs in its fourth component. Those are further outlined under the section V.

In the fifth component of classroom-based instruction, the workshop model includes:

- Mini lessons in which the teacher models or presents the skill or strategy being taught.
- Student practice of the skill or strategy together with the teacher in either whole group or small group settings facilitated by the teacher.
- Small groups that are formed based on similar needs as identified by teacher observation and assessment and the teacher working with each group in guided instruction and assessment.
- Independent or collaborative student work on a project or assignment that allows them to employ or develop the specific skill or strategy.
- The opportunity to share student work with the class and teacher and to engage in classroom discussion.

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

Data tracking is the sixth piece of the SCA model. Students are assessed using both formative and summative assessments with weekly data tracking that serves to identify student mastery through individual and whole class student guides. Rather than pushing forward through a pre-determined set of standards, SCA uses data to measure mastery, and teachers do not introduce the next skill until mastery is demonstrated. Data tracking is also a tool to develop student accountability as students monitor their own progress and make determinations of the adjustments they need to make to achieve mastery.

A seventh component is the extension of our academic day to include PREP, a program that provides additional math and literacy practice, doubling the time spent on math and literacy in a tradition school and providing all our students with a substantial snack that serves as a third meal for students who experience food insecurity. PREP also provides academic tutoring from 6:30am to 7:30am, Monday through Friday for students who arrive early. Additionally, during the afternoon hours of 3:00pm to 5:15pm on Mondays through Thursdays, PREP provides free enrichment as well as character development opportunities for students. Organized sports, such as basketball, and activities such as Spanish, journalism, art, and music are also offered in the PREP Program.

Plan for Students Who Are Academically Low Achieving

SCA is addressing the needs of academically low achieving students, along with those students who have not mastered the standards set forth by the State of Tennessee. The Response to Intervention (RTI) model has four steps to provide a variety of intervention programs and additional instructional strategies that may not be provided by the regular classroom teacher. Tier 1 intervention provides intervention for all students by the classroom teacher. Tier 2 provides intervention by an additional group of certified professionals in ways that are different from what the classroom teacher provides. The Tier 2 intervention model allows fluidity and allows for students to move in and out of classrooms and groups according to their specific instructional needs. Tier 3 addresses those students who are given intense intervention for an eight-week period to plan for a possible S-Team meeting prior to referral for psychological testing to determine a possibility of learning disability. Tier 4 consists of students who have been identified to receive exceptional education services. Those students are served by a certified resource teacher.

Low achieving students may receive small group instruction or one-on-one instruction with certificated professionals. Other interventions may include additional tutoring, small group sessions, technology-based instruction, or instruction provided by the resource teacher.

Plan for Students Who Are Academically High Achieving

SCA offers testing for all students through a referral process based on standardized test scores and teacher recommendations. Once information has been assessed by the resource teacher and the teacher, a recommendation is made for an S-Team meeting to discuss the results with the parents/guardians. The school psychologists make arrangements to conduct additional testing to determine eligibility of the student for exceptional education. The needs of high-performing students addressed during the regular academic day through differentiated instruction and student project mastery. Our PREP program offers students the opportunity to engage and extend their learning by providing enrichment activities, character development courses, and homework assistance.

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

Plan for English Language Learners

Smithson Craighead Academy identifies English Learners through the Metropolitan Home Language Survey. These students are 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. We have two certified EL teachers to provide additional assistance to our identified EL students. These students are monitored regularly, and we provide specific strategies to strengthen their academic progress. There is also one EL Instructor from MNPS who is assigned to the academy to offer additional resources to our EL students and teachers on an as needed basis. We also have bilingual volunteers to assist our students, and we provide resource materials in both English and Spanish.

Services for Exceptional Education Students

SCA provides educational services to students who qualify for exceptional education services, and we are in full compliance with the Individuals with Disabilities Education Act(IDEA). We are acutely aware of our legal responsibilities to provide the support necessary to the identified students that qualify under (IDEA). Through a certified resource teacher, a contracted provider for speech and language services, along with Occupational Therapy or Physical Therapy services are provided to students who qualify. Metropolitan Nashville Public Schools provides support by providing an Exceptional Education Coach who oversees compliance and instruction for our school. We also have the services of a school psychologist who assists in the psychological testing of our students.

Students with exceptional needs are provided an Individualized Education Plan (IEP) that identifies their disabilities and outlines the required services that are required for the child. The parents/guardians, classroom teacher, resource teacher, principal, psychologist and if required, the speech therapist, are required to review the formal evaluation, and review the student's needs for exceptional education services. If they are in agreement with the decision to provide resource services to the student, the parent/guardian gives written permission for the services to begin. All assessments (behavior, psychological, health and/or academic) are performed in accordance to state and federal law.

Students are provided access to the core curriculum to the greatest extent possible. Support is provided based on the student's Individualized Education Plan (IEP) by the certified resource teacher. Student progress towards goals are reviewed and revised annually by an IEP team to ensure goals, appropriate services, supports and accommodations and modifications are being made in accordance with state and federal law.

Other Services

SCA was one of only eleven schools in Tennessee chosen by Vanderbilt University to participate at no cost in Project SUPPORT & INCLUDE, Building and Implementing a Comprehensive, Integrated, Three-Tiered (CI3T) Model of Prevention. The six-session training series offers a team-based process for training and developing a comprehensive school-wide prevention model addressing academics (RTI2), behavior (Positive Interventions and Supports, PRIS), and social skill components.

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

Measurable Student Outcomes

SCA relies heavily on the assessment of student progress as an important indicator in student achievement. Assessments are used to measure student mastery and skills not met. We use a variety of assessments to measure student progress, including benchmark assessments that will be given. Our performance goals are aligned with the state performance indicators. Our goal at SCA is to engage our students with rigor in critical thinking skills throughout all of their subjects. These goals 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 standards that are being taught.

Measuring Student Outcomes and Progress

The staff of SCA will measure student progress and outcomes in a variety of methods:

- Tennessee State Common Core Standards
- TN Ready assessment for all third and fourth grade students
- State adopted textbook assessments
- Common assessment benchmark testing
- Teacher developed formative and summative assessments
- Performance on daily homework and daily attendance

Common Core grade level performance standards are designed by highly-qualified, certificated teachers throughout the state using the state framework and standardized goals. We will employ the use of instructional software that is aligned with the Common Core standards to build skill mastery. Our present School Improvement Plan addresses the specific areas of improvement for the current year and has received approval from the MNPS Title 1 department. 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 to adhere to ever changing technology demand.

The Common Core State Standards have presented challenges for the future of state testing. Until we are apprised of the specific test that will be given to measure the students' academic achievement we have put the following accountability measures in place:

- An annual review of ELA and Math benchmark assessments that correlate to the Common Core State Standards
- Weekly assessments for students based on skills taught that coincide with the Common Core
- An annual review of each student's academic performance
- Weekly grade level meetings to discuss student progress and identify the RTI levels for referral
- Establish a benchmark calendar to chart the progress of each student
- Continue to purchase Common Core State Standards Curriculum aligned with curricular, including technology
- Monitor and adjust the presentation of State Standards to accommodate all students
- Provide intervention at all levels for all students
- Continue to provide relevant professional development opportunities for all staff members

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

Data collection and analysis is relevant to student achievement when shared with students, parents and stakeholders. This information will be conducted and shared in the following ways:

- School-wide data wall located in the front hallway of the school.
- 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 information including student data notebooks, TN Ready, AIMS Web, and other assessments; teacher web pages, daily agendas and folders.
- Weekly meetings held with grade level teams to discuss the appropriate skills that are being introduced.

Data on student performance is being analyzed and reviewed on a daily basis to ensure that the RTI levels are addressing the needs of all students and to improve the complete educational program that will ensure educational success for all students.

Section II – Student mobility

List the reasons students left the school during the last year, and why they left. Include the total number of students leaving for each reason. Do not, however, include student names. Describe the school's plans to improve student retention in the coming year.

- 46 students transferred to another MNPS School
- 5 students transferred to a school outside of the district

SCA will address student retention by incorporating the, "Six Major Types of Partnerships Framework" developed by Joyce Epstein and her colleagues at John Hopkins University. The six major types of partnerships include:

1. Parenting – helping families establish home environments to support children as learners;
2. Communications – using effective forms for school-to-home communications;
3. Volunteering – recruiting and organizing the schools volunteer program;
4. Learning at Home – helping families assist their children with homework and recognizing other learning-at-home opportunities;
5. Decision making – include parents, students, and community members in school decision making processes;
6. Collaborating with the Community – Identifying and integrating resources and services from the community.

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

Section III – Operations and finance

Describe what the school has done or will do in response to any operational or fiscal challenges faced during the past year. Address any findings from the most recently completed school audit. If the chartering authority formally notified the school of particular concerns, include a brief summary of those concerns and the school's efforts to remediate those concerns. Provide a detailed accounting, including the amounts and sources, of funds other than those funds received under per pupil state and local funds and federal allocations. Include any funds received from:

1) federal grants, 2) grants, gifts, devises, or donations from any private sources, 3) state funds appropriated for the support of the public charter school, and 4) any other funds that may be received by the local school district.

Project Reflect, SCA's sponsor, has faced financial challenges, but have been addressed through intensive review, planning, and execution of plans for improvement. New, rigorous financial policies and procedures were written and adopted. These policies and procedures were modeled on best practices and Generally Accepted Accounting Principles (GAAP). Monthly financial statements reviewed by the finance committee and board of directors were restructured to include an accrual based statement of activities, cash flow statements, a balance sheet, and cash flow projections, giving decision makers better and more accurate information.

The Executive Director and Board of Directors worked closely with the organization's relationship manager from the bank to create a debt reduction plan and to stabilize cash flows. As a result, Project Reflect met all its financial needs, operated within its annual budget without relying on any credit, and developed an operational budget for 2015-2016 that did not rely on lease income. The Executive Director, along with the Board of Directors, is working arduously on a financial management plan that will result in a significant reduction in the debt from a construction loan.

Funds received through federal grants such as Title I and IDEA are allocated and spent as specified in the annual organizational budget and the spending plan. The accounting of the funds through Title I, IDEA, the 21st Century grant, BEP funds, and any other private donations are documented through Quickbooks and our bank financial statements. An outside accounting firm conducts our payroll and monthly reconciliations to ensure that the appropriation of funds are being effectively utilized and recorded.

Goals

2015-2019

- Increase revenues annually by 5% to 10% through FY 2019
- Establish three to six months of operating cash reserves
- Establish a capital improvements/maintenance fund
- Decrease debt by another 25%
- Continue financial transparency

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

OPERATIONAL

SCA is led by a team that includes a Leadership Team that consists of two academic leaders, Shameka Clark and Dana Dillard-Jackson, as well as Operations Director, Lekita Stevenson, and PREP Director, Brianna McEntee. The Project Reflect Executive Director, Allison Driver, has been with the organization since its inception in 2003. Each grade level has a team leader from the faculty, and the board of directors of Project Reflect serves as the school board for SCA. We have an active Parent Advisory Council and School Improvement Plan team comprised of administrators, faculty, and community supporters, including key members of MNPS.

Project Reflect would like to continue to grow family programming and support services to enhance the student and family experience at SCA. Providing services and educational opportunities for the entire family helps the student attain and sustain greater achievement both personally and academically.

With the newly formed academic team, SCA plans to solidify and build on the outstanding growth of the previous academic year and evaluate the possibilities of adding a Pre-K program.

By 2019, Project Reflect would like to operate additional PREP Afterschool Program Centers and establish a dynamic, mutually-supportive relationship with surrounding other elementary schools in the district. However, the primary focus of the academy is to strengthen the academic curriculum offered and utilize an innovative approach to ensure the productivity and success of the scholars that we serve.

Section IV – Leadership changes

Note any changes in board membership or school leadership during the past year.

Allison Driver was named as the new Executive Director at the beginning of the 2015-2016 school year. Allison was also elected as the Chair of the Board and will serve in this capacity through the 2016-2017 school year.

The Project Reflect Board of Directors also unanimously voted to implement the leadership team model that went into effect in the summer 2016. The leadership team oversees family and community involvement, instruction, learning climate/school culture, and professional capacity. and the Executive Director will provide oversight on an ongoing basis to the leadership team to ensure that the team model is being effectively carried out.

Their roles include the following:

- Collaborate with Executive Director as needed
- Shares administrative responsibilities, and participates in decision making that advances the school's mission
- Collaborate weekly as a team and with staff

Consistency and Accountability

- Establish and adhere to cultural norms school-wide
- Implement and consistently follow policies and procedures
- Evaluate all staff regularly and provide effective feedback for growth

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

Section V – Parent and community involvement

Briefly summarize parent and community involvement efforts during the past year, including any new community partnerships. Describe how parent and community involvement is effecting or how you anticipate it will effect student achievement.

Parental and family engagements are essential to student success. To increase both the quantity and quality of parental and family engagement SCA leverages both its Title I status and the programming of its sponsoring nonprofit, Project Reflect.

- Parents/guardians are encouraged volunteer on at least four occasions throughout the year.
- Parents/guardians encouraged to attend four parent-teacher conferences each year during which report cards are picked up. Report cards are not released until a conference is held.
- Daily agendas, student folders and a monthly school calendar facilitate parent communication.
- SCA implemented a text service so that urgent messages and reminders could be texted to all parents.
- SCA utilizes 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.
- SCA has a Parent Advisory Council (PAC).
- Family programming is provided through Project Reflect, including GED, literacy, ESL, finance classes, self-defense, nutrition, and other fun activities.

SCA has established and will continue to grow collaborations with:

- Hendersonville Area Chapter of the Links, Inc. which sponsored our annual Promotion Exercise Ceremony at the Tennessee State University Downtown Avon Williams Campus;
- Metropolitan/Davidson County Foster Grandparent Program through Fifty Forward which provided 10 foster grandparents to volunteer and mentor in the classroom daily for 5 hours;
- 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, School of Nashville, Currey-Ingram Academy, St. Cecilia Academy, St. Joseph Middle School, and St. Matthew School, all of whom provided volunteers to mentor and work with the students throughout the school year;
- The Nashville School of Ballet, who shared a variety of performances throughout the year;
- The Nashville Sounds who sponsored a reward program for academic achievement;
- Second Harvest Food Bank who 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;

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

With these collaborations, programs, services, and relationships, no cost is incurred to meet the critical needs of our students. Areas addressed are: motivation, self-esteem, recognition, encouragement, positive role models, expanded horizons, cultural exposure, and academic opportunities. The effects are evident in the results our students have demonstrated over the years, as we continue to focus on best practices for our students.

As referenced in Section 2, regarding effective communication between school and home for addressing student mobility, the benefits of enhancing communication with families overall are:

- A feeling of community: Parents feel that they are part of the school community, as they are kept aware of school events and other important school information
- Clear information: Parents learn about the school's curriculum, assessments, achievement levels, and reporting methods;
- Parents receive information about how to support their children. Parents have the information they need to help their children thrive and achieve. When families are happy, children tend to do better in school.
- Relationships are developed: When schools and families share information and strategies, everyone feels connected to the school community.
- Positive outcomes: Our staff realizes the positive ways that parents contribute to student success.

Section VI – Promising practices

Five operational practices that have had the most impact on student achievement are:

1. Highly-qualified educators who present their talents, educational knowledge, and experiences with a mission mentality, a posture of service in which student needs are always first priority.
2. Instructional and Operational Leadership that supports the needs of the teachers and students in order to maximize the productivity and academic achievement of all students at their level of ability
3. Effective communication among parents
4. Collaboration among staff and also stakeholders
5. Extended learning and academic assistance program

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

Action Steps

List some specific action steps the school plans to take in response to the information gathered and summarized for this annual report. As you consider what steps to take, keep in mind the critical questions the chartering authority will be asking at the time of renewal:

- Is the school an academic success?
- Has the school met its non-academic goals and been faithful to its mission and charter design?
- Has the school been effectively governed?
- Is the school fiscally sound?
- Are parents and students satisfied?
- Has the school satisfactorily met its legal requirements?
- If the school's charter is renewed, are its plans for the next charter term likely to be achieved?

Overall, Smithson Craighead would like to achieve the following:

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

While we feel our academic programming works to address the needs of the students we serve, there is room for improvement. Best practice strategies and differentiated instruction will continue to be utilized. Full implementation of the textbook and online resources provided by Reading Wonders and Go Math will continue, as well as active participation in the Professional Development for Mastery Connect. With these components and the aforementioned academic and curriculum related strategies, we are confident that we will be able to show the necessary student growth and gains through both the mastery in the classroom and also the state mandated assessment.

Our goal of building the basic foundation for the ongoing success of every child thus creating lifelong learners has remained consistent with what the original charter was founded upon 13 years ago. We have a strong board of directors who are very supportive of the organization's administration and leadership.

Procedures and protocols have been established that will help to ensure financial stability. Bank reconciliations are conducted by an accounting firm on a monthly basis. The organization's by-laws clearly state and outline a system of checks and balances which will maintain a fiscally sound infrastructure.

The academy fosters beneficial communication between home and school. A minimum of 4 family nights will be offered to focus on the various subject areas and make and activities and beneficial suggestions that can be utilized at home to support the instruction that is carried out during the school day.

The organization follows and fulfills the reporting calendar requirements that are provided by the MNPS Office of Charter Schools and will continue to follow all district, federal, and state guidelines.

We remain focused on working with our families and community stakeholders, capitalizing on our strengths, identifying areas that need to be strengthened, devising and implementing effective plans and building staff and student capacity.

**PROJECT REFLECT, INC.
SMITHSON CRAIGHEAD ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2016**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>Governmental Activities</u>
Assets:	
Cash and cash equivalents	\$ 294,721
Receivables	33,138
Capital assets, net	<u>2,144,838</u>
Total assets	<u>2,472,697</u>
Deferred outflows of resources:	
Pensions	<u>561,585</u>
Total assets and deferred outflows of resources	<u><u>\$ 3,034,282</u></u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Liabilities:	
Accounts payable and accrued expenses	\$ 136,733
Long-term debt, payable within one year	42,392
Long-term debt, payable in more than one year	729,270
Net pension liability	<u>219,743</u>
Total liabilities	<u>1,128,138</u>
Deferred inflows of resources:	
Pensions	<u>361,722</u>
Net position:	
Net investment in capital assets	1,373,176
Restricted	4,249
Unrestricted	<u>166,997</u>
Total net position	<u>1,544,422</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 3,034,282</u></u>

The accompanying notes are an integral part of these financial statements.

PROJECT REFLECT, INC.
SMITHSON CRAIGHEAD ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

GOVERNMENTAL ACTIVITIES:	Total	Functions		
		Student Instruction and Services	Administration	Fundraising
EXPENSES:				
Instructional	\$ 62,888	\$ 62,888	\$ -	\$ -
Occupancy	138,318	118,953	13,832	5,533
Office	39,710	15,884	13,898	9,928
Other	19,947	17,154	1,995	798
Organizational development	10,933	6,932	-	4,001
Professional services and fees	63,071	13,521	49,550	-
Employee compensation	1,856,973	1,596,997	185,697	74,279
Food services	178,855	178,855	-	-
Insurance	44,229	38,037	4,423	1,769
Interest	39,667	35,700	3,967	-
Transportation	237,694	237,694	-	-
Depreciation	161,708	139,069	16,171	6,468
Total expenses	<u>2,853,993</u>	<u>2,461,684</u>	<u>289,533</u>	<u>102,776</u>
PROGRAM REVENUES:				
Operating grants and contributions	439,315	439,315	-	-
Capital grants and contributions	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>-</u>
Net program expenses	<u>2,374,678</u>	<u>\$ 1,982,369</u>	<u>\$ 289,533</u>	<u>\$ 102,776</u>
GENERAL REVENUES				
District funding	2,179,853			
Contributions	150,172			
Other income	<u>1,548</u>			
Total general revenues	<u>2,331,573</u>			
CHANGE IN NET POSITION	<u>(43,105)</u>			
NET POSITION, June 30, 2015 as previously reported	1,701,196			
RESTATEMENT	<u>(113,669)</u>			
NET POSITION, June 30, 2015 as restated	<u>1,587,527</u>			
NET POSITION, June 30, 2016	<u>\$ 1,544,422</u>			

The accompanying notes are an integral part of these financial statements.

PROJECT REFLECT, INC.
SMITHSON CRAIGHEAD ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Purpose School Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 294,721	\$ -	\$ -	\$ 294,721
Receivables	-	33,138	-	33,138
Due from other funds	33,138	-	4,249	37,387
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 327,859</u>	<u>\$ 33,138</u>	<u>\$ 4,249</u>	<u>\$ 365,246</u>
LIABILITIES				
Accounts payable	\$ 85,251	\$ -	\$ -	\$ 85,251
Accrued expenditures	51,482	-	-	51,482
Due to other funds	4,249	33,138	-	37,387
Total liabilities	<u>140,982</u>	<u>33,138</u>	<u>-</u>	<u>174,120</u>
FUND BALANCES				
Restricted	-	-	4,249	4,249
Unassigned	186,877	-	-	186,877
Total fund balances	<u>186,877</u>	<u>-</u>	<u>4,249</u>	<u>191,126</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 327,859</u>	<u>\$ 33,138</u>	<u>\$ 4,249</u>	<u>\$ 365,246</u>

The accompanying notes are an integral part to these financial statements.

PROJECT REFLECT, INC.
SMITHSON CRAIGHEAD ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS - CONTINUED
JUNE 30, 2016

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

Total governmental fund balances above	\$ 191,126
Capital assets not reported above	2,144,838
Pension amounts not reported above:	
Net pension liability	(219,743)
Deferred inflows of resources for pensions	(361,722)
Deferred outflows of resources for pensions	561,585
Long-term debt not reported above	<u>(771,662)</u>
Net position of governmental activities in the statement of net position	<u><u>\$ 1,544,422</u></u>

The accompanying notes are an integral part to these financial statements.

PROJECT REFLECT, INC.
SMITHSON CRAIGHEAD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	General Purpose School Fund	Federal and State Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Contributions	\$ 140,172	\$ -	\$ 10,000	\$ 150,172
District funding	2,179,853	-	-	2,179,853
Federal and state grants	-	479,315	-	479,315
Other income	1,548	-	-	1,548
Total revenues	<u>2,321,573</u>	<u>479,315</u>	<u>10,000</u>	<u>2,810,888</u>
EXPENDITURES				
Current:				
Instructional	2,892	42,805	17,191	62,888
Occupancy	98,318	40,000	-	138,318
Office	39,710	-	-	39,710
Other	4,916	480	-	5,396
Organizational development	10,933	-	-	10,933
Professional services and fees	63,071	-	-	63,071
Employee compensation	1,873,019	231,850	-	2,104,869
Food services	14,675	164,180	-	178,855
Insurance	44,229	-	-	44,229
Transportation	237,694	-	-	237,694
Capital outlay	13,640	-	-	13,640
Debt service:				
Principal	52,942	-	-	52,942
Interest	39,667	-	-	39,667
Total expenditures	<u>2,495,706</u>	<u>479,315</u>	<u>17,191</u>	<u>2,992,212</u>
Excess (deficiency) of revenues over (under) expenses	(174,133)	-	(7,191)	(181,324)
OTHER FINANCING SOURCES				
Net proceeds from sale of capital assets	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
NET CHANGE IN FUND BALANCES	(170,133)	-	(7,191)	(177,324)
FUND BALANCES, June 30, 2015 as previously reported	470,679	-	11,440	482,119
RESTATEMENT	<u>(113,669)</u>	<u>-</u>	<u>-</u>	<u>(113,669)</u>
FUND BALANCES, June 30, 2015 as restated	<u>357,010</u>	<u>-</u>	<u>11,440</u>	<u>368,450</u>
FUND BALANCES, June 30, 2016	<u>\$ 186,877</u>	<u>\$ -</u>	<u>\$ 4,249</u>	<u>\$ 191,126</u>

The accompanying notes are an integral part of these financial statements.

PROJECT REFLECT, INC.
SMITHSON CRAIGHEAD ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - CONTINUED
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

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	\$ (177,324)
Amounts reported as expenditures in the governmental funds not included as expenses in the government-wide statements:	
Principal payments on long-term debt	52,942
Capital outlay	13,640
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	(4,000)
Expenses in the government-wide statements not included in the governmental funds:	
Depreciation expense	(161,708)
Loss on disposal of capital assets	(14,551)
Net pension changes	247,896
	<hr/>
Change in net position of governmental activities	<u>\$ (43,105)</u>

The accompanying notes are an integral part to these financial statements.

**PROJECT REFLECT, INC.
SMITHSON CRAIGHEAD ACADEMY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 1 - 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, 2016. 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.

**PROJECT REFLECT, INC.
SMITHSON CRAIGHEAD ACADEMY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016**

NOTE 1 - 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 of 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.