

TAPESTRY PUBLIC CHARTER SCHOOL

FINANCIAL STATEMENTS

June 30, 2016 and 2015

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McKelvey & Russell, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Tapestry Public Charter School

We have audited the accompanying financial statements of Tapestry Public Charter School (a Georgia not-for-profit organization), which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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 an opinion 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. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tapestry Public Charter School as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

September 26, 2016

McKelvey + Russell, LLC

Certified Public Accountants

TAPESTRY PUBLIC CHARTER SCHOOL

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016 AND JUNE 30, 2015**

	<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
CURRENT ASSETS:			
Cash in banks	\$	340,348	\$ 166,214
Cash in banks restricted		<u>326,636</u>	<u>48,777</u>
Total cash in bank		<u>666,984</u>	<u>214,991</u>
Accounts receivable		21,654	1,232
Grant receivable		<u>337,926</u>	<u>710,730</u>
Total Current Assets		1,026,564	926,953
PROPERTY AND EQUIPMENT at remaining cost		<u>3,955,123</u>	<u>3,413,284</u>
Total Assets	\$	<u><u>4,981,687</u></u>	\$ <u><u>4,340,237</u></u>
 <u>LIABILITIES AND NET ASSETS</u> 			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	\$	61,746	\$ 186,763
Accrued payroll and payroll liabilities		121,980	64,968
Security deposits		3,546	2,913
Deferred revenue		-	2,000
Line of credit		<u>-</u>	<u>62,010</u>
Total Current Liabilities		187,272	318,654
LONG-TERM LIABILITIES:			
Note payable		<u>3,543,985</u>	<u>3,386,768</u>
Total Liabilities		3,731,257	3,705,422
NET ASSETS:			
Unrestricted		591,423	112,974
Temporarily restricted		<u>659,007</u>	<u>521,841</u>
Total Net Assets		<u>1,250,430</u>	<u>634,815</u>
Total Liabilities and Net Assets	\$	<u><u>4,981,687</u></u>	\$ <u><u>4,340,237</u></u>

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

TAPESTRY PUBLIC CHARTER SCHOOL

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016 and JUNE 30, 2015**

	<u>2016</u>	<u>2015</u>
UNRESTRICTED:		
REVENUE AND SUPPORT:		
State of Georgia/DeKalb County School funding	\$ 1,574,839	\$ 1,003,810
Government grants	-	446,953
Contributions and grants	70,289	123,642
Student activities	9,000	11,448
Student fees	13,487	5,984
After school fees	42,160	39,969
Rental income	196,039	2,466
Special events	13,211	8,929
Interest income	747	154
Other income	211	192
Assets released from restrictions	712,834	40,469
Total Revenue and Support	<u>2,632,817</u>	<u>1,684,016</u>
EXPENSES:		
Program services	1,929,208	1,488,924
Management and general	120,293	107,460
Fundraising	104,867	48,514
Total Expenses	<u>2,154,368</u>	<u>1,644,898</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>478,449</u>	<u>39,118</u>
TEMPORARILY RESTRICTED:		
Contributions	850,000	562,310
Assets released from restrictions	(712,834)	(40,469)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>137,166</u>	<u>521,841</u>
CHANGE IN NET ASSETS	615,615	560,959
NET ASSETS AT BEGINNING OF YEAR	634,815	44,988
PRIOR PERIOD ADJUSTMENT - Donated furniture	-	28,868
NET ASSETS AT END OF YEAR	<u>\$ 1,250,430</u>	<u>\$ 634,815</u>

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

TAPESTRY PUBLIC CHARTER SCHOOL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 1,234,036	\$ 23,653	\$ 65,559	\$ 1,323,248
Payroll taxes	41,657	645	1,250	43,552
Employee benefits	58,198	869	3,150	62,217
Retirement expense	166,566	3,240	9,227	179,033
Direct student expenses:				
Food service	31,622	-	-	31,622
Extracurricular activities	9,179	-	-	9,179
Classroom and technology supplies	36,141	2,843	159	39,143
Occupancy	207,556	11,229	11,229	230,014
Depreciation	47,413	2,634	2,634	52,681
Dues and fees	515	1,303	506	2,324
Insurance	9,909	1,379	550	11,838
Interest	-	543	-	543
Miscellaneous	2,017	775	-	2,792
Professional fees	59,819	64,612	-	124,431
Professional development	3,397	318	-	3,715
Special events	-	-	5,055	5,055
Supplies	17,131	5,496	5,323	27,950
Telephone	4,052	225	225	4,502
Travel	-	529	-	529
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 1,929,208</u>	<u>\$ 120,293</u>	<u>\$ 104,867</u>	<u>\$ 2,154,368</u>

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

TAPESTRY PUBLIC CHARTER SCHOOL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries	\$ 799,340	\$ 39,317	\$ 28,125	\$ 866,782
Payroll taxes	31,146	799	658	32,603
Employee benefits	30,944	2,073	1,272	34,289
Retirement expense	97,870	4,901	3,698	106,469
Direct student expenses:				
Food service	21,401	-	-	21,401
Textbooks	16,155	-	-	16,155
Classroom and technology supplies	79,056	-	-	79,056
Occupancy	67,526	3,751	3,751	75,028
Board training	-	4,100	-	4,100
Depreciation	2,352	-	-	2,352
Dues and fees	1,780	3,748	103	5,631
Furniture and equipment - federal grant	136,631	15,230	-	151,861
Insurance	629	6,601	3,069	10,299
Interest	1,228	2,866	68	4,162
Miscellaneous	1,734	922	55	2,711
Professional fees	9,893	18,480	-	28,373
Professional development	113,386	-	250	113,636
Special eventgs	504	-	4,712	5,216
Supplies	64,125	1,221	2,753	68,099
Telephone	-	3,451	-	3,451
Travel	13,224	-	-	13,224
Totals	<u>\$ 1,488,924</u>	<u>\$ 107,460</u>	<u>\$ 48,514</u>	<u>\$ 1,644,898</u>

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

TAPESTRY PUBLIC CHARTER SCHOOL

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 615,615	\$ 560,959
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	52,681	2,352
Change in:		
Grant receivable	372,804	(607,668)
Accounts receivable	(20,422)	(1,232)
Accounts payable and accrued liabilities	(125,017)	186,763
Accrued payroll and payroll liabilities	57,012	64,968
Security deposit	633	2,913
Deferred revenue	(2,000)	2,000
Net Cash Provided By Operating Activities	<u>951,306</u>	<u>211,055</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	<u>(594,520)</u>	<u>(3,386,768)</u>
Net Cash Used In Investing Activities	<u>(594,520)</u>	<u>(3,386,768)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Payments on lines of credit, net	(62,010)	(33,916)
Proceeds from note payable	<u>157,217</u>	<u>3,386,768</u>
Net Cash Provided By Financing Activities	<u>95,207</u>	<u>3,352,852</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	451,993	177,139
CASH IN BANKS, BEGINNING OF YEAR	<u>214,991</u>	<u>37,852</u>
CASH IN BANKS, END OF YEAR	<u>\$ 666,984</u>	<u>\$ 214,991</u>

NON-CASH FINANCING AND INVESTING ACTIVITIES:

Interest paid was \$543 for the year ended June 30, 2016.

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

TAPESTRY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

1. ORGANIZATIONAL MATTERS

Tapestry Public Charter School (the “School”) is a Georgia non-profit corporation formed in 2012 to operate a charter school in DeKalb County. The mission of the School is to offer an inclusive, individualized learning environment that is academically engaging, both for neurotypical students and those on the autism spectrum, and to create a positive school culture that empowers all students to take possession of their innate talents and become creative builders of the future.

The School charter (the “Charter”) was issued by DeKalb County School System for the period July 1, 2014 through June 30, 2019. The Charter permits the School to operate as a Charter School under the DeKalb County School System, provided the School operates within the guidelines of the Charter and the applicable state and federal laws. The School receives an allocation from DeKalb County Schools based on enrollment for instructional expenses. The allocation does not include funding for building, transportation and food service expenses.

The School’s support comes primarily from DeKalb County Schools. The School also receives federal and state grants as well as contributions.

The School is a tax-exempt organization under the provisions of Section 501(c) (3) of the Internal Revenue Code. The School has also been classified as an entity that is not a private foundation within the meaning of Section 509(a)(1) and is qualified for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The school believes that it has appropriate support for any tax positions taken, and as such does not have any uncertain tax positions that are material to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

TAPESTRY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The School reports net assets as unrestricted, temporarily restricted, and permanently restricted in accordance with the donor's restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of net activities as net assets released from restrictions. During the years ended June 30, 2016 and 2015, the School did not receive any permanently restricted contributions.

For purposes of cash flows, cash and cash equivalents includes cash on hand and demand deposits in banks.

Contributed services are recognized if the services received create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would need to be purchased if not provided by donation. Contributed services meeting these criteria in the year ended June 30, 2016 and 2015 were \$0 and \$0, respectively.

In addition, many individuals volunteer their time and perform a variety of tasks that assist in the School's activities. The School receives numerous volunteer hours each year that are not valued in the financial statements.

The School maintains its cash in bank deposits at a high credit quality financial institution. Cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The bank has a letter of credit which insures their account up to \$850,000. The letter of credit expires December 2016. As of June 30, 2016 and 2015, the School's bank deposits exceeded the federally insured limit by \$416,984 and \$0, respectively.

Other financial instruments, principally receivables, payables and accrued expenses are reported at values which the School believes are not significantly different from fair values. Management believes no significant credit risk exists with respect to any of its financial instruments.

The School capitalizes all expenditures for property and equipment in excess of \$5,000. Property and equipment are recorded at cost or fair market value, if donated, and are depreciated using straight line methods over their estimated useful lives. Capital expenditures made under the terms of a federal contract are expensed.

Subsequent events have been evaluated through September 26, 2016 which is the date the financial statements were available to be issued.

TAPESTRY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2015:

	<u>Lives</u>	<u>2016</u>	<u>2015</u>
Building	20	\$ 2,427,186	\$ 1,886,768
Land		1,500,000	1,500,000
Furniture and equipment	5-7	82,970	15,914
Assets not placed in service		<u>-</u>	<u>12,954</u>
		4,010,156	3,415,636
Less accumulated depreciation		<u>(55,033)</u>	<u>(2,352)</u>
Net property and equipment		<u>\$ 3,955,123</u>	<u>\$ 3,413,284</u>

Depreciation expense for the year ended June 30, 2016 and 2015 were \$52,681 and \$2,352, respectively.

3. NOTE PAYABLE

The School purchased a school building in April 2015 for \$3,207,000. The building was financed for up to \$3,734,000 to accommodate additional cost of repairs. The loan will accrue no interest through July 31, 2019 as long as no Event of Default has occurred and commencing on August 1, 2019, interest will accrue at 5% and the School will make monthly payments based on a 15 year maturity. The note payable balance at June 30, 2016 and 2015 is \$3,543,985 and \$3,386,768 respectively.

The note holder has made a conditional grant to the School that if the School is able to renew their charter for the period July 1, 2019 through June 30, 2024, the note holder will forgive the debt.

The School renewed its operating line of credit of \$100,000 at 5.5% interest with a maturity date of November 01, 2017. The operating line of credit had a balance of \$0 at June 30, 2016 and June 30, 2015.

The School also had a grant line of credit of \$450,000 at 5.5% interest with a maturity date of June 30, 2015. The line of credit had a balance of \$62,010 at June 30, 2015. The line of credit was paid off and closed in July 2015.

TAPESTRY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

3. NOTE PAYABLE – continued

Remaining future payments under the note payable are as follows for the year ending June 30, 2016:

2017	\$ -
2018	-
2019	-
2020	129,111
Thereafter	<u>3,414,874</u>
	3,543,985
Less current portion	<u>-</u>
Long-term portion	<u><u>\$ 3,543,985</u></u>

4. NET ASSETS

Temporarily restricted assets at June 30, 2016 and 2015 are \$659,007 and \$521,841, respectively. Temporarily restricted contributions at June 30, 2016 and 2015 were restricted for various staff positions.

5. LEASE COMMITMENTS

The School leased its facilities from a church through July 31, 2015 at a monthly rent of \$5,000. Rent expense under the lease for the years ended June 30, 2016 and 2015 was \$60,000 and \$5,000, respectively.

During the year ended June 30, 2016, the School leased parking spaces at a local church at a monthly rate of \$400. Rent expense under the lease for the year ended June 30, 2016 was \$3,934.

The School sub-leases half of the building to another school. They receive monthly rent of \$2,000 and are reimbursed for 50% of all shared facility costs. The sub-lease extends through June 30, 2017.

TAPESTRY PUBLIC CHARTER SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

6. RETIREMENT PLAN

The School participates in the Teachers Retirement System of Georgia and the Employers Retirement System of Georgia. Participation is available to all full-time public school employees as defined by the Plan. Participant employees contribute 6% of their annual salary. The School contributed 14.27% of each participant's annual salary for the year ended June 30, 2016 and 13.51% for the year ended June 30, 2015. Employer contributions totaled \$179,033 and \$106,469 for the year ended June 30, 2016 and 2015, respectively.

7. COMMITMENT AND CONTINGENCIES

Certain grants and contracts often require the fulfillment of certain conditions as set forth in the instrument or agreement. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, management of the School deems the contingency unlikely. The grants and contracts are subject to audit by the grantor, or in the case of federal funds, the Federal government. Such agencies have the authority to determine liabilities or limit or suspend participation in the various sponsored programs.

8. PRIOR PERIOD ADJUSTMENT AND CORRECTION OF AN ERROR

The School made a prior period adjustment for the year ended June 30, 2014 to record donated furniture received at a fair market value of \$28,868, respectively.

The School corrected the purchase price of the building as well as the notes payable at June 30, 2015 by reducing each amount by \$31,545. The correction was made to reflect a credit that the seller of the building gave the School for roof repairs and to include closing costs that were the School's (Purchaser) responsibility.

9. SUBSEQUENT EVENT

In July 2016, the School received a \$1,000,000 grant to be received in yearly increments of \$200,000 for five years. The grant monies are to be used to hire three special education teachers.