

TAPESTRY PUBLIC CHARTER SCHOOL

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

TAPESTRY PUBLIC CHARTER SCHOOL, INC.

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McKelvey & Russell, LLC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Tapestry Public Charter School:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Tapestry Public Charter School (a nonprofit organization) (the School) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Tapestry Public Charter School as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-10, budgetary comparison information on page 30, and contributions to Teachers Retirement System of Georgia on page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2017 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

McKelvey + Russell, LLC

Atlanta, Georgia
October 30, 2017

TAPESTRY PUBLIC CHARTER SCHOOL MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Tapestry Public Charter School's (the "School") financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017, are as follows:

- Total net position increased \$664,580 from fiscal year 2016. This total increase was due to governmental activities since the School has no business-type activities.
- Program specific revenues in the form of grants and contributions accounted for \$2,569,198 or 62.6% percent of total revenues.
- The School had \$3,437,738 in expenses related to governmental activities; these expenses were fully offset by operating grants and contributions.
- The General Fund had \$1,531,120 in revenues.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Tapestry Public Charter School as a financial whole, or as an entire operating entity.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole School; present both an aggregate view of the School's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. Tapestry Public Charter School only operates a single fund, the General Fund.

TAPESTRY PUBLIC CHARTER SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS – CONTINUED

Reporting the School as a Whole

Statement of Net Position and Statement of Activities

The view of the School as a whole looks at all financial transactions and asks the question, “How did we do financially during fiscal year 2017?” The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include *all assets and all liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School’s *net position* and changes in those assets. This change in net position is important because it tells the reader whether, for the School as a whole, the *financial position* of the School has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the School’s Full Time Equivalent (FTE) for student, facility conditions, required educational program and other factors.

In the Statement of Net Position and the Statement of Activities, the School has one distinct type of activity:

Governmental Activities-All of the School’s programs and services are reported here including instruction and support services.

Reporting the School’s General Fund

Fund Financial Statements

Fund financial reports provide detailed information about the School’s major fund. The School uses one governmental fund, the General Fund, to account for a multitude of financial transactions.

Governmental Funds: All of the School’s activities are reported in governmental funds, which focus on how money flows into and out of the General Fund and the balances left at year-end available for spending in future periods. The General Fund is reported using an accounting method called *modified accrual accounting*, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

TAPESTRY PUBLIC CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

The School as a Whole

The perspective of the Statement of Net Position is of the School as a whole. Table 1 provides a summary of the School's net position for fiscal year 2017.

Table 1
Statement of Net Position

	Governmental Activities <u>2017</u>
Assets	
Current and other assets	\$ 1,754,342
Capital assets	<u>4,231,774</u>
Total assets	<u>5,986,116</u>
Deferred outflows of resources:	
Pension contributions	<u>1,818,909</u>
Total assets and deferred outflows of resources	\$ <u><u>7,805,025</u></u>
Liabilities	
Other liabilities	\$ 270,137
Long-term liabilities	<u>5,637,631</u>
Total liabilities	<u>5,907,768</u>
Deferred inflows of resources	
Related to defined benefit pension plan	10,353
Net position	
Invested in capital assets, net of related liabilities	687,789
Unassigned	<u>1,199,115</u>
Total net position	<u>1,886,904</u>
Total net position & liabilities	\$ <u><u>7,805,025</u></u>

TAPESTRY PUBLIC CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Table 2 shows the change in net position for fiscal year 2017.

Table 2 Change in Net Position	
	Governmental Activities 2017
Revenues	
Program revenues	
Operating grants and contributions	\$ 2,569,198
General revenues:	
Contributions - general	1,325,358
Other	207,762
Total revenues	<u>4,102,318</u>
Expenses	
Instruction	2,363,124
Supporting services:	
Pupil services	116,634
Improvement of instructional services	12,294
Education media services	1,141
School administration	382,034
Support services - business	107,082
Maintenance and operation of plant services	317,512
Food services operation	30,651
Fundraising	107,266
Total expenses	<u>3,437,738</u>
Change in net position	664,580
Net position, beginning of year, as restated	<u>1,222,324</u>
Net position, end of year	<u>\$ 1,886,904</u>

TAPESTRY PUBLIC CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Governmental Activities

Instruction comprises 69% percent of governmental program expenses. The increase in instructional costs is attributable to adding one additional grade level in fiscal year 2017.

The Statement of Activities shows the cost of program services and the grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services, that is, it identifies the cost of these services supported by investment earnings and miscellaneous revenues.

Table 3
Governmental Activities

	Governmental Activities 2017
Instruction	\$ 597,040
Supporting services:	
Pupil services	29,467
Improvement of instructional services	3,106
Education media services	288
School administration	96,520
Support services - business	27,054
Maintenance and operation of plant services	80,219
Fundraising	27,101
Food services operation	7,744
Total expenses	\$ 868,539

The School's Funds

The School's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$2,569,198 and expenditures of \$3,437,738. The General Fund's fund balance increased by \$1,533,120.

TAPESTRY PUBLIC CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

General Fund Budgeting Highlights

The School's budget is for the General Fund. During the course of the fiscal year 2017, the School did have amendments to its General Fund budget. The budgeting systems are designed to tightly control cost yet provide flexibility.

Actual revenues of \$4,102,318 came in more than the budgeted amount by \$841,381. The actual expenditures of \$3,437,738 were less than the budgeted amount by \$232,471. Revenues exceeded expenses by \$664,580.

Capital assets

At the end of fiscal year 2017, the School had invested in capital assets, all in governmental activities. The School acquired \$360,329 in capital assets during fiscal year 2017. Table 4 shows capital assets (net of depreciation) held at June 30, 2017.

Table 4
Capital Assets (Net of Depreciation)

	Governmental Activities 2017
Building	\$ 2,579,229
Land	1,500,000
Equipment, furniture and fixtures	152,545
	<u>\$ 4,231,774</u>

Additional information on the School's capital assets can be found in Note 5 of the footnotes to the financial statements.

Long-term Liabilities

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, 2017 is \$3,543,985. 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 outstanding balance at June 30, 2017 was \$0.

TAPESTRY PUBLIC CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS – CONTINUED

Current Issues

The School's current operating Full Time Equivalent (FTE) is based on 216 students. The current enrollment is 211 students with 116 on the waiting list. The school opened in 2014 with grades six through eight and have added a grade level each year. As of June 30, 2017, the School was serving grades six through ten. Despite challenges of being a charter school, the School's management and Board are committed to continue to effectively and prudently manage the available resources to provide quality educational opportunities for all of the School's students.

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Treasurer at Tapestry Public Charter School, address.

TAPESTRY PUBLIC CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Assets:	
Cash	\$ 626,153
Other asset	1,128,189
Capital assets (depreciable, net of accumulated depreciation)	<u>4,231,774</u>
Total assets	<u>5,986,116</u>
Deferred outflows of resources:	
Pension contributions	<u>1,818,909</u>
Total deferred outflows of resources	<u>1,818,909</u>
Total assets and deferred outflows of resources	<u>\$ 7,805,025</u>
LIABILITIES AND NET POSITION	
Liabilities:	
Accounts payable	\$ 270,137
Other related liabilities	<u>5,637,631</u>
Total liabilities	<u>5,907,768</u>
Deferred inflows of resources:	
Pension contributions	<u>10,353</u>
Total deferred inflows of resources	<u>10,353</u>
Net position:	
Invested in capital assets, net of related liabilities	687,789
Unassigned	<u>1,199,115</u>
Total fund balances	<u>1,886,904</u>
Total liabilities and fund balances	<u>\$ 7,805,025</u>

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

TAPESTRY PUBLIC CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> <u>Operating Grants and Contributions</u>	<u>Net Expenses and Changes in Net Position</u>
<u>Governmental Activities</u>			
Instruction	\$ 2,363,124	\$ 2,569,198	\$ 206,074
Support services			
Pupil services	116,634		(116,634)
Improvement of instructional services	12,294		(12,294)
Education media services	1,141		(1,141)
School administration	382,034		(382,034)
Support services - business	107,082		(107,082)
Maintenance and operation of plant services	317,512		(317,512)
Food services operation	30,651		(30,651)
Fundraising	107,266		(107,266)
Total governmental activities	\$ 3,437,738	\$ 2,569,198	(868,540)
General revenues:			
			1,325,358
			207,762
		Total general revenues	1,533,120
		Change in net position	664,580
		Net position - beginning, restated	1,222,324
		Net position - ending	\$ 1,886,904

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

TAPESTRY PUBLIC CHARTER SCHOOL
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017

	<u>General Fund</u>
ASSETS	
Assets:	
Cash	\$ 626,153
Other asset	<u>1,128,189</u>
Total assets	<u>\$ 1,754,342</u>
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and accrued liabilities	\$ <u>270,137</u>
Total liabilities	<u>270,137</u>
Fund balances:	
Unassigned	<u>1,484,205</u>
Total fund balances	<u>1,484,205</u>
Total liabilities and fund balances	<u>\$ 1,754,342</u>

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

TAPESTRY PUBLIC CHARTER SCHOOL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Total fund balances - governmental funds	\$	1,484,205
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Amounts reported for governmental activities in the
statement of net position are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported
in the funds. These assets consist of:

Building	\$	2,690,455	
Land		1,500,000	
Equipment, furniture and fixtures		180,030	
Accumulated depreciation		<u>(138,711)</u>	
Total capital assets			<u>4,231,774</u>

Deferred outflows of resources related to pensions
are applicable to future periods and, therefore,
are not reported in funds:

Deferred outflows of current year contributions related to pension		1,818,909
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Some liabilities, including net pension obligations are not
due and payable in the current period and accordingly
are not reported in the governmental funds:

(5,647,984)

Net position of governmental activities	\$	<u><u>1,886,904</u></u>
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The accompanying notes are an integral part of these financial statements.

TAPESTRY PUBLIC CHARTER SCHOOL
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>
Revenues	
Governmental grants	\$ 2,511,087
Local funding	20,600
Contributions - general	1,325,358
Miscellaneous	245,274
Total revenues	<u>4,102,319</u>
Expenses	
Current	
Instruction	1,916,903
Pupil services	94,481
Improvement if instructional services	12,294
Education media services	1,141
School administration	313,384
Support services- business	107,082
Maintenance and operation of plant	236,146
Food service operation	30,651
Fundraising	88,563
Capital outlay	360,329
Pension	553,414
Total expenditures	<u>3,714,388</u>
Excess of revenues over expenditures	<u>387,931</u>
Net change in fund balances	387,931
Fund balances, beginning of year	<u>1,096,277</u>
Fund balances, end of year	<u><u>\$ 1,484,208</u></u>

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

TAPESTRY PUBLIC CHARTER SCHOOL
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Total net change in fund balances - governmental funds	\$	387,928
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Amounts reported for governmental activities in the
statement of activities are different because:

Capital outlays are reported as expenditures in
governmental funds. However, in the
statement of activities, the cost of capital
assets allocated over their estimated useful
lives as period, depreciation expense. In the
current these amounts are:

Capital outlay	\$	360,329	
Depreciation expense		<u>(83,678)</u>	
Total capital assets			<u>276,651</u>

Changes in net position of governmental activities	\$	<u><u>664,579</u></u>
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The accompanying notes are an integral part of these financial statements.

TAPESTRY PUBLIC CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

1. Description of School and Reporting Entity

Reporting Entity

Tapestry Public Charter School incorporated in Georgia, was formed in 2012 to operate a public charter school in Georgia. In 2013, the School submitted an application to the DeKalb County Board of Education and the State Board of Education to become a charter public school. The application was approved by the DeKalb County Board of Education on January 20, 2014 for the School to serve sixth through eighth grade. The School conducted its first year of operation in 2014. The School has the option to submit an application for renewal at the end of the charter term. 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 their own future.

2. Summary of Significant Accounting Policies

Basis of Presentation

The School's basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements and notes to the basic financial statements of the School.

Government-Wide Statements:

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School. Governmental activities generally are financed through intergovernmental revenue, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School's governmental activities:

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School related to the administration and support of the School's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

TAPESTRY PUBLIC CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

2. Summary of Significant Accounting Policies – Continued

Basis of Presentation – Continued

- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

In the Statement of Net Position, equity is reported as net position and consists of amounts invested in capital assets, amounts restricted by outside parties for specific purposes and unrestricted amounts.

Fund Financial Statements:

The fund financial statements provide information about the School's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School reports only one major governmental fund:

- General Fund is the School's primary operating fund. It accounts for all financial resources of the School.

Basis of Accounting/Measurement Focus

The basis of accounting determines when transactions are reported on the financial statements. The Government-wide governmental activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenues are recognized in the fiscal year in which they are earned. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The School uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if they are collected within thirty days after year-end.

TAPESTRY PUBLIC CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

2. Summary of Significant Accounting Policies – Continued

Basis of Accounting/Measurement Focus – Continued

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

The School funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the School's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

Cash: Composition of Deposits

Cash consists of cash on hand and demand deposits.

Receivables

Receivables consist of amounts due from the various entities disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

Capital Assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the School-wide financial statements, all purchased capital assets are valued at cost. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized.

Depreciation is computed using the straight-line method. The School does not capitalize book collections or works of art. Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives.

TAPESTRY PUBLIC CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

2. Summary of Significant Accounting Policies – Continued

Capital Assets – Continued

Capitalization thresholds and estimated useful lives of capital assets reported in the School-wide statements are as follows:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Leasehold improvements	\$5,000	5-7 years
Furniture and fixtures	\$5,000	5-7 years
Equipment and software	\$5,000	3-5 years

Deferred Inflow of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School has only one item that meets the criterion for this category – pension contributions. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School has no items that meet this criterion.

Pensions

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

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

TAPESTRY PUBLIC CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

2. Summary of Significant Accounting Policies – Continued

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance - The School recognizes that the maintenance of a fund balance is essential to the preservation of the financial integrity of the School and is fiscally advantageous for both the School and the taxpayer. The policy adopted establishes guidance concerning the desired level of year end fund balance to be maintained by the School and the management of fund balance levels and is applicable only to the General Fund of the School.

Fund balance is a measurement of available financial resources defined as the difference between total assets and total liabilities in each fund.

The Governmental Accounting Standards Board (GASB) Statement 54 distinguishes fund balance classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts will be reported in the following classifications:

Non spendable– Fund balance reported as “non spendable” represents fund balance associated with inventory, prepaid items, long-term amounts of loans and notes receivable, property held for resale (however, if the use of the proceeds from the collection of receivables or sale of the property is restricted, committed, or assigned, then the receivables or property should be reported in those categories), and corpus of a permanent fund (legally/contractually required to be maintained).

Restricted – Fund balance reported as “restricted” represents amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources (such as bond resolutions and covenants and grant agreements).

Committed – Fund balance reported as “committed” includes amounts that can be used only for the specific purposes determined by a formal action of the Board. The Board as the highest level of decision making authority will have the sole authority to commit fund balance. Constraints can be removed or changed only by the Board. Actions to constrain resources should occur prior to the end of the School’s fiscal year, though the exact amount may be determined subsequently.

TAPESTRY PUBLIC CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

2. Summary of Significant Accounting Policies – Continued

Fund Equity – Continued

Assigned – Fund balance reported as “assigned” represents amounts intended to be used for specific purposes, but not meeting the criteria to be reported as committed or restricted fund balance. The intent is expressed either by the Board or a high level body (budget or finance committee) or individual authorized by the Board. If these funds should have a deficit fund balance, those deficits are required to be reported as unassigned fund balance. The Board will have the authority under this policy to assign funds for a particular purpose.

Unassigned – Fund balance reported as “unassigned” represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications. The Board will strive to maintain an unassigned fund balance in the General Fund of between 5% -15% based upon annual budgeted expenditures. The balance may be drawn down in the event of an unexpected decrease in state funding.

If expenditures incurred exceed the amounts that have been restricted, committed, and assigned to a specific purpose and results in a negative residual amount for that specific purpose, amounts assigned to other purposes in that governmental fund are reduced to eliminate the deficit.

The School applies restricted resources first when an expenditure/expense is incurred for purposes for which both restricted and unrestricted equity is available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

2. Summary of Significant Accounting Policies – Continued

Funding and Economic Dependency

The School receives funding from the State Board of Education and DeKalb County School District (DCSD). This funding is based on the State of Georgia reimbursements to DCSD for teachers' salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program, in addition to allocation of revenues raised from local property taxes and other sources. The School also receives donations from private individuals and organizations. The School's total support and revenue from the State Board of Education and DeKalb County School District amounted to 61% of the School's total revenue for the year ended June 30, 2017.

Income Taxes

In 2013, the School received notification of its exempt status under Internal Revenue Code Section 501(c)(3). Accordingly, no provision or benefit for federal and state income taxes has been recorded in the accompanying financial statements. 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. With few exceptions, the School is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for the previous three years.

3. Stewardship, Compliance and Accountability

The School adopts an annual budget for its General Fund. The budget is prepared in accordance with provisions of the Quality Basic Education Act, OCGA Section 20-2-167 and in accordance with U.S. generally accepted accounting principles. After the School has tentatively adopted the budget, amendments or revisions are presented to the Board as needed. Although the tentatively adopted budget is not advertised in a newspaper, it is publicly available.

TAPESTRY PUBLIC CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

4. Deposits

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the School will not be able to recover deposits that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

The School maintains several bank accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances were in excess of the FDIC insured level by \$376,153 as of June 30, 2017. A policy of depositing all such funds in banks of significant financial strength is maintained. The School has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. The School has a letter of credit which insures their account up to \$850,000. The letter of credit expires December 2017.

5. Capital Assets

The following is a summary of the changes in capital assets during the fiscal year:

	Balances July 1, 2016	Increases	Balances June 30, 2017
Governmental Activities:			
Capital assets being depreciated:			
Building	\$ 2,427,186	\$ 263,269	\$ 2,690,455
Equipment, furniture and fixtures	82,970	97,060	180,030
Total capital assets being depreciated	<u>2,510,156</u>	<u>360,329</u>	<u>2,870,485</u>
Less accumulated depreciation for:			
Building	47,319	63,907	111,226
Equipment, furniture and fixtures	7,715	19,770	27,485
Total accumulated depreciation	<u>55,034</u>	<u>\$ 83,677</u>	<u>138,711</u>
Total capital assets being depreciated, net	<u>2,455,122</u>	<u>276,652</u>	<u>2,731,774</u>
Capital assets not being depreciated - Land	<u>1,500,000</u>	-	<u>1,500,000</u>
Governmental activity capital assets, net	<u>\$ 3,955,122</u>	<u>276,652</u>	<u>\$ 4,231,774</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 9,213
Maintenance and operation of plant services	<u>74,465</u>
	<u>\$ 83,678</u>

TAPESTRY PUBLIC CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

6. Deferred Outflows of Resources

The balance in deferred outflows of resources at year-end is composed of pension contributions made during the year ended June 30, 2017 of \$296,430.

7. Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; and acts of God.

The School has obtained commercial insurance for risk of loss associated with torts, assets, errors or omissions, job related illness or injuries to employees and acts of God. The School has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School's insurance coverage in the past year.

8. Significant Contingent Liabilities

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The School believes that such disallowances, if any, will be immaterial to its overall financial position.

9. Retirement Benefits

General Information about the Teachers Retirement System

Plan description: All teachers of the School as defined in §47-3-60 of the Official Code of Georgia Annotated (O.C.G.A.) are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available financial report that can be obtained at www.trsga.com/publications.

Benefits provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60.

TAPESTRY PUBLIC CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

9. Retirement Benefits – Continued

General Information about the Teachers Retirement System – Continued

Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00% of their annual pay during fiscal year 2017. The School's contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual school payroll. School contributions to TRS were \$296,430 for the year ended June 30, 2017.

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

TRS has determined the net pension liability to be recorded by each participating employer based on a measurement date as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2015 was determined using standard roll-forward techniques. At June 30, 2016, the School reported a liability of \$2,093,646 for its proportionate share of the Net Pension Liability.

For the year ended June 30, 2017, the School recognized no pension expense. School contributions subsequent to the measurement date of \$296,430 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

TAPESTRY PUBLIC CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

9. Retirement Benefits – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publically available at www.trsga.com/publications.

At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pension from TRS:

	<u>Defererd Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 31,190	\$ 10,353
Changes of assumptions	54,264	-
Net difference between projected and actual earnings on pension plan investments	264,855	-
Changes in proportion and differences between School contributions and proportionate share of contributions	1,172,170	-
School contributions subsequent to the measurement date	<u>296,430</u>	<u>-</u>
Total	<u>\$ 1,818,909</u>	<u>\$ 10,353</u>

TAPESTRY PUBLIC CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

School contributions subsequent to the measurement date of \$ 296,430 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:	
2018	369,980
2019	369,980
2020	481,719
2021	262,965
2022	27,482
Thereafter	-

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate: The following represents the School's proportionate share of the Net Pension Liability calculated using the discount rate of 7.5, as well as what the School's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.50%) than the current rate:

	1% Decrease (6.5%)	Current discount rate (7.5%)	1% Increase (8.5%)
School's proportionate share of the net pension liability	\$3,258,785	\$2,093,646	\$1,134,345

TAPESTRY PUBLIC CHARTER SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

10. Related Party Transactions

During the year ended June 30, 2017, no member of the faculty was a member of the immediate family of a member of the Board of Directors.

11. Subsequent Events

The Organization has evaluated subsequent events through October 30, 2017, the date the financial statements were available to be issued. There were no significant subsequent events requiring disclosure in the financial statements.

TAPESTRY PUBLIC CHARTER SCHOOL



SUPPLEMENTAL INFORMATION

TAPESTRY PUBLIC CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Final Budget	Actual Amounts	Favorable (Unfavorable) Variance
Revenues			
Federal grants	\$	-	\$ -
State and local funding	2,494,827	2,531,687	36,860
Contributions - general	531,437	1,325,358	793,921
Other	234,674	245,274	10,600
Total revenues	<u>3,260,938</u>	<u>4,102,319</u>	<u>841,381</u>
Expenditures			
Current			
Instruction	2,239,062	2,353,911	(114,849)
Pupil services	148,536	116,634	31,902
Improvement of instructional services	15,500	12,294	3,206
Educational media services	-	1,141	(1,141)
School administration	398,426	382,034	16,392
Support services - business	129,427	107,082	22,345
Maintenance and operation of plant	231,317	243,048	(11,731)
Food service operation	43,000	30,651	12,349
Fundraising	-	107,266	(107,266)
Capital outlay	-	360,329	(360,329)
Pension	-	-	-
Total expenditures	<u>3,205,268</u>	<u>3,714,390</u>	<u>(509,122)</u>
Net change in fund balances	\$ <u>55,670</u>	\$ <u>387,929</u>	\$ <u>332,259</u>

1. Notes to the Statements of Revenue, Expenditures, and Changes in Fund Balances – Budget to Actual

The accompanying statements of revenue, expenditures, and changes in fund balances budget and actual is presented on a modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

TAPESTRY PUBLIC CHARTER SCHOOL
SCHEDULE OF CONTRIBUTIONS TO
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE YEAR ENDED JUNE 30, 2017

	2016
Contractually required contribution	\$ 156,842
Contributions in relation to the contractually required contribution	156,842
Contribution deficiency (excess)	\$ -
School's covered-employee payroll	1,207,924
Contribution as a percentage of covered-employee payroll	13.15%

1. Notes to the Schedule of Contributions to Teachers Retirement System of Georgia

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2017 reported in that schedule:

Valuation date	June 30, 2012
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Seven-year smoothed market
Inflation rate	3.00%
Salary increases	2.725% - 4.625% for FY 2012-2013 5.45% - 9.25% for FY 2014+
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

TAPESTRY PUBLIC CHARTER SCHOOL
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

	<u>2017</u>
School's proportion of the net pension liability	0.010148%
School's proportionate share of the net pension liability	2,093,646
School's covered-employee payroll during the measurement period	1,217,796
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.17%
Plan fiduciary net position as a percentage of the total pension liability	76.06%

TAPESTRY PUBLIC CHARTER SCHOOL, INC.
SCHEDULE OF STATE REVENUE
FOR THE YEAR ENDED JUNE 30, 2017

Education, Georgia Department of Quality

Basic Education:

QBE 003

\$ 2,494,826

TAPESTRY PUBLIC CHARTER SCHOOL, INC.
SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

Assets	
Cash in banks	\$ 472,670
Cash in banks restricted	153,483
Total cash in bank	<u>626,153</u>
Accounts receivable	26,677
Grant receivable	1,101,512
Property and equipment, at remaining cost	<u>4,231,774</u>
Total assets	<u>\$ 5,986,116</u>
Liabilities	
Other liabilities	\$ 270,137
Long-term liabilities	<u>3,543,985</u>
Total liabilities	<u>3,814,122</u>
Net assets	
Unrestricted	982,065
Temporarily restricted	<u>1,189,929</u>
Total net assets	<u>2,171,994</u>
Total liabilities and net assets	<u>\$ 5,986,116</u>

TAPESTRY PUBLIC CHARTER SCHOOL, INC.
SUPPLEMENTAL STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Unrestricted:

Revenue and support:

State of Georgia/DeKalb County School funding	\$ 2,494,826
Government grants	16,260
Contributions and grants	92,960
Student activities and fees	21,763
After school fees	48,336
Rental income	153,245
Special events	3,250
Interest income	663
Other income	98
Assets released from restrictions	<u>739,995</u>
Total revenues	<u>3,571,396</u>

Expenses

Program services	2,624,935
Management and general	457,238
Fundraising	<u>98,581</u>
Total expenses	<u>3,180,754</u>

Change in Unrestricted Net Assets	<u>390,642</u>
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Temporarily Restricted:

Contributions	1,270,917
Assets released from restrictions	<u>(739,995)</u>

Change in Temporarily Restricted Net Assets	<u>530,922</u>
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Change in Net Assets	921,564
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Net assets at beginning of year	<u>1,250,430</u>
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Net assets at end of year	<u><u>\$ 2,171,994</u></u>
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