

NASHVILLE TEACHER RESIDENCY

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2021 and 2020

And Report of Independent Auditor

NASHVILLE TEACHER RESIDENCY
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Report of Independent Auditor

To the Board of Directors
Nashville Teacher Residency
Nashville, Tennessee

We have audited the accompanying financial statements of Nashville Teacher Residency (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Nashville Teacher Residency as of June 30, 2021 and 2020, 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.

Cherry Bekaert LLP

Nashville, Tennessee
December 21, 2021

NASHVILLE TEACHER RESIDENCY
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 197,665	\$ 205,659
Property and equipment, net of accumulated depreciation of \$14,402 and \$12,283, respectively	3,314	5,433
Pledges receivable	200,004	-
Other assets	805	805
Total Assets	\$ 401,788	\$ 211,897
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 6,139	\$ 5,585
Note payable	113,515	116,407
Total Liabilities	119,654	121,992
Net Assets:		
Without donor restrictions	82,130	89,905
With donor restrictions	200,004	-
Total Net Assets	282,134	89,905
Total Liabilities and Net Assets	\$ 401,788	\$ 211,897

NASHVILLE TEACHER RESIDENCY
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Grants and contributions	\$ 619,391	\$ 200,004	\$ 819,395
Program revenue	197,999	-	197,999
Paycheck protection program income	116,407	-	116,407
Interest income	540	-	540
Net assets released from restrictions	-	-	-
Total Revenue, Gains, and Other Support	934,337	200,004	1,134,341
Expenses:			
Quality educators	823,065	-	823,065
Management and general	119,047	-	119,047
Total Expenses	942,112	-	942,112
Change in net assets	(7,775)	200,004	192,229
Net assets, beginning of year	89,905	-	89,905
Net assets, end of year	<u>\$ 82,130</u>	<u>\$ 200,004</u>	<u>\$ 282,134</u>

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

NASHVILLE TEACHER RESIDENCY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Grants and contributions	\$ 762,385	\$ -	\$ 762,385
Program revenue	111,487	-	111,487
Interest income	473	-	473
Net assets released from restrictions	60,000	(60,000)	-
Total Revenue, Gains, and Other Support	934,345	(60,000)	874,345
Expenses:			
Quality educators	812,380	-	812,380
Management and general	140,400	-	140,400
Total Expenses	952,780	-	952,780
Change in net assets	(18,435)	(60,000)	(78,435)
Net assets, beginning of year	108,340	60,000	168,340
Net assets, end of year	\$ 89,905	\$ -	\$ 89,905

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

NASHVILLE TEACHER RESIDENCY
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Quality Educators	Management and General	Total
Salaries, taxes, and benefits	\$ 584,472	\$ 103,142	\$ 687,614
Professional fees	44,375	4,421	48,796
Rent	33,077	5,837	38,914
Mentor teacher stipends	36,700	-	36,700
Grants and awards	36,106	-	36,106
Assessment	31,672	-	31,672
Professional development	9,503	1,677	11,180
Adjunct faculty	9,908	-	9,908
Supplies and printing	8,260	-	8,260
Insurance	6,500	1,147	7,647
Utilities	4,608	813	5,421
Communications	4,371	772	5,143
Internship stipends	4,400	-	4,400
Technology	2,709	478	3,187
Depreciation	1,801	318	2,119
Recruitment	2,094	-	2,094
Miscellaneous	1,742	307	2,049
Meetings	767	135	902
	<u>\$ 823,065</u>	<u>\$ 119,047</u>	<u>\$ 942,112</u>

NASHVILLE TEACHER RESIDENCY
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Quality Educators	Management and General	Total
Salaries, taxes, and benefits	\$ 647,168	\$ 114,206	\$ 761,374
Professional fees	26,604	4,695	31,299
Mentor teacher stipends	27,000	-	27,000
Assessment	20,289	-	20,289
Professional development	17,815	2,235	20,050
Rent	15,300	2,700	18,000
Supplies and printing	11,743	1,441	13,184
Technology	9,601	1,694	11,295
Grants and awards	8,236	-	8,236
Bad debt	-	7,000	7,000
Insurance	5,461	964	6,425
Miscellaneous	1,907	3,754	5,661
Depreciation	3,440	607	4,047
Travel	3,516	462	3,978
Internship stipends	3,500	-	3,500
Meetings	3,104	126	3,230
Recruitment	2,495	-	2,495
Utilities	1,439	254	1,693
Meals and entertainment	1,613	-	1,613
Communications	1,083	191	1,274
Adjunct faculty	663	-	663
Licenses and fees	403	71	474
	<u>\$ 812,380</u>	<u>\$ 140,400</u>	<u>\$ 952,780</u>

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

NASHVILLE TEACHER RESIDENCY

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 192,229	\$ (78,435)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	2,119	4,047
Changes in operating assets and liabilities:		
Accounts receivable	-	7,000
Pledges receivable	(200,004)	40,000
Accounts payable	554	(12,674)
Grants payable	-	(3,680)
Net cash flows from operating activities	<u>(5,102)</u>	<u>(43,742)</u>
Cash flows from financing activities:		
Paycheck protection program forgiveness	(116,407)	-
Proceeds from note payable	<u>113,515</u>	<u>116,407</u>
Net cash flows from financing activities	<u>(2,892)</u>	<u>116,407</u>
Net change in cash and cash equivalents	(7,994)	72,665
Cash and cash equivalents, beginning of year	<u>205,659</u>	<u>132,994</u>
Cash and cash equivalents, end of year	<u><u>\$ 197,665</u></u>	<u><u>\$ 205,659</u></u>

NASHVILLE TEACHER RESIDENCY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of Organization and summary of significant accounting policies

Nashville Teacher Residency (the “Organization”) is a nonprofit organization that began operations in June 2015 as Project Renaissance. Effective October 17, 2017, the Organization restricted its programs and management team to focus exclusively on the Nashville Teacher Residency Project. The mission of the Organization is to develop and license teachers from diverse backgrounds and experiences who honor the dignity of every student.

Financial Statement Presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted net assets totaled \$200,004 and \$-0- at June 30, 2021 and 2020, respectively.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Liquidity – Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and cash equivalents and liabilities are presented according to their maturing resulting in use of cash and cash equivalents.

Property and Equipment – Property and equipment are stated at acquisition cost, or estimated fair value if donated, less accumulated depreciation, which is computed by the straight-line method over an estimated useful life of three years.

Contributions – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year of which the contributions are recognized. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets without donor restrictions.

NASHVILLE TEACHER RESIDENCY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of Organization and summary of significant accounting policies (continued)

Program and Supporting Services – The following program and supporting services are included in the accompanying financial statements:

Quality Educators – The Organization partners with other proven teacher preparation programs in order to form a greater pool of talent. The Organization is also partnering with Teach for America, the nationally recognized teaching training organization. The Quality Educators program has a five-year goal to train, support, and retain new high-quality teachers annually to serve in Nashville's public schools.

Management and General – Includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program or activity. Management and general costs are associated with providing coordination and articulation of the Organization's program strategy, business management, general recordkeeping, budgeting, and related purposes.

Functional Allocation of Expenses – Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that were allocated consist primarily of salary and related expenses which have been allocated based on time incurred and spent.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The Organization has qualified for tax exempt status under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

The Organization follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification guidance related to uncertain tax provisions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements.

Recently Adopted Accounting Pronouncement – In May 2014, FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization adopted the provisions of ASU 2014-09 as of July 1, 2020, using the modified retrospective approach, which resulted in no cumulative effect adjustment to net assets as of July 1, 2020. There was no change in the timing and amount of revenue recognition as a result of the adoption of this ASU.

NASHVILLE TEACHER RESIDENCY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of Organization and summary of significant accounting policies (continued)

Accounting Policies for Future Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the fiscal year ending June 30, 2023. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – The Organization evaluated subsequent events through December 21, 2021, when these financial statements were available to be issued.

Note 2—Liquidity

The Organization regularly monitors liquidity available to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is, without donor restriction or other restrictions limiting their use within one year of the statements of financial position comprise the following at June 30:

	2021	2020
Total financial assets	\$ 197,665	\$ 205,659

Note 3—Pledges receivable

Pledges receivable totaled \$200,004 and \$-0- as of June 30, 2021 and 2020, respectively. The balance outstanding at June 30, 2021 is due from one donor and expected to be paid within twelve months.

Note 4—Concentration

The Organization received approximately 62% and 77% of its revenue, gains, and other support from two and three major donors for the years ended June 30, 2021 and 2020, respectively.

Note 5—Note payable

In accordance with Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), the Organization applied for and received a Paycheck Protection Program (“PPP”) loan totaling \$116,407 during April 2020 based on the federal government’s payroll formula. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans including accrued interest to the extent the Organization incurs certain qualifying expenses and maintains a certain level of average full-time equivalent employees during the measurement period following the closing of the loan. The loan balance and any accumulated interest was forgiven in its entirety on January 13, 2021 and the loan amount of \$116,407 is recognized as PPP income in the statement of activities for the year ended June 30, 2021. The Organization qualified for an additional PPP loan for \$113,515 during February 2021. Any portion of the loan that is not forgiven has a term of two years with an interest rate of 1%. This loan is recorded as a note payable in the June 30, 2021 statement of financial position.

NASHVILLE TEACHER RESIDENCY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 6—Retirement plan

The Organization maintains a 401(k) retirement plan (the “Plan”) for their employees. Under the terms of the Plan, the Organization may provide a matching contribution up to a maximum of 4% of each eligible employee’s annual compensation. Employees are eligible to participate in the Plan immediately with no vesting period. Employer contributions for the years ended June 30, 2021 and 2020 were \$19,666 and \$20,898, respectively.

Note 7—Operating lease commitments

The Organization is renting its building under an operating lease agreement. The lease agreement began on February 1, 2018 and required minimum monthly lease payments of \$1,500 through May 31, 2020. The Organization renewed the lease agreement effective June 1, 2020 for three additional years increasing the required minimum monthly lease payment to \$3,220. The lease terminates on May 31, 2023. Rent expense for all operating leases for the years ended June 30, 2021 and 2020 was \$38,914 and \$18,000, respectively.

Future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2021 are as follows:

Years Ending June 30,

2022	\$	38,640
2023		38,640
	\$	<u>77,280</u>

Note 8—Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in the financial markets. The COVID-19 outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The outbreak has caused a material, adverse impact on the economic and market conditions. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the COVID-19 outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.