TENNESSEE CHARTER SCHOOL CENTER

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2019 and 2018

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

TENNESSEE CHARTER SCHOOL CENTER

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
Tennessee Charter School Center
Nashville, Tennessee

We have audited the accompanying financial statements of Tennessee Charter School Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, 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 Tennessee Charter School Center as of December 31, 2019 and 2018, 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
April 24, 2020

TENNESSEE CHARTER SCHOOL CENTER
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 1,212,495	$ 1,094,218
Contributions receivable	580,000	331,696
Other assets	7,614	17,314
Furniture and equipment, net of accumulated depreciation of $22,729 and $22,587, respectively	-	142
Total Assets	$ 1,800,109	$ 1,443,370
LIABILITIES AND NET ASSETS		
Accounts payable	$ 8,473	$ 1,872
Total Liabilities	8,473	1,872
Net Assets:		
Without Donor Restrictions	1,118,873	1,058,288
With Donor Restrictions	672,763	383,210
Total Net Assets	1,791,636	1,441,498
Total Liabilities and Net Assets	$ 1,800,109	$ 1,443,370

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

TENNESSEE CHARTER SCHOOL CENTER

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Contributions	$ 155,000	$ 1,738,750	$ 1,893,750
Program income	81,418	-	81,418
Rental income	45,000	-	45,000
Interest income	4,745	-	4,745
Net assets released from restrictions	1,449,197	(1,449,197)	-
Total Revenue, Gains, and Other Support	1,735,360	289,553	2,024,913
Expenses:			
Launch	335,507	-	335,507
Support	1,235,049	-	1,235,049
Management and general	104,219	-	104,219
Total Expenses	1,674,775	-	1,674,775
Change in net assets	60,585	289,553	350,138
Net assets, beginning of year	1,058,288	383,210	1,441,498
Net assets, end of year	$ 1,118,873	$ 672,763	$ 1,791,636

TENNESSEE CHARTER SCHOOL CENTER
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Contributions	$ 85,000	$ 1,360,000	$ 1,445,000
Rental income	125,464	-	125,464
Program income	38,036	-	38,036
Interest income	5,575	-	5,575
Net assets released from restrictions	1,389,527	(1,389,527)	-
Total Revenue, Gains, and Other Support	1,643,602	(29,527)	1,614,075
Expenses:			
Launch	264,174	-	264,174
Support	1,162,944	-	1,162,944
Management and general	98,374	-	98,374
Total Expenses	1,525,492	-	1,525,492
Change in net assets	118,109	(29,527)	88,582
Net assets, beginning of year	940,179	412,737	1,352,916
Net assets, end of year	$ 1,058,288	$ 383,210	$ 1,441,498

TENNESSEE CHARTER SCHOOL CENTER
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Launch	Support	Management and General	Total
Salary and related expenses	$ 153,649	$ 597,631	$ 80,037	$ 831,317
School and leadership development	-	200,644	-	200,644
Advocacy and government relations	-	172,173	-	172,173
Facility rent	94,403	-	-	94,403
Occupancy	15,935	61,980	8,301	86,216
Conference	-	84,012	-	84,012
Travel	8,401	32,676	4,376	45,453
Professional development	8,156	31,724	4,249	44,129
Modular maintenance and rental	41,027	-	-	41,027
Accounting and legal	6,814	26,505	3,550	36,869
Insurance	3,896	15,152	2,029	21,077
Business expenses	1,439	5,597	750	7,786
Technology	774	3,010	403	4,187
Supplies	583	2,267	304	3,154
Miscellaneous	299	1,165	150	1,614
Telephone	106	411	55	572
Depreciation	25	102	15	142
	$ 335,507	$ 1,235,049	$ 104,219	$ 1,674,775

TENNESSEE CHARTER SCHOOL CENTER
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2018

	Launch	Support	Management and General	Total
Salary and related expenses	$ 175,923	$ 648,168	$ 78,163	$ 902,254
School and leadership development	-	178,112	-	178,112
Advocacy and government relations	-	142,039	-	142,039
Occupancy	21,791	82,617	9,963	114,371
Facility rent	44,035	-	-	44,035
Accounting and legal	7,543	28,596	3,448	39,587
Travel	7,540	28,586	3,448	39,574
Facilities technical assistance	-	26,995	-	26,995
Insurance	2,870	10,882	1,312	15,064
Supplies	1,611	6,107	736	8,454
Technology	1,133	4,294	518	5,945
Business expenses	669	2,536	305	3,510
Telephone	441	1,670	200	2,311
Miscellaneous	311	1,179	141	1,631
Depreciation	165	623	75	863
Professional development	142	540	65	747
	$ 264,174	$ 1,162,944	$ 98,374	$ 1,525,492

TENNESSEE CHARTER SCHOOL CENTER
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 350,138	$ 88,582
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	142	863
Changes in operating assets and liabilities:		
Contributions receivable	(248,304)	(306,696)
Prepaid expenses	9,700	(17,314)
Accounts payable	6,601	(17,104)
Net cash provided by (used in) operating activities	118,277	(251,669)
Net increase (decrease) in cash and cash equivalents	118,277	(251,669)
Cash and cash equivalents, beginning of year	1,094,218	1,345,887
Cash and cash equivalents, end of year	$ 1,212,495	$ 1,094,218

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

Tennessee Charter School Center, Inc. (the "Center") is a non-profit corporation created with the purpose of closing the education achievement gap in Tennessee by supporting the creation of high-quality public charter schools in Tennessee. The Center's mission is to simultaneously create and advocate on behalf of high quality charter schools and the students and families they serve. The Center's vision is for all students in Tennessee to have access to a high-quality public education.

Financial Statement Presentation – The financial statements of the Center 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 Center. These net assets may be used at the discretion of Center'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 Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions represent contributions receivable and amounts available for programs. None of the Center's net assets with donor restrictions are required to be held in perpetuity by the donors at December 31, 2019 and 2018.

Adoption of New Accounting Pronouncement – In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in *Revenue Recognition (Topic 605)* and requires entities to recognize revenue in a way that depicts 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. Subsequent to ASU 2014-09, FASB issued several related ASUs (collectively "ASC 606"). The Center adopted the provisions of ASU 2014-09 and the related ASUs as of January 1, 2019 using a modified retrospective approach, which resulted in no cumulative effect adjustment to net assets as of January 1, 2019. There was no change in the timing and amount of revenue recognition as a result of the adoption of these ASUs.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The Center evaluated the new standard and determined that the accounting standard did not require a change to the Center's practices for recording contributions.

Revenue Recognition – See Note 3.

Cash and Cash Equivalents – The Center considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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

Contributions Receivable – The Center accounts for potential losses in contributions receivable utilizing the allowance method. Management believes that contributions receivable are fully collectible at December 31, 2019. As a result, no allowance for uncollectible accounts has been provided. All contributions receivable are due within four years.

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

Contributions – Contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence or nature of any donor restrictions.

The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at the time the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

Launch – Expenses related to the creation of new charter schools in Tennessee supported directly through the Center including fellow training costs, teacher and student recruitment, board training, professional development, school reviews, charter application development, marketing/public relations for new schools, startup and operational supplies and materials, and the Center's overhead expenses.

Support – Expenses related to services offered by the Center to existing charter schools in Tennessee including teacher and student recruitment, board training, professional development, school reviews, and the Center's overhead expenses related to delivering school support services.

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

Allocation of Functional Expenses – Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of 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 and effort.

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

Subsequent Events – The Center evaluated subsequent events through April 24, 2020, when these financial statements were available to be issued. Other than the event described in Note 8, management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

Note 2—Liquidity and availability of resources

The Center regularly monitors liquidity required 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 Center considers all expenditures related to its ongoing activities of launching and supporting charter schools in Tennessee, 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 or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2019 and 2018.

	2019	2018
Financial Assets:		
Cash and cash equivalents	$ 1,212,495	$ 1,094,218
Contributions receivable	580,000	331,696
Less: net assets with donor restrictions	(92,763)	(51,514)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,699,732	$ 1,374,400

Note 3—Revenue

On January 1, 2019, the Center adopted ASC 606 using the modified retrospective approach. The Center determined that there was no cumulative effect adjustment to net assets upon adoption of the new revenue standard as of January 1, 2019. Under ASC 606, revenue is recognized when the Center transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

Contract Balances – Timing differences among revenue recognition may result in contract assets or liabilities. There were not any contract assets or liabilities at December 31, 2019 and 2018.

Accounts receivable are stated at the amount the Center expects to collect from outstanding balances. The Center accounts for potential losses in accounts receivable through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As a result, no allowance for uncollectible accounts has been provided. However, actual write-offs could exceed the recorded allowance for doubtful accounts. The Center does not have any accounts receivable recorded at December 31, 2019 and 2018.

Performance Obligations and Revenue Recognition – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Center's revenue within the scope of ASC 606 consists of revenue from conference fees and program income. The contract obligation for conference fees is generally satisfied at the time these services are provided. The contract obligation for program income is generally satisifled when the agreed-upon services are performed by the Center.

Note 3—Revenue (continued)

Practical Expedients and Exemptions – There are several practical expedients and exemptions allowed under ASC 606 that impact timing of revenue recognition and disclosures. The one practical expedient the Center applied in the adoption and application of ASC 606 allows the Center to elect to treat similar contracts as part of a portfolio of contracts. The contracts have the same provision terms and management has the expectation that the result will not be materially different from the consideration of each individual contract.

Note 4—Concentrations

The Center maintains cash and cash equivalents in excess of amounts insured by the Federal Deposit Insurance Corporation. In management's opinion, risk related to each deposit is minimal.

The Center received approximately 89% and 91% of its contributions from three and two major donors for the years ended December 31, 2019 and 2018, respectively.

Note 5—Net assets with donor restrictions

The Center receives specific contributions for expenses associated with the mission of the organization. These contributions are classified as net assets with donor restrictions until the restricted purpose has been fulfilled.

The following table represents a summary of the activity for the year ended December 31, 2019:

Purpose	Balance at January 1, 2019	Contributions Pledged from January 1, 2019 to December 31, 2019	Expended and/or Released by Specific Purpose Being Fulfilled	Balance at December 31, 2019
Subject to purpose restrictions:				
Nashville Charter Collaboration	$ -	$ 263,750	$ 170,987	$ 92,763
Community Launch	25,242	-	25,242	-
Regional Convening meetings	26,272	-	26,272	-
Subject to passage of time:				
Contributions receivable	331,696	1,475,000	1,226,696	580,000
	$ 383,210	$ 1,738,750	$ 1,449,197	$ 672,763

Note 5—Net assets with donor restrictions (continued)

The following table represents a summary of the activity for the year ended December 31, 2018:

Purpose	Balance at January 1, 2018	Contributions Pledged from January 1, 2018 to December 31, 2018	Expended and/or Released by Specific Purpose Being Fulfilled	Balance at December 31, 2018
Subject to purpose restrictions:				
Community Launch	$ 98,530	$ -	$ 73,288	$ 25,242
Regional Convening meetings	247,752	-	221,480	26,272
Board Leaders of Color	41,455	-	41,455	-
Subject to passage of time:				
Contributions receivable	25,000	1,360,000	1,053,304	331,696
	$ 412,737	$ 1,360,000	$ 1,389,527	$ 383,210

Note 6—Operating leases

The Center leases its office space and various equipment under operating lease agreements. Rental expense for all operating leases was $135,430 and $116,453 for the years ended December 31, 2019 and 2018, respectively. The Center does not have any noncancelable lease agreements at December 31, 2019.

The Center has one sub-lease agreement for the year ended December 31, 2019 with a charter school. The Center had two sub-lease agreements for the year ended December 31, 2018 with a charter school and an organization that supports charter schools. The Center received rental income of $45,000 and $125,464 for the years ended December 31, 2019 and 2018, respectively.

Note 7—Retirement plan

The Center maintains a 401(k) plan for their employees. Employees are eligible to participate in the plan after reaching 21 years of age and completing 1,000 hours of service. The Center makes discretionary contributions to the plan equal to a uniform percentage of employee's salary deferrals. Employer expense for the years ended December 31, 2019 and 2018 amounted to $16,017 and $16,392, respectively, and is included in salary and related expenses in the statements of functional expenses.

Note 8—Subsequent event

The Center's results of operations, cash flows and financial condition could potentially be adversely impacted by COVID-19, designated as a pandemic by the World Health Organization in March and April 2020. At this time the impact on the financial statements cannot be reasonably estimated. Potential impacts to the Center include, but are not limited to, the potential loss of contributions and program income. Management has determined that there are no other material events that require recognition or disclosure in the Center's financial statements.