TENNESSEANS FOR QUALITY EARLY EDUCATION POLICY AND RESEARCH

Financial Statements
For the Period from Inception (June 13, 2017) to
December 31, 2017

TENNESSEANS FOR QUALITY EARLY EDUCATION POLICY AND RESEARCH

Contents

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Independent Auditor's Report

Board of Directors
Tennesseans for Quality Early Education Policy and Research
Memphis, Tennessee

We have audited the accompanying financial statements of Tennesseans for Quality Early Education Policy and Research which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, and cash flows for the period from inception (June 13, 2017) to December 31, 2017, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization'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 Tennesseans for Quality Early Education Policy and Research as of December 31, 2017, and the results of its activities and changes in net assets, and its cash flows for the period from inception (June 13, 2017) to December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

Memphis, Tennessee
October 8, 2018

TENNESSEANS FOR QUALITY EARLY EDUCATION POLICY AND RESEARCH

Statement of Financial Position
December 31, 2017

Assets

Assets		
Cash	$	395,605
Grant receivable		40,000
Security deposit		1,523
Total assets	$	437,128

Liabilities and Net Assets

Liabilities		
Accounts payable	$	4,643
Net assets		
Unrestricted		376,491
Temporarily restricted		55,994
Total net assets		432,485
	$	437,128

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

TENNESSEANS FOR QUALITY EARLY EDUCATION POLICY AND RESEARCH

Statement of Activities and Changes in Net Assets
For the Period from Inception (June 13, 2017) to December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Support and other revenues			
Contributions and grants	$ 493,942	$ 175,000	$ 668,942
Net assets released from restrictions	119,006	(119,006)	-
Total revenues	612,948	55,994	668,942
Expenses			
Program services			
Salaries and benefits	131,875	-	131,875
Consultant services	49,162	-	49,162
Staff travel	7,561	-	7,561
Occupancy	4,736	-	4,736
Professional fees	2,960	-	2,960
Insurance	2,886	-	2,886
Office expenses	1,833	-	1,833
	201,013	-	201,013
Management and general			
Salaries and benefits	18,160	-	18,160
Consultant services	12,290	-	12,290
Staff travel	1,890	-	1,890
Occupancy	1,184	-	1,184
Professional fees	740	-	740
Insurance	722	-	722
Office expenses	458	-	458
	35,444	-	35,444
Total expenses	236,457	-	236,457
Increase in net assets	376,491	55,994	432,485
Net assets at beginning of period	-	-	-
Net assets at end of period	$ 376,491	$ 55,994	$ 432,485

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

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Statement of Cash Flows
For the Period from Inception (June 13, 2017) to December 31, 2017

Cash flows from operating activities:	
Increase in net assets	$ 432,485
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Accounts receivable	(40,000)
Security deposit	(1,523)
Accounts payable	4,643
Net cash provided by operating activities	395,605
Cash at beginning of period	-
Cash at end of period	$ 395,605

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

Note 1 - Summary of significant accounting policies

Tennesseans for Quality Early Education Policy and Research (the "Organization") was formed on June 13, 2017, as a Tennessee not-for-profit corporation. The Organization is classified as a public charity rather than a private foundation based upon a final ruling by the Internal Revenue Service received in 2017. The Organization's mission is to create the foundation for a thriving Tennessee through bipartisan advocacy of early childhood education policies that result in strong academic outcomes for all of Tennessee's third graders.

Basis of presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America.

Support and revenues

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending upon the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending upon the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years, if any, are recorded at the present value of their estimated future cash flows, using risk-adjusted interest rates applicable to the years in which the promises are to be received. The unconditional promises to give consist of a grant receivable.

Revenue recognition

Contributions and grants are recognized as revenues when written documentation is received and all conditions have been satisfied for the Organization to be eligible to receive the grant or contribution.

Grants receivable

Receivables consist of unconditional promises to give and are stated at the amount management expects to collect from outstanding balances. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based upon its assessment of the current status of individual accounts. Balances still outstanding after a reasonable period of time has elapsed are generally written off through a charge to the valuation allowance and a credit to the appropriate receivable. Based upon its assessment of the donors outstanding balances and current relationships with them, management has concluded that no valuation allowance is necessary on balances outstanding as of December 31, 2017.

Note 1 - Summary of significant accounting policies (continued)

Functional allocation of expenses

Directly identifiable expenses are classified as program services, or management and general. Expenses related to more than one function are allocated on the basis of management's estimates of the costs related to each function. Management and general expense includes those expenses that are not directly identifiable with any specific function but provide for overall support and direction of the Organization.

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is similarly exempt from Tennessee state income taxes under provisions of the Tennessee tax regulations. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Organization files informational returns with the Internal Revenue Service and the State of Tennessee. The Organization's informational returns are subject to examinations by tax authorities for three years after they are filed.

Events occurring after reporting date

Management has evaluated events and transactions that have occurred between December 31, 2017 and October 8, 2018, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Recent accounting pronouncements

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The most significant changes impacting the presentation and disclosures of the Foundation's financial statements are as follows:

- Net asset classes - net asset classifications have been reduced from three classes (unrestricted, temporarily restricted, and permanently restricted) to net assets with donor restrictions and net assets without donor restrictions.

Note 1 - Summary of significant accounting policies (continued)

Recent accounting pronouncements (continued)

- Liquidity and availability of resources - the ASU requires disclosures that communicate qualitative information of how a not-for-profit entity manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date, as well as quantitative information that communicates the availability of a not-for-profit entity's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position.

Note 2 - Net assets

Unrestricted

Unrestricted net assets are those available for use for program services and management and general purposes without donor restriction. Unrestricted net assets totaled $376,491 as of December 31, 2017.

Temporarily restricted

Net assets restricted for future operations as of December 31, 2017 consists of cash totaling $15,994 and a grant receivable totaling $40,000.

Note 3 - Lease commitments

The Organization leases office space under a month-to-month operating lease agreement. The agreement provides for monthly payments of $1,185. Rent expense under this lease totaled $5,920 for the period ended December 31, 2017.

Note 4 - Related party activities

Memphis Tomorrow has provided significant support to the Organization and its leadership was instrumental in the formation of Tennesseans for Quality Early Education Policy and Research. Memphis Tomorrow is considered a related party as a member of its management serves on the Board of Directors of the Organization. Support provided to the Organization by Memphis Tomorrow totaled $293,942 for the period ended December 31, 2017.

Note 5 - Concentration of risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash. The Organization has concentrated its credit risk for cash by maintaining deposits in a financial institution which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation. The Organization has not experienced any losses of such funds and management believes the Organization is not exposed to significant credit risk to cash.

Three grantors accounted for approximately 100% of total revenue for the period ended December 31, 2017.