

TENNESSEE CHARTER SCHOOL CENTER

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

And Report of Independent Auditor

TENNESSEE CHARTER SCHOOL CENTER
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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, 2020 and 2019, 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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 9 towards the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, or stay-at-home restrictions in certain areas and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the global economies. Until this pandemic is under control, the operations of Tennessee Charter School Center may be significantly impacted. Our opinion is not modified with respect to this matter.

Cheng Bekeant LLP

Nashville, Tennessee
June 25, 2021

TENNESSEE CHARTER SCHOOL CENTER
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,181,902	\$ 1,212,495
Contributions receivable	20,000	580,000
Other assets	7,614	7,614
Furniture and equipment, net of accumulated depreciation of \$22,729	-	-
Total Assets	\$ 1,209,516	\$ 1,800,109
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 24,030	\$ 8,473
Unearned grant funds	98,725	-
Total Liabilities	122,755	8,473
Net Assets:		
Without Donor Restrictions	1,066,761	1,118,873
With Donor Restrictions	20,000	672,763
Total Net Assets	1,086,761	1,791,636
Total Liabilities and Net Assets	\$ 1,209,516	\$ 1,800,109

TENNESSEE CHARTER SCHOOL CENTER
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Contributions	\$ 560,600	\$ 308,900	\$ 869,500
Program income	119,567	-	119,567
Rental income	-	-	-
Interest income	3,062	-	3,062
Net assets released from restrictions	961,663	(961,663)	-
Total Revenue, Gains, and Other Support	1,644,892	(652,763)	992,129
Expenses:			
Launch	189,280	-	189,280
Support	1,409,064	-	1,409,064
Management and general	98,660	-	98,660
Total Expenses	1,697,004	-	1,697,004
Change in net assets	(52,112)	(652,763)	(704,875)
Net assets, beginning of year	1,118,873	672,763	1,791,636
Net assets, end of year	<u>\$ 1,066,761</u>	<u>\$ 20,000</u>	<u>\$ 1,086,761</u>

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
Rental income	81,418	-	81,418
Program 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	<u>\$ 1,118,873</u>	<u>\$ 672,763</u>	<u>\$ 1,791,636</u>

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

TENNESSEE CHARTER SCHOOL CENTER
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Launch	Support	Management and General	Total
Salary and related expenses	\$ 162,152	\$ 735,151	\$ 85,980	\$ 983,283
Consultants	-	181,952	-	181,952
COVID-19 relief	-	100,000	-	100,000
Tornado relief	-	39,000	-	39,000
Sector support services	-	102,260	-	102,260
Advocacy and government relations	-	142,289	-	142,289
Occupancy	10,223	46,347	5,421	61,991
Travel	3,627	16,444	1,923	21,994
Accounting and legal	5,204	23,594	2,760	31,558
Insurance	1,644	7,454	872	9,970
Supplies	1,062	4,813	563	6,438
Technology	549	2,490	291	3,330
Business expenses	854	3,872	453	5,179
Telephone	438	1,987	232	2,657
Miscellaneous	311	1,411	165	1,887
Modular maintenance and removal	3,216	-	-	3,216
	<u>\$ 189,280</u>	<u>\$ 1,409,064</u>	<u>\$ 98,660</u>	<u>\$ 1,697,004</u>

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

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
Consultants	-	150,940	-	150,940
Sector support services	-	49,704	-	49,704
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
	<u>\$ 335,507</u>	<u>\$ 1,235,049</u>	<u>\$ 104,219</u>	<u>\$ 1,674,775</u>

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

TENNESSEE CHARTER SCHOOL CENTER
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (704,875)	\$ 350,138
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	-	142
Changes in operating assets and liabilities:		
Contributions receivable	560,000	(248,304)
Prepaid expenses	-	9,700
Accounts payable	15,557	6,601
Deferred grant proceeds	98,725	-
Net cash flows from operating activities	<u>(30,593)</u>	<u>118,277</u>
Change in cash and cash equivalents	(30,593)	118,277
Cash and cash equivalents, beginning of year	1,212,495	1,094,218
Cash and cash equivalents, end of year	<u><u>\$ 1,181,902</u></u>	<u><u>\$ 1,212,495</u></u>

TENNESSEE CHARTER SCHOOL CENTER

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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. 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, 2020 and 2019.

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.

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, 2020. 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.

Unearned Grant Funds – Unearned grant funds represent the proceeds of grants received for which the conditions for recognition of contribution revenue have not been met.

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.

TENNESSEE CHARTER SCHOOL CENTER

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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

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.

Reclassifications – Certain reclassifications have been made to 2019 balances to conform with 2020 presentation.

Subsequent Events – The Center evaluated subsequent events through June 25, 2021, when these financial statements were available to be issued. 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.

TENNESSEE CHARTER SCHOOL CENTER

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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:

	2020	2019
Financial Assets:		
Cash and cash equivalents	\$ 1,181,902	\$ 1,212,495
Contributions receivable	20,000	580,000
Less net assets with donor restrictions	-	(92,763)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,201,902</u>	<u>\$ 1,699,732</u>

Note 3—Revenue

The Center recognizes revenue in accordance with Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 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 these goods or 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, 2020 and 2019.

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, 2020 and 2019.

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 Accounting Standards Codification (“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 satisfied when the agreed-upon services are performed by the Center.

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.

TENNESSEE CHARTER SCHOOL CENTER **NOTES TO THE FINANCIAL STATEMENTS**

DECEMBER 31, 2020 AND 2019

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 98% and 89% of its contributions from four and three major donors for the years ended December 31, 2020 and 2019, 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, 2020:

Purpose	Balance at January 1, 2020	Contributions Pledged from January 1, 2020 to December 31, 2020	Expended and/or Released by Specific Purpose Being Fulfilled	Balance at December 31, 2020
Subject to purpose restrictions:				
Nashville Charter Collaboration	\$ 92,763	\$ -	\$ 92,763	\$ -
Subject to passage of time:				
Contributions receivable	580,000	308,900	868,900	20,000
	<u>\$ 672,763</u>	<u>\$ 308,900</u>	<u>\$ 961,663</u>	<u>\$ 20,000</u>

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
	<u>\$ 383,210</u>	<u>\$ 1,738,750</u>	<u>\$ 1,449,197</u>	<u>\$ 672,763</u>

TENNESSEE CHARTER SCHOOL CENTER

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 6—Conditional contribution

The Center received a grant of \$300,000 during the year ended December 31, 2020 that is to be used for staffing and related costs. The Center received payment of \$150,000 of the grant during the year ended December 31, 2020, with the remaining \$150,000 scheduled to be received in 2021. The grant covers the period from May 2020 through April 2022. Because the grant agreement has specific requirements for its use and contains a right of return, the unspent portion of the grant at December 31, 2020 is considered conditional. Included in the accompanying statement of financial position is \$98,725 of unearned grant funds at December 31, 2020.

Note 7—Operating leases

The Center leases its office space and various equipment under operating lease agreements. Rental expense for all operating leases was \$55,746 and \$194,334 for the years ended December 31, 2020 and 2019, respectively. The Center does not have any noncancelable lease agreements at December 31, 2020.

The Center has one sub-lease agreement for the year ended December 31, 2019 with a charter school. The Center received rental income of \$-0- and \$45,000 for the years ended December 31, 2020 and 2019, respectively.

Note 8—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, 2020 and 2019 amounted to \$22,019 and \$16,017, respectively, and is included in salary and related expenses in the statements of functional expenses.

Note 9—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 volatility in the financial markets. The COVID-19 outbreak and government responses are creating disruption to global supply chains and adversely affecting many industries. 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 COVID-19 outbreak presents uncertainty and risk to the Center, its performance, and its financial results.