TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION

FINANCIAL STATEMENTS

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

And Report of Independent Auditor

TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
Tennessee State Collaborative on Reforming Education
Nashville, Tennessee

We have audited the accompanying financial statements of Tennessee State Collaborative on Reforming Education (a nonprofit organization) (the "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 audits 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 State Collaborative on Reforming Education 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 11, toward the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses, which could negatively impact the Organization's operations. Although it is not possible to reasonably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction of revenues and other support could negatively impact the Organization's operations for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time.

Cherry Bekaert LLP

Nashville, Tennessee
June 28, 2021

TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	$ 13,945,690	$ 13,766,289
Contributions receivable, net	1,154,601	2,629,050
Investments	1,289,281	1,124,177
Property and equipment, net of accumulated depreciation of $183,748 and $158,951, respectively	31,492	44,971
Total Assets	$ 16,421,064	$ 17,564,487
LIABILITIES AND NET ASSETS		
Accounts payable	$ 212,941	$ 863,610
Funds held under agency agreements	1,062,595	3,094,430
Total Liabilities	1,275,536	3,958,040
Net Assets:		
Without donor restrictions	12,512,613	8,588,521
With donor restrictions	2,632,915	5,017,926
Total Net Assets	15,145,528	13,606,447
Total Liabilities and Net Assets	$ 16,421,064	$ 17,564,487

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

TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Grants and contributions	$ 5,622,827	$ 3,559,732	$ 9,182,559
Investment income	231,219	-	231,219
Net assets released from restrictions	5,944,743	(5,944,743)	-
Total Revenue, Gains, and Other Support	11,798,789	(2,385,011)	9,413,778
Expenses:			
Program services	7,174,326	-	7,174,326
Management and general	700,371	-	700,371
Total Expenses	7,874,697	-	7,874,697
Change in net assets	3,924,092	(2,385,011)	1,539,081
Net assets, beginning of year	8,588,521	5,017,926	13,606,447
Net assets, end of year	$ 12,512,613	$ 2,632,915	$ 15,145,528

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

TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Grants and contributions	$ 2,437,000	$ 6,841,670	$ 9,278,670
Investment income	262,107	-	262,107
Fiscal agency fee revenue	92,073	-	92,073
Net assets released from restrictions	5,542,317	(5,542,317)	-
Total Revenue, Gains, and Other Support	8,333,497	1,299,353	9,632,850
Expenses:			
Program services	7,505,439	-	7,505,439
Management and general	483,778	-	483,778
Total Expenses	7,989,217	-	7,989,217
Other Revenue:			
Contribution of net assets from Complete Tennessee	449,882	-	449,882
Change in net assets	794,162	1,299,353	2,093,515
Net assets, beginning of year	7,794,359	3,718,573	11,512,932
Net assets, end of year	$ 8,588,521	$ 5,017,926	$ 13,606,447

TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services				Supporting Services	
	Advocacy	Research and Innovation	Activating Philanthropy	Total	Management and General	Total
Salary and related expenses	$ 1,137,810	$ 748,559	$ 598,847	$ 2,485,216	$ 509,020	$ 2,994,236
Subgrants and innovation funds	-	-	2,198,965	2,198,965	-	2,198,965
Consultants	651,988	1,072,960	247,458	1,972,406	905	1,973,311
Travel and meetings	138,599	131,286	973	270,858	1,077	271,935
Lobbying	115,560	-	-	115,560	-	115,560
Technology	-	-	-	-	81,891	81,891
Accounting and legal	18,102	18,102	15,085	51,289	9,051	60,340
Communications and media	22,992	16,390	12,869	52,251	-	52,251
Rent/office space	-	-	-	-	48,447	48,447
Team development	9,805	9,805	8,171	27,781	4,902	32,683
Depreciation	-	-	-	-	24,797	24,797
Office expenses	-	-	-	-	10,613	10,613
Insurance	-	-	-	-	8,952	8,952
Supplies	-	-	-	-	716	716
	$ 2,094,856	$ 1,997,102	$ 3,082,368	$ 7,174,326	$ 700,371	$ 7,874,697

TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services				Supporting Services	
	Advocacy	Research and Innovation	Activating Philanthropy	Total	Management and General	Total
Salary and related expenses	$ 1,402,643	$ 488,067	$ 477,056	$ 2,367,766	$ 148,310	$ 2,516,076
Subgrants and innovation funds	2,294	-	2,329,939	2,332,233	-	2,332,233
Consultants	1,001,920	102,796	362,000	1,466,716	8,239	1,474,955
Travel and meetings	401,083	33,076	63,527	497,686	-	497,686
Strategic planning	176,425	88,213	88,213	352,851	-	352,851
10-year event	139,615	-	-	139,615	-	139,615
Lobbying	115,870	-	-	115,870	-	115,870
Accounting and legal	39,314	9,828	34,399	83,541	14,742	98,283
Search firm expenses	-	-	-	-	96,974	96,974
Communications and media	52,602	41,926	-	94,528	-	94,528
Office expenses	-	-	-	-	61,362	61,362
Rent/office space	-	-	-	-	57,768	57,768
Team development	22,344	5,586	19,551	47,481	8,379	55,860
Technology	-	-	-	-	44,438	44,438
Depreciation	-	-	-	-	31,348	31,348
Insurance	-	-	-	-	8,831	8,831
Supplies	3,345	2,646	1,161	7,152	1,331	8,483
Board meetings	-	-	-	-	2,056	2,056
	$ 3,357,455	$ 772,138	$ 3,375,846	$ 7,505,439	$ 483,778	$ 7,989,217

TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 1,539,081	$ 2,093,515
Adjustments to reconcile change in net assets to		
net cash flows from operating activities:		
Depreciation	24,797	31,348
Unrealized gains on investments	(144,948)	(108,278)
Contribution of net assets from Complete Tennessee	-	(449,882)
Changes in operating assets and liabilities:		
Contributions receivable	1,474,449	747,500
Accounts payable	(650,669)	(245,056)
Funds held under agency agreements	(2,031,835)	2,193,520
Net cash flows from operating activities	210,875	4,262,667
Cash flows from investing activities:		
Purchase of property and equipment	(11,318)	-
Purchase/Reinvestment of dividends	(20,156)	(718,043)
Net cash flows from investing activities	(31,474)	(718,043)
Change in cash and cash equivalents	179,401	3,544,624
Cash and cash equivalents, beginning of year	13,766,289	10,221,665
Cash and cash equivalents, end of year	$ 13,945,690	$ 13,766,289

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

The State Collaborative on Reforming Education's ("SCORE") mission is to catalyze transformative change in Tennessee education so that all students can achieve success in college, career, and life. SCORE is an independent, nonprofit, and nonpartisan advocacy and research organization, founded in 2009 by Senator Bill Frist, MD, former U.S. Senate Majority Leader. SCORE supports student success across Tennessee by ensuring all schools and systems meet high expectations; preparing, recruiting, supporting, and retaining excellent teachers and leaders; and aligning K-12 and college with career and life success.

Financial Statement Presentation – The financial statements of SCORE 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 SCORE. These net assets may be used at the discretion of SCORE'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 SCORE 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 SCORE's net assets with donor restrictions are required to be held in perpetuity by the donors at December 31, 2020 and 2019.

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

Contributions Receivable – SCORE accounts for potential losses in contributions receivable utilizing the allowance method. Management believes that contributions receivable are fully collectible at December 31, 2020 and 2019. As a result, no allowance for uncollectible accounts has been provided.

Investments – Investments are stated at fair market value. Unrealized gains and losses, as well as appreciation or depreciation in market value, are reflected in the accompanying financial statements.

Fair Value Measurement – SCORE has established a process for determining fair values. Fair values are based upon quoted market prices, where available. If listed prices or quotes are not available, fair values are based upon market-based or independently-sourced market data. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while SCORE believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair values at the reporting date. U.S. GAAP has a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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

The three levels of fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SCORE has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

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 5 to 15 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.

Revenue Recognition – See Note 3.

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

Advocacy – Expenses related to building awareness and support and sustaining the momentum among organizations and individuals for education reform and improving student success in the state of Tennessee.

Research and Innovation – Expenses related to research on key policies and the development of tools and reports focused on sharing best practices across the state to advance SCORE's strategic priorities.

Activating Philanthropy – Expenses related to advancing specific initiatives outlined in SCORE's strategic plan by building capacity at a state, regional, or local level including strategic investments with partners through subgrants and innovation funds.

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

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

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.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

Accounting Policies for Future Pronouncement – In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, *Leases (Topic 842)*. 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 December 31, 2022. SCORE is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – SCORE evaluated subsequent events through June 28, 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.

Note 2—Liquidity and availability

SCORE 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, SCORE considers all expenditures related to its ongoing activities of supporting public education in Tennessee, as well as the conduct of services undertaken to support those activities to be general expenditures. As a part of SCORE’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 2—Liquidity and availability (continued)

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, compromise the following at December 31, 2020 and 2019:

	2020	2019
Cash and cash equivalents, less funds held under fiscal agency agreements	$ 12,883,095	$ 10,671,859
Current portion of contributions receivable	917,933	1,992,382
Investments	1,289,281	1,124,177
Less net assets with donor restrictions	(2,632,915)	(5,017,926)
Financial assets available to meet cash needs for general expenditure within one year	$ 12,457,394	$ 8,770,492

Note 3—Revenue

On January 1, 2019, SCORE adopted Accounting Standards Codification ("ASC") 606 using the modified retrospective approach. SCORE 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 SCORE 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 no contract assets or liabilities at December 31, 2020 and 2019.

Accounts receivable are stated at the amount SCORE expects to collect from outstanding balances. SCORE 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. SCORE 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 ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. SCORE's revenue within the scope of ASC 606 consists of revenue from fiscal sponsorship fees, which are fees earned by SCORE for holding funds on behalf of grantors and spending the funds in accordance with grant stipulations. The contract obligation is generally satisfied over the grant period, as the services are provided.

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 SCORE applied in the adoption and application of ASC 606 allows SCORE 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—Investments

Investments are stated at fair value determined based on active markets and consist of the following at December 31:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 1,289,281	$ -	$ -	$ 1,289,281

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 1,124,177	$ -	$ -	$ 1,124,177

Note 5—Concentrations

SCORE maintains cash and cash equivalents in excess of amounts insured by the Federal Deposit Insurance Corporation of approximately $13,445,000 and $11,890,000 as of December 31, 2020 and 2019, respectively. In management's opinion, risk related to each deposit is minimal.

SCORE received approximately 72% and 84% of its contributions from three donors for the years ended December 31, 2020 and 2019, respectively. A significant reduction in the level of this support, if this were to occur, could have a negative impact on SCORE's programs and activities.

Note 6—Contributions receivable

Contributions receivable are scheduled to be received as follows at December 31:

	2020	2019
Amount receivable within one year	$ 917,933	$ 1,992,382
Amount receivable in one to five years	250,000	650,000
	1,167,933	2,642,382
Less discounts on contributions receivable	(13,332)	(13,332)
	$ 1,154,601	$ 2,629,050

Contributions receivable due in more than one year are reflected at the net present value of estimated future cash flows using a discount rate of less than 1%.

Note 7—Funds held under agency agreements

SCORE is acting as a fiscal sponsor for certain organizations, receiving contributions, and making disbursements restricted for the purpose of the agreement. Expenditures are made after approval by the management of the corresponding organization. All funds are held in a bank account separate from funds of SCORE. The amount of funds held under agency agreements totaled $1,062,595 and $3,094,430 at December 31, 2020 and 2019, respectively

Note 8—Commitments

SCORE leases office space under a 16-month, noncancelable agreement which expires December 31, 2021. Rental expense under this lease agreement was $48,447 and $57,768 for the years ended December 31, 2020 and 2019, respectively.

Future minimum rental payment required for the year ending December 31 is as follows:

2021	$ 63,864

Note 9—Net assets with donor restrictions

SCORE receives specific contributions for expenses associated with its mission. These contributions are classified as net assets with donor restrictions until the restricted purpose has been fulfilled. The following represents a summary of the activity for the years ended December 31:

Purpose	Beginning, January 1, 2020	Contributions Received in 2020	Expended and/or Released by Specific Purpose Being Fulfilled	Ending, December 31, 2020
Contributions receivable	$ 2,179,168	$ 400,000	$ 1,742,500	$ 836,668
LIFT Expansion	-	1,456,732	635,607	821,125
CIRN Network & Data	-	1,073,000	340,262	732,738
Early Literacy & Bridge to Postsecondary	-	250,000	128,000	122,000
High-Quality Public Charter Schools	-	200,000	97,493	102,507
Postsecondary Planning	-	25,000	15,000	10,000
Education Resources	-	100,000	92,123	7,877
Education (JCF)	2,828,258	-	2,828,258	-
New venture fund	10,500	25,000	35,500	-
SCORE Prize/Data Analysis	-	30,000	30,000	-
	$ 5,017,926	$ 3,559,732	$ 5,944,743	$ 2,632,915

Purpose	Beginning, January 1, 2019	Contributions Received in 2019	Expended and/or Released by Specific Purpose Being Fulfilled	Ending December 31, 2019
Contributions receivable	$ 2,926,668	$ 1,405,000	$ 2,152,500	$ 2,179,168
Education (JCF)	-	5,194,800	2,366,542	2,828,258
LIFT	621,738	-	621,738	-
Strategic Initiative	85,167	-	85,167	-
Programmatic Support	75,000	-	75,000	-
Partner Support	-	201,370	201,370	-
SCORE Prize	10,000	10,000	20,000	-
Data analysis	-	20,000	20,000	-
New venture fund	-	10,500	-	10,500
	$ 3,718,573	$ 6,841,670	$ 5,542,317	$ 5,017,926

Note 10—Retirement plan

SCORE maintains a 401(k) Plan for certain eligible employees. Employer expense for the years ended December 31, 2020 and 2019 totaled $ 45,382 and $52,028, respectively, and is included in salary and related expenses in the accompanying statements of functional expenses.

Note 11—Uncertainty

Late in December 2019, outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result of the spread of COVID-19, economic uncertainties have arisen, which could negatively impact SCORE's revenue and operations for an indeterminable time period. At this time, the impact on the financial statements cannot be reasonably estimated.