NASHVILLE TEACHER RESIDENCY
(FORMERLY PROJECT RENAISSANCE)

FINANCIAL STATEMENTS

As of June 30, 2019 and for the Eighteen-Month Period Ended June 30, 2019

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

NASHVILLE TEACHER RESIDENCY

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Cherry Bekaert LLP
CPAs & Advisors

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 (formerly Project Renaissance) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the eighteen-month period ended June 30, 2019, 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 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 (formerly Project Renaissance) as of June 30, 2019, and the changes in its net assets and its cash flows for the eighteen-month period ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Changes in Financial Statement Presentation

As discussed in Note 1, Nashville Teacher Residency adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities.* The ASU has been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Cherry Bekaert LLP

Nashville, Tennessee
December 6, 2019

NASHVILLE TEACHER RESIDENCY (FORMERLY PROJECT RENAISSANCE)

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

ASSETS		
Cash and cash equivalents	$	132,994
Contributions receivable		40,000
Accounts receivable		7,000
Property and equipment, net of accumulated depreciation of $8,236		9,480
Other assets		805
Total Assets	$	190,279
LIABILITIES AND NET ASSETS		
Accounts payable	$	18,259
Grant payable		3,680
Total Liabilities		21,939
Net Assets:		
Without donor restrictions		108,340
With donor restrictions		60,000
Total Net Assets		168,340
Total Liabilities and Net Assets	$	190,279

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

NASHVILLE TEACHER RESIDENCY (FORMERLY PROJECT RENAISSANCE)

STATEMENT OF ACTIVITIES

FOR THE EIGHTEEN-MONTH PERIOD ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Grants and contributions	$ 600,500	$ 60,000	$ 660,500
Program revenues	31,367	-	31,367
Investment income	1,418	-	1,418
Net assets released from restrictions	25,000	(25,000)	-
Total Revenue, Gains, and Other Support	658,285	35,000	693,285
Expenses and Losses:			
Quality Educators	929,855	-	929,855
Management and general	173,238	-	173,238
Total Expenses	1,103,093	-	1,103,093
Change in net assets	(444,808)	35,000	(409,808)
Net assets, beginning of period	553,148	25,000	578,148
Net assets, end of period	$ 108,340	$ 60,000	$ 168,340

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

NASHVILLE TEACHER RESIDENCY (FORMERLY PROJECT RENAISSANCE)

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE EIGHTEEN-MONTH PERIOD ENDED JUNE 30, 2019

	Quality Educators	Management and General	Total
Salaries, taxes, and benefits	$ 636,017	$ 149,189	$ 785,206
Internship stipends	66,000	-	66,000
Grants and awards	15,000	-	15,000
Supplies and printing	42,556	1,818	44,374
Professional fees	25,437	5,967	31,404
Rent	21,951	5,149	27,100
Mentor teacher stipends	26,056	-	26,056
Professional development	17,403	4,082	21,485
Testing	14,266	-	14,266
Meals and entertainment	10,164	-	10,164
Utilities	5,914	1,387	7,301
Technology	5,806	1,362	7,168
Travel	6,973	187	7,160
Licenses and fees	5,925	1,184	7,109
Recruitment	6,082	-	6,082
Hardship grants	5,146	-	5,146
Depreciation	4,069	954	5,023
Communications	3,460	812	4,272
Adjunct faculty	3,400	-	3,400
Training	2,919	-	2,919
Meetings	1,920	450	2,370
Marketing and publications	1,134	266	1,400
Insurance	1,074	252	1,326
Miscellaneous	1,183	179	1,362
Total	$ 929,855	$ 173,238	$ 1,103,093

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

NASHVILLE TEACHER RESIDENCY (FORMERLY PROJECT RENAISSANCE)
STATEMENT OF CASH FLOWS

FOR THE EIGHTEEN-MONTH PERIOD ENDED JUNE 30, 2019

Cash flows from operating activities:	
Change in net assets	$ (409,808)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	5,023
Changes in operating assets and liabilities:	
Accounts receivable	35,000
Contributions receivable	(15,000)
Other assets	(605)
Accounts payable	15,665
Grants payable	3,680
Net cash used in operating activities	(366,045)
Cash flows from investing activities:	
Purchases of property and equipment	(11,289)
Net cash used in investing activities	(11,289)
Net decrease in cash and cash equivalents	(377,334)
Cash and cash equivalents, beginning of period	510,328
Cash and cash equivalents, end of period	$ 132,994

Note 1—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 diverse cohorts of thriving new teachers, prepared through strategic cycles of practice and feedback, who know their local and school communities, and value their relationships with students, families, and colleagues, in order to improve outcomes for all students in Middle Tennessee.

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. There were no perpetually restricted net assets at June 30, 2019.

Cash and Cash Equivalents – For purposes of the statement 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 statement 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 statement of activities as net assets without donor restrictions.

Note 1—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 400 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. Includes costs 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 revenues 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 Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 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.

Change in Accounting Principle – In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been retrospectively applied to all periods presented.

Accounting Policies for Future Pronouncements – In June 2018, the 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.

Note 1—Summary of significant accounting policies (continued)

The standard will be effective for the fiscal year ending June 30, 2020. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In February 2016, the 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 income statement. This standard will be effective for the fiscal year ending June 30, 2022. 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 6, 2019, 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

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 statement of financial position comprise the following at June 30, 2019:

Cash and cash equivalents	$	132,994
Contributions receivable		40,000
Accounts receivable		7,000
Total financial assets		179,994
Less amounts not available to be used for general expenditures within one year		20,000
Financial assets available to meet cash needs for general expenditures within one year	$	159,994

Note 3—Concentration

The Organization received approximately 86% of its revenue, gains, and other support from three major donors for the eighteen-month period ended June 30, 2019.

Note 4—Net assets with donor restrictions

Total net assets with donor restrictions consist of the following at June 30, 2019:

Contributions receivable	$	40,000
East Nashville school teacher training		20,000
	$	60,000

Note 5—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 eighteen-month period ended June 30, 2019 was $22,205.

Note 6—Operating lease commitments

The Organization is renting its building under an operating lease agreement. The lease agreement began on February 1, 2018 and requires minimum monthly lease payments of $1,500. The lease terminates on January 31, 2020. Rent expense for all operating leases for the eighteen-month period ended June 30, 2019 was $27,100.

Future minimum lease payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 2019 are as follows:

Years Ending June 30,		
2020	$	11,759
2021		262
	$	12,021