TENNESSEANS FOR QUALITY EARLY EDUCATION POLICY AND RESEARCH

FINANCIAL STATEMENTS

December 31, 2021

WATKINS UIBERALL
Certified Public Accountants
Independent Member of BKR International

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Tennesseans for Quality Early Education Policy and Research (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tennesseans for Quality Early Education Policy and Research and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tennesseans for Quality Early Education Policy and Research's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Tennesseans for Quality Early Education Policy and Research's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tennesseans for Quality Early Education Policy and Research's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Watkins Uiberall, PLLC

Memphis, Tennessee
September 19, 2022

TENNESSEANS FOR QUALITY EARLY EDUCATION POLICY AND RESEARCH

STATEMENT OF FINANCIAL POSITION

December 31, 2021

Assets

Cash	$	619,605
Due from related party		77,810
Total current assets	$	697,415

Liabilities and Net Assets

Liabilities		
Accounts payable	$	34,598
Accrued expenses		10,845
Total liabilities		45,443
Net Assets		
Without donor restrictions		651,972
Total liabilities and net assets	$	697,415

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

TENNESSEANS FOR QUALITY EARLY EDUCATION POLICY AND RESEARCH

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Contributions and grants	$ 892,890	$ 325,000	$ 1,217,890
Net assets released from restrictions	475,000	(475,000)	-
Total revenues and other support	1,367,890	(150,000)	1,217,890
Expenses			
Program services	1,197,185	-	1,197,185
Management and general	102,636	-	102,636
Total expenses	1,299,821	-	1,299,821
Change in net assets	68,069	(150,000)	(81,931)
Net assets - beginning of year	583,903	150,000	733,903
Net assets - end of year	$ 651,972	$ -	$ 651,972

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

TENNESSEANS FOR QUALITY EARLY EDUCATION POLICY AND RESEARCH

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Program Services	Management and General	Total Expenses
Marketing and communications	$ 84,302	$ -	$ 84,302
Special events	1,858	-	1,858
Occupancy	5,022	558	5,580
Salaries and wages	476,141	52,905	529,046
Payroll taxes	41,557	4,617	46,174
Contributions to related parties	106,873	11,875	118,748
Grants and TA	250,000	-	250,000
Professional services	152,790	21,400	174,190
Meals and travel	5,986	-	5,986
Utilities and office expenses	7,889	877	8,766
Supplies	4,967	-	4,967
Public Opinion Research	59,800	-	59,800
Insurance	-	6,272	6,272
Miscellaneous	-	4,132	4,132
Total expenses	$ 1,197,185	$ 102,636	$ 1,299,821

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

TENNESSEANS FOR QUALITY EARLY EDUCATION POLICY AND RESEARCH

STATEMENT OF CASH FLOWS

December 31, 2021

Cash Flows From Operating Activities:		
Change in net assets	$	(81,931)
Adjustments to Reconcile Change in Net Assets		
to Net Cash Provided by Operating Activities		
Change in Operating Assets and Liabilities:		
Grants receivable		150,000
Due from related party		(25,809)
Accounts payable		6,677
Accrued expenses		10,845
Net cash provided by operating activities		59,782
Cash - beginning of year		559,823
Cash - end of year	$	619,605

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations

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.

Program Services

The missions of the Organization is to ensure a continuum of high-quality early care and education, birth through third grade, is the norm for all Tennessee children.

Basis of Accounting

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 ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Support and revenues

Contributions and grants received are recorded as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Donor restrictions can be modified only by written request from the original donor or other authorized party. All other donor-restricted support is reported as an increase in net assets with donor restrictions. Expirations of donor-imposed restrictions on net assets, that is, when a stipulated time restriction ends or purpose restriction is accomplished, are reported in the statement of activities and changes in net assets as net assets released from restrictions between the classes of net assets.

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.

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.

Concentrations and Credit Risks

The Organization's credit risk primarily relates to cash and cash equivalents and accounts receivable. The Organization maintains cash balances with a financial institution. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to an aggregate of $250,000 at each institution. Management does not believe it is exposed to any significant credit risk on its cash deposits and has not experienced any loss in such accounts.

For 2021, three contributions accounted for 47% of contributions and grant revenue.

Cash and Cash Equivalents

The Organization considers all cash accounts which are not subject to withdrawal restrictions or penalties and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

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, 2021.

Property and Equipment

Property and equipment items are recorded at acquisition cost, if purchased, or the estimated fair value on the date received, if donated, less accumulated depreciation. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of $1 ,000. Depreciation and amortization is provided over the estimated useful lives of the assets using the straight-line method. Estimated useful lives are five years for computer equipment. All assets are fully depreciated as of December 31, 2021.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no donor-imposed restrictions of a perpetual nature on December 31, 2021. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

When a donor restriction expires in the same year received, revenue is recognized as net assets without donor restrictions.

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that are identified with a specific program or support service are charged directly to the appropriate function. Other shared costs have been allocated among the programs and supporting services benefited based on management's estimate of the relative effort expended for the related functions, or relative square footage used by each program or function.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled $84,302 for the year ended December 31, 2021.

Federal Tax Status

The Organization is exempt from federal income tax under the provisions of Section 501(c)(6) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the financial statements. The Organization files an exempt organization return in the Unites States federal jurisdiction.

Recent Accounting Pronouncements

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The new standard is effective for annual periods beginning after December 15, 2021. The Organization is evaluating the impact the standard will have on the financial statements; however, the standard is expected to have an impact on the financial statements due to the recognition of additional assets and liabilities for operating leases.

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU No. 2020-07 – *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which enhances presentation and disclosure requirements for not-for-profit entities that receive contributed nonfinancial assets. The main provisions require entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets, and to disclose additional details including a disaggregation of the various types of contributed nonfinancial assets and whether those assets were monetized or utilized, among others. The amendment will be effective for fiscal years beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the effect that implementation of the new standard will have on its financial statements.

Date of Management's Review

The Organization evaluated its December 31, 2021, financial statements for subsequent events through September 19, 2022, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the statement of financial position date are comprised of cash and cash equivalents of $697,415. For purposes of analyzing resources available to meet general expenses over a 12-month period, the Organization considers all expenses related to its ongoing activities of advocacy of early education for Tennessee's third graders. In addition to the financial assets available to meet general expenses over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenses not covered by sources of liquidity as of December 31, 2021.

NOTE 3 – LEASE COMMITMENTS

The Organization leased office space under a month-to-month operating lease agreement. The agreement provided for monthly payments of $465. Rent expense under this lease totaled $5,580 for the year ended December 31, 2021.

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

There were no net assets with donor restrictions as of December 31, 2021.

NOTE 5 – RELATED PARTY ACTIVITIES

Related parties include Memphis Tomorrow and Tennesseans for Quality Early Education - C4 (TQEE-C4). 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 and serves as interim Chief Executive Officer. Support provided to the Organization by Memphis Tomorrow totaled $50,000 for the year ended December 31, 2021.

TQEE-C4 is a separate legal entity with a purpose to promote social welfare. TQEE-C4 is considered a related party as it shares common management with the Organization. The Organization pays certain operating expenses on behalf of TQEE-C4. Such expenses totaled $265,836 for the year ended December 31, 2021. Certain of these expenses are reflected as related party contributions in the accompanying statements of activities and changes in net assets for the year ended December 31, 2021. Amounts due from TQEE-C4 totaled $77,810 as of December 31, 2021.These receivables represent certain operating expenses paid by the Organization to be reimbursed by TQEE-C4.