

**TENNESSEE STATE COLLABORATIVE  
ON REFORMING EDUCATION**

**FINANCIAL STATEMENTS**

**December 31, 2015 and 2014**

# TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
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), which comprise the statements of financial position as of December 31, 2015 and 2014, 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 State Collaborative on Reforming Education as of December 31, 2015 and 2014, 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.

*Frasier Dean & Hard, PLLC*

May 11, 2016

**TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 9,658,468	\$ 5,025,901
Contributions receivable, net	6,362,660	1,171,668
Furniture and equipment, net of accumulated depreciation of \$19,176 and \$14,956, respectively	<u>12,349</u>	<u>7,902</u>
Total assets	<u><u>\$ 16,033,477</u></u>	<u><u>\$ 6,205,471</u></u>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$ 100,128	\$ 59,348
Funds held under agency agreements	<u>4,613,812</u>	<u>2,526,809</u>
Total liabilities	<u>4,713,940</u>	<u>2,586,157</u>
Net assets:		
Unrestricted	4,956,877	2,332,885
Temporarily restricted	<u>6,362,660</u>	<u>1,286,429</u>
Total net assets	<u>11,319,537</u>	<u>3,619,314</u>
Total liabilities and net assets	<u><u>\$ 16,033,477</u></u>	<u><u>\$ 6,205,471</u></u>

See accompanying notes.

**TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION**  
**STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2015**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Revenue, gains, and other support:			
Grants and contributions	\$ 1,313,750	\$ 9,541,004	\$ 10,854,754
Other income	267,172	-	267,172
Investment income	4,033	-	4,033
Net assets released from restrictions	4,464,773	(4,464,773)	-
	<u>6,049,728</u>	<u>5,076,231</u>	<u>11,125,959</u>
Total revenue, gains and other support			
Expenses:			
Program	3,259,510	-	3,259,510
Management and general	134,471	-	134,471
Fundraising	31,755	-	31,755
	<u>3,425,736</u>	<u>-</u>	<u>3,425,736</u>
Total expenses			
Change in net assets	2,623,992	5,076,231	7,700,223
Net assets, beginning of year	<u>2,332,885</u>	<u>1,286,429</u>	<u>3,619,314</u>
Net assets, end of year	<u><u>\$ 4,956,877</u></u>	<u><u>\$ 6,362,660</u></u>	<u><u>\$ 11,319,537</u></u>

See accompanying notes.

**TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION**  
**STATEMENT OF ACTIVITIES**  
**For the year ended December 31, 2014**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Revenue, gains, and other support:			
Grants and contributions	\$ 1,061,677	\$ 490,147	\$ 1,551,824
Other income	178,833	-	178,833
Investment income	4,006	-	4,006
Net assets released from restrictions	1,451,570	(1,451,570)	-
	<u>2,696,086</u>	<u>(961,423)</u>	<u>1,734,663</u>
Total revenue, gains and other support			
Expenses:			
Program	2,210,849	-	2,210,849
Management and general	161,203	-	161,203
Fundraising	-	-	-
	<u>2,372,052</u>	<u>-</u>	<u>2,372,052</u>
Total expenses			
Change in net assets	324,034	(961,423)	(637,389)
Net assets, beginning of year	<u>2,008,851</u>	<u>2,247,852</u>	<u>4,256,703</u>
Net assets, end of year	<u><u>\$ 2,332,885</u></u>	<u><u>\$ 1,286,429</u></u>	<u><u>\$ 3,619,314</u></u>

See accompanying notes.

**TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2015**

	Program Services					Supporting Services			
	Advocacy	Technical Assistance	SCORE Prize	Research, Policy, and Best Practices	Total	Management and General	Fundraising	Total	Total
Salary and related expenses	\$ 731,786	\$ 385,832	\$ -	\$ 265,176	\$ 1,382,794	\$ 80,959	\$ -	\$ 80,959	\$ 1,463,753
Contract labor	207,209	168,368	91,134	104,750	571,461	-	-	-	571,461
Steering committee	97,893	97,893	-	97,893	293,679	32,631	-	32,631	326,310
Events	60,649	-	87,582	-	148,231	-	22,192	22,192	170,423
Video online and digital strategy	119,498	1,556	-	-	121,054	-	-	-	121,054
Stipends	120,000	-	-	-	120,000	-	-	-	120,000
Supplies	82,517	-	1,770	-	84,287	-	-	-	84,287
Travel	38,230	9,942	16,218	2,050	66,440	-	-	-	66,440
Awards	-	-	66,126	-	66,126	-	-	-	66,126
Parent Communications and Enagement	62,306	-	-	-	62,306	-	-	-	62,306
Survey	58,000	-	-	-	58,000	-	-	-	58,000
Rent	24,037	12,673	-	8,710	45,420	2,659	-	2,659	48,079
Publications	14,318	-	-	28,862	43,180	-	-	-	43,180
Accounting and legal	16,443	8,669	-	5,958	31,070	1,819	-	1,819	32,889
Other	14,303	13,138	-	3,714	31,155	1,073	-	1,073	32,228
Office expenses	13,763	6,732	-	4,627	25,122	1,413	-	1,413	26,535
Tennessee Education - Health	-	25,000	-	-	25,000	-	-	-	25,000
Equipment	9,471	4,994	-	3,432	17,897	1,048	-	1,048	18,945
Meeting	3,664	5,656	1,885	4,302	15,507	368	-	368	15,875
Regional and statewide events	-	15,870	-	-	15,870	-	-	-	15,870
State of Education - Progress Monitor	-	-	-	12,935	12,935	-	-	-	12,935
LIFT	-	11,463	-	-	11,463	-	-	-	11,463
Catering	-	-	-	-	-	-	9,563	9,563	9,563
Policy Maker Outreach	5,527	-	-	-	5,527	-	-	-	5,527
Lobbying	-	-	-	-	-	4,344	-	4,344	4,344
Depreciation	-	-	-	-	-	4,219	-	4,219	4,219
Insurance	-	-	-	-	-	2,248	-	2,248	2,248
Online Advocacy	1,860	-	-	-	1,860	-	-	-	1,860
Unrealized loss on investment	-	-	-	-	-	1,690	-	1,690	1,690
Out of state partner support	-	1,641	-	-	1,641	-	-	-	1,641
SCORE Institute	-	1,485	-	-	1,485	-	-	-	1,485
Total	\$ 1,681,474	\$ 770,912	\$ 264,715	\$ 542,409	\$ 3,259,510	\$ 134,471	\$ 31,755	\$ 166,226	\$ 3,425,736

See accompanying notes.



**TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2014**

	<b>Program Services</b>				<b>Supporting Services</b>	
	<b>Advocacy</b>	<b>Technical Assistance</b>	<b>SCORE Prize</b>	<b>Total</b>	<b>Management and General</b>	<b>Total</b>
Salary and related expenses	\$ 777,632	\$ 459,337	\$ -	\$ 1,236,969	\$ 86,310	\$ 1,323,279
SCORE Prize selection process	-	-	112,274	112,274	-	112,274
Online Advocacy	109,623	-	-	109,623	-	109,623
Publications	89,303	-	136	89,439	-	89,439
Video online and digital strategy	86,740	894	-	87,634	-	87,634
SCORE Prize	-	-	72,232	72,232	-	72,232
Educator Fellowship	69,733	-	-	69,733	-	69,733
Awards	-	-	66,109	66,109	-	66,109
Other	3,148	50,940	1,564	55,652	6,377	62,029
Survey	55,000	-	-	55,000	-	55,000
Parent Engagement	52,614	-	-	52,614	-	52,614
Rent	19,200	19,200	-	38,400	9,600	48,000
Guidebooks	-	-	40,000	40,000	-	40,000
Office expenses	430	622	-	1,052	37,241	38,293
Expect More, Achieve More	33,158	-	-	33,158	-	33,158
Accounting and legal	12,648	12,648	-	25,296	6,324	31,620
Contract labor	6,516	9,000	-	15,516	-	15,516
Travel	5,739	9,556	-	15,295	-	15,295
Regional and statewide events	-	10,715	-	10,715	-	10,715
Equipment	-	-	-	-	8,713	8,713
Meeting	1,915	4,376	-	6,291	484	6,775
Depreciation	-	-	-	-	4,247	4,247
Lobbying	3,821	-	-	3,821	-	3,821
Policy Maker Outreach	3,536	-	-	3,536	-	3,536
State of Education	-	3,399	-	3,399	-	3,399
SCORE Institute	-	2,619	-	2,619	-	2,619
Innovative Thinkers	-	2,173	-	2,173	-	2,173
Insurance	-	-	-	-	1,907	1,907
Students Rise to the Challenge	-	-	1,772	1,772	-	1,772
LEAD conference	-	-	527	527	-	527
<b>Total</b>	<b>\$ 1,330,756</b>	<b>\$ 585,479</b>	<b>\$ 294,614</b>	<b>\$ 2,210,849</b>	<b>\$ 161,203</b>	<b>\$ 2,372,052</b>

See accompanying notes.

**TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION**  
**STATEMENTS OF CASH FLOWS**  
**For the years ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 7,700,223	\$ (637,389)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,219	4,247
Changes in operating assets and liabilities:		
Contributions receivable	(5,190,992)	909,573
Accounts payable	40,780	10,568
Funds held under agency agreements	<u>2,087,003</u>	<u>(216,724)</u>
Net cash provided by operating activities	<u>4,641,233</u>	<u>70,275</u>
Cash flows from investing activities:		
Purchase of furniture and equipment	<u>(8,666)</u>	<u>(4,175)</u>
Net cash used in investing activities	<u>(8,666)</u>	<u>(4,175)</u>
Net increase in cash and cash equivalents	4,632,567	66,100
Cash and cash equivalents, beginning of year	<u>5,025,901</u>	<u>4,959,801</u>
Cash and cash equivalents, end of year	<u><u>\$ 9,658,468</u></u>	<u><u>\$ 5,025,901</u></u>

See accompanying notes.

**TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The State Collaborative on Reforming Education (“SCORE”) drives collaboration on policy and practice to ensure student success across Tennessee. SCORE is an independent, nonprofit, and nonpartisan advocacy and research institution, founded in 2009 by Senator Bill Frist, MD, former U.S. Senate Majority Leader. SCORE works collaboratively to support K-12 education throughout Tennessee, and measures its success by the academic growth of Tennessee’s students.

**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. 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:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that can be fulfilled by actions of SCORE pursuant to those restrictions or that expire by the passage of time.

Permanently restricted net assets – net assets subject to donor-imposed restrictions that they be maintained permanently by SCORE. SCORE did not have any permanently restricted net assets at December 31, 2015 or 2014.

**Cash and Cash Equivalents**

SCORE considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. SCORE is required to maintain a minimum balance of \$250,000 in its money market account.

**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, 2015 and 2014. As a result, no allowance for uncollectible accounts has been provided.

**Furniture and Equipment**

Furniture 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 seven years.

**TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION**  
**STATEMENTS OF FINANCIAL POSITION (Continued)**  
**December 31, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support 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 that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**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 achievement in the state of Tennessee.

Technical Assistance – Expenses related to advancing specific initiatives outlined in SCORE's strategic plan by building capacity at a state, region, or local level.

SCORE Prize – Expenses related to the recognition of schools and school districts in Tennessee that are leaders in student learning and the opportunity to share their best practices on a broader scale.

Research, Policy and Best Practices – 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.

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.

Fundraising – Includes costs of activities directed toward appeals for financial support.

**TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION**  
**STATEMENTS OF FINANCIAL POSITION (Continued)**  
**December 31, 2015 and 2014**

**NOTE 1 – 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.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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**

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

SCORE follows Financial Accounting Standards Board Accounting Standards Codification 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 fifty percent likely of being realized upon ultimate settlement. SCORE has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include the years ended December 31, 2012 through December 31, 2015.

**Subsequent Events**

SCORE evaluated subsequent events through May 11, 2016, when these financial statements were available to be issued. SCORE is not aware of any significant events that occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on the financial statements.

**TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION**  
**STATEMENTS OF FINANCIAL POSITION (Continued)**  
**December 31, 2015 and 2014**

**NOTE 2 – CONCENTRATIONS**

SCORE maintains cash and cash equivalents in excess of amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). In management’s opinion, risk related to each deposit is minimal.

SCORE received approximately 83% of its contributions from three major donors for the year ended December 31, 2015.

**NOTE 3 – CONTRIBUTIONS RECEIVABLE**

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

	<u>2015</u>	<u>2014</u>
Amount receivable within one year	\$ 5,605,992	\$ 835,000
Amount receivable in 1 to 5 years	<u>770,000</u>	<u>350,000</u>
	6,375,992	1,185,000
Less discounts on contributions receivable	<u>(13,332)</u>	<u>(13,332)</u>
	<u>\$ 6,362,660</u>	<u>\$ 1,171,668</u>

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 3.01%.

**NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS**

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

<u>Purpose</u>	<u>Balance at January 1, 2015</u>	<u>Contributions received from January 1, 2015 to December 31, 2015</u>	<u>Expended and/or released by specific purpose being fulfilled</u>	<u>Balance at December 31, 2015</u>
Contributions receivable	\$ 1,171,668	\$ 9,511,004	\$ 4,320,012	\$ 6,362,660
SCORE Prize	-	30,000	30,000	-
Educator Fellows	<u>114,761</u>	<u>-</u>	<u>114,761</u>	<u>-</u>
	<u>\$ 1,286,429</u>	<u>\$ 9,541,004</u>	<u>\$ 4,464,773</u>	<u>\$ 6,362,660</u>

**TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION**  
**STATEMENTS OF FINANCIAL POSITION (Continued)**  
**December 31, 2015 and 2014**

**NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS (Continued)**

<u>Purpose</u>	<u>Balance at January 1, 2014</u>	<u>Contributions received from January 1, 2014 to December 31, 2014</u>	<u>Expended and/or released by specific purpose being fulfilled</u>	<u>Balance at December 31, 2014</u>
Contributions receivable	\$ 2,081,241	\$ 35,000	\$ 944,573	\$ 1,171,668
Online advocacy	166,611	-	166,611	-
SCORE Prize	-	40,000	40,000	-
Advocacy	-	188,500	188,500	-
Educator Fellows	-	226,647	111,886	114,761
	<u>\$ 2,247,852</u>	<u>\$ 490,147</u>	<u>\$ 1,451,570</u>	<u>\$ 1,286,429</u>

**NOTE 5 – FUNDS HELD UNDER AGENCY AGREEMENTS**

SCORE is acting as a fiscal agent 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.

**NOTE 6 – COMMITMENTS**

During 2014, SCORE entered into an employment agreement with its President and CEO that provides salary and related benefits for a three-year period ending June 2017.

**NOTE 7 – RETIREMENT PLAN**

SCORE maintains an Internal Revenue Code Section 457 Retirement Plan for its President and CEO, as well as 403(b) Plan for certain eligible employees. Employer expense for the years ended December 31, 2015 and 2014 totaled \$40,050 and \$39,733, respectively, and is included in salary and related expenses in the accompanying statement of functional expenses.