NASHVILLE TEACHER RESIDENCY

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2022 and 2021

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

NASHVILLE TEACHER RESIDENCY
TABLE OF CONTENTS

Report of Independent Auditor

To the Board of Directors
Nashville Teacher Residency
Nashville, Tennessee

Opinion

We have audited the accompanying financial statements of Nashville Teacher Residency (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 the Organization as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe 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 the Organization's ability to continue as a going concern within one year after the date 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 the Organization'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 the Organization'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.

Cherry Bekaert LLP

Nashville, Tennessee
November 14, 2022

NASHVILLE TEACHER RESIDENCY
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 281,052	$ 197,665
Pledges receivable	25,000	200,004
Accounts receivable - Employee Retention Credit	86,088	-
Other assets	4,700	805
Property and equipment, net of accumulated depreciation of $15,955 and $14,402, respectively	1,761	3,314
Total Assets	$ 398,601	$ 401,788
LIABILITIES AND NET ASSETS		
Accounts payable	$ 250	$ 6,139
Note payable	-	113,515
Total Liabilities	250	119,654
Net Assets:		
Without donor restrictions	323,351	82,130
With donor restrictions	75,000	200,004
Total Net Assets	398,351	282,134
Total Liabilities and Net Assets	$ 398,601	$ 401,788

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

NASHVILLE TEACHER RESIDENCY
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Grants and contributions	$ 604,105	$ 75,000	$ 679,105
Program revenue	203,700	-	203,700
Paycheck Protection Program income	113,515	-	113,515
Employee retention credit income	86,088	-	86,088
Rental income	12,041	-	12,041
Other income	518	-	518
Net assets released from restrictions	200,004	(200,004)	-
Total Revenue, Gains, and Other Support	1,219,971	(125,004)	1,094,967
Expenses:			
Quality educators	848,490	-	848,490
Management and general	130,260	-	130,260
Total Expenses	978,750	-	978,750
Change in net assets	241,221	(125,004)	116,217
Net assets, beginning of year	82,130	200,004	282,134
Net assets, end of year	$ 323,351	$ 75,000	$ 398,351

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

NASHVILLE TEACHER RESIDENCY
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Grants and contributions	$ 619,391	$ 200,004	$ 819,395
Program revenue	197,999	-	197,999
Paycheck Protection Program income	116,407	-	116,407
Interest income	540	-	540
Net assets released from restrictions	-	-	-
Total Revenue, Gains, and Other Support	934,337	200,004	1,134,341
Expenses:			
Quality educators	823,065	-	823,065
Management and general	119,047	-	119,047
Total Expenses	942,112	-	942,112
Change in net assets	(7,775)	200,004	192,229
Net assets, beginning of year	89,905		89,905
Net assets, end of year	$ 82,130	$ 200,004	$ 282,134

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

NASHVILLE TEACHER RESIDENCY
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Quality Educators	Management and General	Total
Salaries, taxes, and benefits	$ 580,046	$ 110,485	$ 690,531
Professional fees	97,731	7,822	105,553
Grants and awards	55,237	-	55,237
Rent	30,107	5,313	35,420
Insurance	18,910	3,602	22,512
Mentor teacher stipends	22,200	-	22,200
Assessment	21,175	-	21,175
Cohort expenses	7,137	-	7,137
Recruitment	4,058	773	4,831
Technology	3,042	580	3,622
Utilities	3,036	578	3,614
Supplies and printing	2,555	487	3,042
Professional development	1,951	372	2,323
Depreciation	1,305	248	1,553
	$ 848,490	$ 130,260	$ 978,750

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

NASHVILLE TEACHER RESIDENCY
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Quality Educators	Management and General	Total
Salaries, taxes, and benefits	$ 584,472	$ 103,142	$ 687,614
Professional fees	44,375	4,421	48,796
Rent	33,077	5,837	38,914
Mentor teacher stipends	36,700	-	36,700
Grants and awards	36,106	-	36,106
Assessment	31,672	-	31,672
Professional development	9,503	1,677	11,180
Adjunct faculty	9,908	-	9,908
Supplies and printing	8,260	-	8,260
Insurance	6,500	1,147	7,647
Utilities	4,608	813	5,421
Communications	4,371	772	5,143
Internship stipends	4,400	-	4,400
Technology	2,709	478	3,187
Depreciation	1,801	318	2,119
Recruitment	2,094	-	2,094
Miscellaneous	1,742	307	2,049
Meetings	767	135	902
	$ 823,065	$ 119,047	$ 942,112

NASHVILLE TEACHER RESIDENCY
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 116,217	$ 192,229
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	1,553	2,119
Paycheck Protection Program loan forgiveness	(113,515)	(116,407)
Changes in operating assets and liabilities:		
Pledges receivable	175,004	(200,004)
Accounts receivable - Employee retention credit	(86,088)	-
Other assets	(3,895)	-
Accounts payable	(5,889)	554
Paycheck Protection Program loan	-	113,515
Net cash flows from operating activities	83,387	(7,994)
Net change in cash and cash equivalents	83,387	(7,994)
Cash and cash equivalents, beginning of year	197,665	205,659
Cash and cash equivalents, end of year	$ 281,052	$ 197,665

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

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

Nashville Teacher Residency (the "Organization") is a nonprofit organization that began operations in 2016. The mission of the Organization is to develop and license teachers from diverse backgrounds and experiences who honor the dignity of every student.

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.
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> *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. Donor restricted net assets totaled $75,000 and $200,004 at June 30, 2022 and 2021, respectively.

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

In September 2020, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* This ASU requires not-for-profit 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. In addition, for each category of contributed nonfinancial assets recognized, certain additional disclosures are required. This standard is effective for the year ending June 30, 2022 and had an immaterial effect on the Organization's financial statements upon adoption. Generally, the Organization has recognized the contribution of such donations at market value. Such items have been maintained for use with the students. There have been no donor restrictions placed on such contributions.

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

Program Revenue – The Organization accounts for its program revenue in accordance with FASB ASU 2014-09*, Revenue from Contracts with Customers*. Program revenue is recognized in accordance with the contract obligations, which typically coincide with the annual school year and related fiscal year. As such, revenue is recognized as services are rendered resulting in no deferred revenue or contract balances at year-end.

Revenues from non-exchange transactions (contributions and government grants) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional non-exchange transactions are recognized when the barrier is satisfied.

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 new high-quality teachers annually to serve in Nashville’s public schools.
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> *Management and General* – Includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program or activity. Management and general costs are 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 revenue 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 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.

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

Accounting Policies for Future Pronouncements – In February 2016, 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 statement of activities. This standard will be effective for the fiscal year ending June 30, 2023. 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 November 14, 2022, when these financial statements were available to be issued. Subsequent to June 30, 2022, the Organization received notification of an unrestricted grant from a private organization amounting to $1,500,000.

Note 2—Liquidity and availability of resources

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 statements of financial position comprise the following at June 30:

Pledges receivable	25,000	200,004
Accounts receivable - Employee Retention Credit	86,088	-
Total financial assets	$ 392,140	$ 197,665

Note 3—Pledges receivable

Pledges receivable totaled $25,000 and $200,004 as of June 30, 2022 and 2021, respectively. All amounts are expected to be received within the coming fiscal year.

Note 4—Note payable

In accordance with Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the ‘‘CARES Act’’), the Organization applied for and received a Paycheck Protection Program (“PPP”) loan totaling $116,407 during April 2020 based on the federal government’s payroll formula. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans including accrued interest to the extent the Organization incurs certain qualifying expenses and maintains a certain level of average full-time equivalent employees during the measurement period following the closing of the loan. The loan balance and any accumulated interest was forgiven in its entirety on January 13, 2021 and the loan amount of $116,407 was recognized as revenue in the statement of activities for the year ended June 30, 2021. The Organization qualified for an additional PPP loan for $113,515 during February 2021. Any portion of the loan that is not forgiven has a term of two years with an interest rate of 1%. This loan was recorded as a note payable in the June 30, 2021 statement of financial position. As this loan was forgiven in fiscal 2022, it is recognized as revenue in the statement of activities for the year ended June 30, 2022.

Note 5—Concentration

The Organization received approximately 63% and 62% of its revenue, gains, and other support from five and two major donors for the years ended June 30, 2022 and 2021, respectively.

Note 6—Employee retention credit

The CARES Act contains the Employee Retention Credit ("ERC"), a refundable payroll tax credit available to employers that have experienced hardship in their operations due to the COVID-19 outbreak. The Organization qualified for $86,088 of ERC for various quarters during the years ended June 30, 2021 and 2020. The Organization selected ASC 958-605 as the applicable standard for accounting for ERC and, as such, recognized the ERC when the qualifying wages were incurred and any barriers to realization were overcome, which was deemed to be during the year ended June 30, 2022 with the filing of the amended payroll tax returns. Employee retention credit income of $86,088 and related accounts receivable – employee retention credit of $86,088 has been recorded in the financial statements for the year ended June 30, 2022.

Note 7—Net assets with donor restrictions

Net assets with donor restriction are available for the following purposes at June 30:

	2022	2021
Net assets subject to time restrictions	$ 75,000	$ 200,004

Note 8—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 years ended June 30, 2022 and 2021 were $18,460 and $19,666, respectively.

Note 9—Operating lease commitments

The Organization is renting its building under an operating lease agreement. The lease agreement began on February 1, 2018 and required minimum monthly lease payments of $1,500 through May 31, 2020. The Organization renewed the lease agreement effective June 1, 2020 for three additional years increasing the required minimum monthly lease payment to $3,220. The lease terminates on May 31, 2023. Rent expense for all operating leases for the years ended June 30, 2022 and 2021 was $35,420 and $38,914, respectively.

Future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2022 are as follows:

Years Ending June 30,	
2023	$ 38,640

During fiscal 2022, the Organization began subleasing part of its office space to an unrelated third party for base rent of $1,100 per month. This arrangement extends through August 2022 and has continued under a month to month basis. Amounts received under this sublease are reflected as rental income in the statement of activities for the year ended June 30, 2022.