Alignment Nashville, Inc.

Financial Statements
For the Years Ended June 30, 2022 and 2021

Alignment Nashville, Inc.

Financial Statements

For the Years Ended June 30, 2022 and 2021

Contents

Independent Auditor's Report

Board of Directors
Alignment Nashville, Inc.

Opinion
We have audited the financial statements of Alignment Nashville, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the change 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 (GAAS). 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 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 GAAS, 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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
November 11, 2022

Alignment Nashville, Inc.

Statements of Financial Position

June 30, 2022 and 2021

	2022	2021
Assets		
Cash	$ 667,721	$ 765,591
Accounts receivable	289,893	167,781
Prepaid expenses	120,815	64,729
Inventory	26	1,199
Furniture and equipment, net	11,952	18,668
Total assets	**$ 1,090,407**	**$ 1,017,968**
Liabilities and Net Assets		
Accounts payable and accrued expenses	$ 104,747	$ 8,756
Deferred revenues	49,503	24,634
PPP loan	-	150,825
Total liabilities	154,250	184,215
Net assets		
Without donor restrictions	854,123	749,995
With donor restrictions	82,034	83,758
Total net assets	936,157	833,753
Total liabilities and net assets	**$ 1,090,407**	**$ 1,017,968**

Alignment Nashville, Inc.
Statement of Activities
For the Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Grants	$ 417,621	$ -	$ 417,621
Event income	380,186	-	380,186
Consulting income	543,662	-	543,662
Other income	52,748	-	52,748
PPP loan forgiveness	150,825	-	150,825
Net assets released from restriction	1,724	(1,724)	-
Total support and revenues	1,546,766	(1,724)	1,545,042
Expenses			
Program services	1,295,485	-	1,295,485
General and administrative	147,153	-	147,153
Total expenses	1,442,638	-	1,442,638
Change in net assets	104,128	(1,724)	102,404
Net assets, beginning of year	749,995	83,758	833,753
Net assets, end of year	**$ 854,123**	**$ 82,034**	**$ 936,157**

Alignment Nashville, Inc.
Statement of Activities
For the Year Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions of cash and other financial assets	$ 35,700	$ -	$ 35,700
Grants	365,000	-	365,000
Event income	146,637	-	146,637
Contributions of nonfinancial assets	6,000	-	6,000
Consulting income	242,208	-	242,208
Other income	38,621	-	38,621
PPP loan forgiveness	160,540	-	160,540
Net assets released from restriction	7,295	(7,295)	-
Total support and revenues	1,002,001	(7,295)	994,706
Expenses			
Program services	982,720	-	982,720
General and administrative	100,969	-	100,969
Total expenses	1,083,689	-	1,083,689
Change in net assets (deficit)	(81,688)	(7,295)	(88,983)
Net assets, beginning of year	831,683	91,053	922,736
Net assets, end of year	**$ 749,995**	**$ 83,758**	**$ 833,753**

Alignment Nashville, Inc.

Statement of Functional Expenses
For the Year Ended June 30, 2022

	Alignment Nashville	Alignment USA	Nashville Hub	Academies of Nashville Support	Total program services	General and administrative	Total
Payroll, taxes, and benefits	$ 391,748	$ -	$ 174,331	$ -	$ 566,079	$ 49,056	$ 615,135
Awards and grants	2,500	-	9,700	2,975	15,175	-	15,175
Billable consulting services	-	-	271,966	-	271,966	4,760	276,726
Contract services	-	-	-	10,316	10,316	67,678	77,994
Events	30,720	-	122,636	116,456	269,812	11,325	281,137
Facilities and equipment	103,024	-	36,621	-	139,645	3,978	143,623
Operations and other	2,174	4,059	8,375	946	15,554	1,264	16,818
Travel and meetings	1,659	-	5,279	-	6,938	9,092	16,030
	$ 531,825	**$ 4,059**	**$ 628,908**	**$ 130,693**	**$ 1,295,485**	**$ 147,153**	**$ 1,442,638**

Alignment Nashville, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Alignment Nashville	Alignment USA	Nashville Hub	Academies of Nashville Support	Total program Services	General and administrative	Total
Payroll, taxes, and benefits	$ 398,083	$ -	$ 202,549	$ -	$ 600,632	$ 50,791	$ 651,423
Awards and grants	-	-	146	1,846	1,992	-	1,992
Billable consulting services	-	-	127,832	-	127,832	-	127,832
Contract services	-	-	12,716	21,100	33,816	18,030	51,846
Events	16,227	-	25,725	43,342	85,294	-	85,294
Facilities and equipment	48,711	-	48,711	-	97,422	24,355	121,777
Operations and other	7,843	3,086	21,572	-	32,501	7,562	40,063
Travel and meetings	1,223	-	2,008	-	3,231	231	3,462
	$ 472,087	**$ 3,086**	**$ 441,259**	**$ 66,288**	**$ 982,720**	**$ 100,969**	**$ 1,083,689**

Alignment Nashville, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash, beginning of year	$ 765,591	$ 999,043
Cash flows from operating activities		
Change in net assets	102,404	(88,983)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	7,655	7,467
PPP forgiveness income	(150,825)	(160,540)
Change in assets and liabilities:		
Accounts receivable, net	(122,112)	(65,521)
Prepaid expenses	(56,086)	(16,802)
Inventory	1,173	(791)
Accounts payable and accrued expenses	95,991	(60,849)
Deferred revenues	24,869	1,742
Net cash provided (used) by operating activities	(96,931)	(384,277)
Cash flows from investing activities		
Purchase of furniture and equipment	(939)	-
Cash flows from financing activities		
Proceeds from PPP loan	-	150,825
Net change in cash	(97,870)	(233,452)
Cash, end of year	**$ 667,721**	**$ 765,591**

Note 1. **Significant Accounting Policies**

Organization and General
Alignment Nashville, Inc. (the Organization) is a collaboration between Metropolitan Nashville Public Schools and local businesses, non-profit agencies, government, and universities. The purpose of Alignment Nashville, Inc. is to create a system to bring community organizations and resources into alignment so that their coordinated support to Metropolitan Nashville Public Schools and District priorities have a positive impact on student achievement and public school success.

Basis of Presentation
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). Net assets, revenue, support, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may, or will be, met by the Organization's actions and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restriction. Net assets with donor restrictions may also include net assets subject to donor-imposed stipulations to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

Accounts Receivable
Accounts receivable represent amounts due from organizations for events and consulting services and amounts due under government contracts and grants. The Organization establishes an allowance for losses on its accounts based on historic loss experience and current economic conditions. Losses are charged off to the allowance when management deems further collection efforts will not produce additional recoveries. No allowance for uncollectible accounts receivable was deemed necessary by management at June 30, 2022 and 2021.

Furniture and Equipment
Furniture and equipment are recorded at acquisition cost, if purchased, or the fair value on the date received, if donated. The cost of routine maintenance and repairs is expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, ranging from five to seven years.

Inventory
Inventory consists primarily of publications and supplies and is stated at the lower of cost or net realizable value. Cost has been determined on the first-in, first-out basis.

Deferred Revenues
Grant funds, contract funds, and event income received in advance for future periods are recorded as deferred revenues. Recognition as revenue occurs when the obligation to perform has been satisfied.

Note 1. **Significant Accounting Policies**

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. The Organization received two loans in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution with recognition of a refundable advance. As the conditions for forgiveness are substantially met or explicitly waived, the liability is derecognized and income is recognized. The Organization has elected to treat the PPP loans as debt until the amounts are formally discharged.

Recently Issued Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was retroactively adopted by the Organization on July 1, 2021.

Revenue Recognition

On July 1, 2020, the Organization adopted Accounting Standards Update (ASU) ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, ASC 606), which supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. ASC 606 requires revenue to be recognized in an amount that reflects the consideration the entity expects to be entitled to in an exchange of goods or services. The Organization performed an analysis of revenue streams and transitions to determine in-scope applicability. The adoption of ASC 606 did not materially impact the financial statements and related disclosures.

Contributions and Contributions Receivable

The Organization reports gifts of cash and other assets as increases in net assets with donor restrictions if the gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, i.e., when a stipulated time restriction ends or the purpose of the 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 released from restriction. Restricted contributions whose restrictions are met in the same reporting period are shown as net assets without donor restrictions.

Contributions receivable are recorded at their estimated fair value and reflect discounts for payment terms greater than one year, if applicable. Contributions receivable are considered either conditional or unconditional promises to give. A conditional contribution is one which depends on the occurrence of some specified uncertain future event to become binding on the donor. Conditional contributions are not recorded as revenue until the condition is met, at which time they become unconditional. Unconditional contributions are recorded as revenue at the time verifiable evidence of the promise to give is received. In the event a donor makes changes to the nature of a restricted gift that affects its classification among the net asset categories, such amounts are reflected as reclassifications in the Statements of Activities.

Note 1. **Significant Accounting Policies**

Contributions of Nonfinancial Assets

The Organization periodically receives contributions in a form other than cash. If the Organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized at its estimated fair value at the date of the gift, provided the value of the asset and its estimated useful life meet the Organization's capitalization policy. Donated use of facilities is reported as contributions and as expenses, at the estimated fair value of similar space for rent under similar conditions. If the use of the space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of the gift, and the expense is reported over the term of use. Donated supplies are recorded as contributions at the date of gift and as expense when the donated items are placed into service or distributed.

The Organization benefits from personal services provided by volunteers. Those volunteers have donated significant amounts of time and services to the Organization's program operations. US GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets; or (b) the services require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contribution.

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the US Internal Revenue Code and, accordingly, no provision for income taxes is included in the accompanying financial statements.

The Organization accounts for the effect of any uncertain tax positions based on a more likely than not threshold as to whether the tax positions would be sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainty, the unrecognized tax benefit is estimated based on a cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions include, but are not limited to, the tax-exempt status of the Organization and determination of whether income is subject to unrelated business income tax. However, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition and is not subject to audit by taxing jurisdictions for years prior to 2019.

Use of Estimates

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

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized and reported on a functional basis. All expenses are charged directly to program services, management and general, or fundraising based on a combination of specific identification and allocation by management based on time and effort spent.

Employee Retention Credit

For the years ended June 30, 2022 and 2021, the Organization has recognized $128,159 and $43,148, respectively, in employee retention credits, respectively in employee retention credits, to be applied against payroll taxes for the years ended June 30, 2022 and 2021, in accordance with the CARES Act. Accordingly, payroll, taxes, and benefits for the years ended June 30, 2022 and 2021 are presented net of these credits. The receivables are expected to be fully collectible and are included in accounts receivable on the statements of financial position.

Note 2. **Liquidity and Availability**

The following represents the Organization's financial assets:

	2022	2021
Financial assets		
Cash	$ 667,721	$ 765,591
Accounts receivable, net	289,893	167,781
Total financial assets at year-end	957,614	933,372
Less amounts not available to be used within one year		
Board designations	265,777	319,038
Net assets with donor restrictions	82,034	83,758
Financial assets not available to be used within one year	347,811	402,796
Financial assets available to meet cash needs for general expenditures within one year	**$ 609,803**	**$ 530,576**

The Organization is substantially supported by program revenues and unrestricted grants. The Organization also receives restricted grants and contributions and must maintain sufficient resources to meet responsibilities to its donors. Additionally, the Organization maintains certain board-designated assets that are designated for specific purposes. These assets are limited in use and are not available for general expenditures within the next year. See note 6 for a complete description of these assets.

The board-designated assets can be made available, if necessary. The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 3. **Furniture and Equipment**

Furniture and equipment consists of the following:

	2022	2021
Furniture	$ 71,552	$ 70,613
Software	37,500	37,500
Less: accumulated depreciation	(97,100)	(89,445)
Furniture and equipment, net	**$ 11,952**	**$ 18,668**

Note 4. **Grant Revenues**

Grant revenues recognized, by grantor, consist of the following:

	2022	2021
MNPS	$ 200,000	$ 200,000
Metropolitan Nashville Government	150,000	150,000
Other	67,621	15,000
Total grant revenues	**$ 417,621**	**$ 365,000**

Note 5. **PPP Loans**

On March 29, 2021, the Organization received a second PPP loan in the amount of $150,825 in accordance with the PPP section of the CARES Act. Under this loan program, the Organization may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. As of September 13, 2021, the second PPP loan was fully forgiven and recognized as income.

The Organization has elected to treat the PPP loan as debt and presented it as long-term debt in the financial statements. The Organization has not recorded accrued interest due on the note through fiscal year-end, as the amount is immaterial.

The Organization received the first PPP loan on April 20, 2020 in the amount of $160,540, which was officially forgiven on December 22, 2020. It received the second PPP loan on March 29, 2021 in the amount of $150,825, which was officially forgiven on September 13, 2021.

Note 6. **Net Assets**

Net assets without donor restrictions at consist of the following:

	2022	2021
Undesignated	$ 588,346	$ 430,957
Board-designated - MNPS Academies of Nashville support	265,777	319,038
Total net assets without donor restrictions	**$ 854,123**	**$ 749,995**

Net assets with donor restrictions at consist of the following:

	2022	2021
Ford NGL	$ 64,065	$ 63,961
Project Reconnect	9,400	-
Summer Reading Program	6,459	-
Other	2,110	19,797
Total net assets with donor restrictions	**$ 82,034**	**$ 83,758**

Note 7. **Leases**

On January 1, 2019, the Organization began leasing office space under a non-cancelable lease that expires in December 2023. Lease expense totaled $114,019 and $104,400 for the years ended June 30, 2022 and 2021, respectively.

Remaining minimum lease payments are as follows:

Year ended June 30,		
2023	$	106,751
2024		54,163
	$	**160,914**

Note 8. **Rental Income**

In April 2020, the Organization began to sublease office space under an operating lease that expires in December 2023. Rental income totaled $26,682 and $17,800 for the years ended June 30, 2022 and 2021, respectively, which are reported as other income in the Statement of Activities for the years ended June 30, 2022 and 2021.

Future rental income is as follows:

Year ended June 30,		
2023	$	25,844
2024		13,113
	$	**38,957**

Note 9. **Commitments and Contingencies**

The Organization has received government grants for specific purposes that are subject to review and audit by grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, management believes any required reimbursements would not be material to the financial statements of the Organization.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash held by the Organization. Cash at June 30, 2022 and 2021 includes demand deposits held at a financial institution. The deposits carry credit risk to the extent they exceed federally insured limits from time to time. As of June 30, 2022 and 2021, the Organization had cash of $417,721 and $515,766, respectively, in excess of federally insured limits. Credit risk also extends to receivables, all of which are uncollateralized.

Two customers make up approximately 63% and one customer makes up approximately 34% of total accounts receivable for the years ended June 30, 2022 and 2021, respectively.

Note 10. **Subsequent Events**

Management has evaluated subsequent events through November 11, 2022, the date on which the financial statements were available for issuance.