

PROJECT RENAISSANCE
FINANCIAL STATEMENTS
December 31, 2015

PROJECT RENAISSANCE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Project Renaissance
Nashville, Tennessee

We have audited the accompanying financial statements of Project Renaissance (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses, and cash flows for the period operations commenced to December 31, 2015, 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 Project Renaissance as of December 31, 2015, and the changes in its net assets and its cash flows for the initial period then ended in conformity with accounting principles generally accepted in the United States of America.

Frasier, Dean & Howard, PLLC

Frasier, Dean & Howard, PLLC
Nashville, Tennessee
February 1, 2016

PROJECT RENAISSANCE
STATEMENT OF FINANCIAL POSITION
December 31, 2015

Assets

Cash and cash equivalents	\$ 636,602
Contributions receivable, net	2,000,000
Other assets	<u>9,200</u>
Total assets	<u><u>\$ 2,645,802</u></u>

Liabilities and Net Assets

Accounts payable	\$ 2,339
Grants payable	<u>650,000</u>
Total liabilities	<u>652,339</u>
Net assets:	
Unrestricted	(256,537)
Temporarily restricted	<u>2,250,000</u>
Total net assets	<u>1,993,463</u>
Total liabilities and net assets	<u><u>\$ 2,645,802</u></u>

See accompanying notes.

PROJECT RENAISSANCE
STATEMENT OF ACTIVITIES
For the period operations commenced to December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, gains, and other support:			
Grants and contributions	\$ 1,130,050	\$ 2,250,000	\$ 3,380,050
Investment income	1,446	-	1,446
Net assets released from restrictions	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total revenue, gains and other support	<u>1,131,496</u>	<u>2,250,000</u>	<u>3,381,496</u>
Expenses:			
Quality schools	250,988	-	250,988
Quality educators	721,859	-	721,859
Community engagement	316,923	-	316,923
Policy	47,179	-	47,179
Management and general	51,084	-	51,084
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>1,388,033</u>	<u>-</u>	<u>1,388,033</u>
Change in net assets	(256,537)	2,250,000	1,993,463
Net assets, beginning of period	<u>-</u>	<u>-</u>	<u>-</u>
Net assets, end of period	<u><u>\$ (256,537)</u></u>	<u><u>\$ 2,250,000</u></u>	<u><u>\$ 1,993,463</u></u>

See accompanying notes.

PROJECT RENAISSANCE
STATEMENT OF FUNCTIONAL EXPENSES
For the period operations commenced to December 31, 2015

	Quality Schools	Quality Educators	Community Engagement	Policy	Management and General	Total
Grants	\$ 200,000	\$ 600,000	\$ 150,000	\$ -	\$ -	\$ 950,000
Salaries and benefits	44,658	107,558	124,286	41,845	19,223	337,570
Program expenses	-	278	26,717	-	-	26,995
Rent	3,793	7,913	8,860	2,957	1,377	24,900
Supplies and printing	2,468	5,944	6,868	2,312	1,062	18,654
Travel	-	-	-	-	7,404	7,404
Accounting	-	-	-	-	5,219	5,219
Public relations	-	-	-	-	4,200	4,200
Utilities	-	-	-	-	3,730	3,730
Technology	-	-	-	-	3,188	3,188
Website	-	-	-	-	3,150	3,150
Insurance	-	-	-	-	2,501	2,501
Communications	69	166	192	65	30	522
Total	<u>\$ 250,988</u>	<u>\$ 721,859</u>	<u>\$ 316,923</u>	<u>\$ 47,179</u>	<u>\$ 51,084</u>	<u>\$ 1,388,033</u>

See accompanying notes.

PROJECT RENAISSANCE
STATEMENT OF CASH FLOWS
For the period operations commenced to December 31, 2015

Cash flows from operating activities:	
Change in net assets	\$ 1,993,463
Changes in operating assets and liabilities:	
Contributions receivable	(2,000,000)
Other assets	(9,200)
Accounts payable	2,339
Grants payable	<u>650,000</u>
Net cash provided by operating activities	<u>636,602</u>
Net increase in cash and cash equivalents	636,602
Cash and cash equivalents, beginning of period	<u>-</u>
Cash and cash equivalents, end of period	<u><u>\$ 636,602</u></u>

See accompanying notes.

PROJECT RENAISSANCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Project Renaissance (the “Organization”) is a non-profit organization that began operations in June 2015. The mission of the Organization is to provide all Nashville children with a high-quality education by empowering and engaging families, advocating for supportive policy, recruiting effective educators, and supporting, growing, and creating great schools. The Organization’s goal is to double the number of children attending high-quality public schools in Nashville over the immediate five years.

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. 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 the Organization 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 the Organization. The Organization did not have any permanently restricted net assets at December 31, 2015.

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.

Contributions Receivable

Management believes that contributions receivable are fully collectible at December 31, 2015. As a result, no allowance for uncollectible accounts has been provided.

PROJECT RENAISSANCE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015

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. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Quality Schools – The Organization will invest in all types of Metro public school operators, including public charter schools and schools managed directly by Metro Nashville Public Schools. The Organization will invest in the incubation and start-up of new schools with innovative models, invest to grow and replicate the best schools in Nashville charter and district, and support talented teams who have successful experiences turning around and operating schools.

Quality Educators – The Organization will develop the Nashville Teacher Residency program and partnerships 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 four hundred new high quality teachers annually to serve in Nashville’s public schools.

Community Engagement – The Organization will develop an initiative called Nashville Rise. Nashville Rise is a coalition of thousands of parents who want great schools for Nashville’s children.

Policy – The Organization is working to build relationships between stakeholders and policymakers to promote policies that support great public schools for all children, regardless of background.

PROJECT RENAISSANCE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program and Supporting Services (Continued)

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.

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

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 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. Project Renaissance has no tax penalties or interest reported in the accompanying financial statements. Tax years since inception remain open for examination.

PROJECT RENAISSANCE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Organization evaluated subsequent events through February 1, 2016, 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 – CONCENTRATIONS

The Organizations maintains its cash and cash equivalents in a financial institution at balances which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. In management's opinion, risk related to such accounts is minimal.

The Organization received approximately 96% of its contributions from two major donors for the period operations commenced to December 31, 2015.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are scheduled to be received as follows:

Amount receivable within one year	\$ 1,000,000
Amount receivable in 1 to 5 years	<u>1,000,000</u>
	<u><u>\$ 2,000,000</u></u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

The Organization receives contributions for specific 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 period operations commenced to December 31:

PROJECT RENAISSANCE
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2015

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

<u>Nature of Restriction</u>	<u>Balance at June 2015 (period operations commenced)</u>	<u>Contributions received from the period operations commenced 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	\$ -	\$ 2,000,000	\$ -	\$ 2,000,000
Relay Graduate School	-	250,000	-	250,000
	<u>\$ -</u>	<u>\$ 2,250,000</u>	<u>\$ -</u>	<u>\$ 2,250,000</u>

NOTE 5 – RETIREMENT PLAN

The Organization maintains a 401(k) retirement 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 period operations commenced to December 31, 2015 was \$4,092.

NOTE 6 – OPERATING LEASE COMMITMENTS

The Organization is renting its copier and building under two operating lease agreements. Rent expense for the period operations commenced to December 31, 2015 was \$24,900. Future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2015 are as follows:

<u>Year ending December 31</u>	
2016	\$ 55,709
2017	57,071
2018	58,466
2019	59,896
2020	<u>40,577</u>
	<u>\$ 271,719</u>