

**TENNESSEE COLLEGE ACCESS
AND SUCCESS NETWORK**

FINANCIAL STATEMENTS

June 30, 2013

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Tennessee College Access and Success Network
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Tennessee College Access and Success Network (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 College Access and Success Network, as of June 30, 2013, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2013, on our consideration of Tennessee College Access and Success Network's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tennessee College Access and Success Network's internal control over financial reporting and compliance.

Frasier, Den & Howard, PLLC

December 26, 2013
Nashville, Tennessee

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
STATEMENT OF FINANCIAL POSITION
June 30, 2013

Assets

Cash and cash equivalents	\$ 284,393
Accounts receivable	24,621
Property and equipment, net	3,348
Other assets	<u>153</u>
Total assets	<u><u>\$ 312,515</u></u>

Liabilities and Net Assets

Accounts payable	\$ 158,430
Payable to grantor agency	92,200
Accrued liabilities	15,048
Deferred revenue	<u>57,131</u>
Total liabilities	<u>322,809</u>
Net assets:	
Unrestricted	<u>(10,294)</u>
Total net assets	<u>(10,294)</u>
Total liabilities and net assets	<u><u>\$ 312,515</u></u>

See accompanying notes.

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Support and revenue:	
Federal and state grants	\$ 887,919
Other revenue	24,621
Corporate sponsorships	16,500
Program fees	<u>9,431</u>
Total support and revenue	<u>938,471</u>
Expenses:	
Program services	823,484
Management and general	<u>128,480</u>
Total expenses	<u>951,964</u>
Change in net assets	<u>(13,493)</u>
Net assets at beginning of year	-
Transfer of net assets	<u>3,199</u>
Net assets at end of year	<u><u>\$ (10,294)</u></u>

See accompanying notes.

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013

Cash flows from operating activities:	
Change in net assets	\$ (13,493)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	755
Changes in operating assets and liabilities:	
Accounts receivable	(24,621)
Other assets	(153)
Accounts payable	158,430
Payable to grantor agency	92,200
Accrued liabilities	15,048
Deferred revenue	57,131
	<hr/>
Net cash provided by operating activities	285,297
	<hr/>
Cash flows from investing activities:	
Purchases of property and equipment	(904)
	<hr/>
Net cash used in investing activities	(904)
	<hr/>
Net increase in cash and cash equivalents	284,393
Cash and cash equivalents at beginning of year	<hr/>
Cash and cash equivalents at end of year	\$ 284,393

See accompanying notes.

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Grants and subcontracts	\$ 453,029	\$ -	\$ 453,029
Salaries	150,634	81,286	231,920
Conferences and meetings	133,295	-	133,295
Professional fees	29,714	15,000	44,714
Taxes and benefits	25,625	15,797	41,422
Supplies	16,162	-	16,162
Occupancy	-	11,640	11,640
Travel	5,718	-	5,718
Telephone	4,365	-	4,365
Insurance	-	3,449	3,449
Printing and publications	2,644	-	2,644
Miscellaneous	1,800	553	2,353
Depreciation	-	755	755
Postage and shipping	498	-	498
	<u>\$ 823,484</u>	<u>\$ 128,480</u>	<u>\$ 951,964</u>

See accompanying notes.

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – ORGANIZATION AND PURPOSE

Tennessee College Access and Success Network (“The Network”), a nonprofit corporation, was incorporated in July 2012 to foster a statewide college going culture committed to college access, retention, and success by connecting education and community leaders, expanding college access and success programs and promoting professional education and information sharing.

The Network began in November 2010 as a program of Oasis Center. As of July 1, 2012, The Network became a stand-alone organization and \$3,199 of property and equipment was transferred to The Network from Oasis Center.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Network have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The significant accounting policies followed are described below.

Income Taxes

The Network is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation. Therefore, no provision for income taxes has been made.

The Network follows guidance that 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. The Network has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include the year ended June 30, 2013. The Network had no uncertain tax positions at June 30, 2013.

Basis of Presentation

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

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of The Network and/or the passage of time.

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by The Network.

The Network has no temporarily or permanently restricted net assets at June 30, 2013.

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 and allocation of functional expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, The Network considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Accounts receivable consist of fees receivable from a state agency and are considered fully collectible. Accordingly, no allowance for doubtful accounts has been provided.

Property and Equipment

Property and equipment is reported at cost at the date of purchase or at fair market value at the date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to ten years.

Contributions and Support and Revenue Recognition

Contributions are recognized when the donor makes a promise to give to The Network that is, in substance, unconditional. 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. All other donor restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Grant revenue is earned and reported as revenue when The Network has incurred expenses in compliance with the specific restrictions of the grant agreement.

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Services

Program services include costs associated with removing higher education barriers, promoting college persistence, and increasing postsecondary completion rates for all Tennesseans.

Subsequent Events

The Network evaluated subsequent events through December 26, 2013, when these financial statements were available to be issued. The Network 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 3 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2013 is as follows:

Computers	\$ 4,103
Less accumulated depreciation	<u>(755)</u>
	<u>\$ 3,348</u>

NOTE 4 – DEFERRED REVENUE

Deferred revenue consists of receipts from a state agency for which grant revenue had not been earned and totaled \$57,131 at June 30, 2013.

NOTE 5 – CONCENTRATIONS

The Network maintains its cash in bank accounts that at times may exceed limits insured by the Federal Deposit Insurance Corporation ("FDIC"). The Network has not experienced any losses in such accounts. Management believes The Network is not exposed to any significant credit risk on its cash balances.

The Network receives a substantial amount of its support from a government grant. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on The Network's programs and activities. In addition, the funding received by The Network from the governmental agency is subject to audit and retroactive adjustment.

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

NOTE 6 – COMMITMENTS

The Network had an agreement with Oasis Center, Inc. whereby Oasis Center, Inc. provides financial management and payroll services for The Network for a monthly fee of \$1,250. During the year ended June 30, 2013, The Network recognized expense of \$15,000 related to this agreement. The agreement expired June 30, 2013 and was renewed through June 2014 for similar terms.

In addition, The Network had an agreement with Oasis Center, Inc. whereby The Network will reimburse Oasis Center, Inc. a portion of operating costs in lieu of rent for a monthly fee of \$970. During the year ended June 30, 2013, The Network recognized expense of \$11,640 related to this agreement. The agreement expired June 30, 2013 and was renewed through June 2014 for similar terms.

SUPPLEMENTAL INFORMATION

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2013

Federal Grantor	Program Name	CFDA Number	Contract Number	Receivable June 30, 2012	Cash Receipts	Expenditures	Receivable (Payable/Deferred Revenue) June 30, 2013
U.S. Department of Education							
<i>Passed through Tennessee Higher Education Commission</i>							
	ARRA - State Fiscal Stabilization Fund (NOTE 3)	84.395A+	GR1338950	\$ -	\$ 1,037,250	\$ 887,919	\$ (149,331) *
Total U.S. Department of Education				-	1,037,250	887,919	(149,331)
Total federal awards				\$ -	\$ 1,037,250	\$ 887,919	\$ (149,331)

+ Indicates a major program

* Included in the accompanying statement of financial position as payable to grantor agency of \$92,200 and deferred revenue of \$57,131.

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Tennessee College Access and Success Network under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Tennessee College Access and Success Network, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Tennessee College Access and Success Network.

NOTE 2 - BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

NOTE 3 - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, Tennessee College Access and Success Network provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount provided to Subrecipients
84.395A	State Fiscal Stabilization Fund	\$ 453,029



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

The Board of Directors of
Tennessee College Access and Success Network
Nashville, Tennessee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tennessee College Access and Success Network (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tennessee College Access and Success Network's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Tennessee College Access and Success Network's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2013-1, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tennessee College Access and Success Network's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Tennessee College Access and Success Network's Response to Findings

Tennessee College Access and Success Network's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tennessee College Access and Success Network's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Frasier, Den + Howard, PLLC

December 26, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB
CIRCULAR A-133**

The Board of Directors of
Tennessee College Access and Success Network
Nashville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited Tennessee College Access and Success Network's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Tennessee College Access and Success Network's major federal programs for the year ended June 30, 2013. Tennessee College Access and Success Network's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Tennessee College Access and Success Network's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tennessee College Access and Success Network's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Tennessee College Access and Success Network's compliance.

Opinion on Each Major Federal Program

In our opinion, Tennessee College Access and Success Network complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-2. Our opinion on each major federal program is not modified with respect to this matter.

Tennessee College Access and Success Network's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Tennessee College Access and Success Network's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Tennessee College Access and Success Network is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tennessee College Access and Success Network's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tennessee College Access and Success Network's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-2, that we consider to be a significant deficiency.

Tennessee College Access and Success Network's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Tennessee College Access and Success Network's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope or our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Fraser, Owen & Hard, PLLC

December 26, 2013

**TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013**

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	<u> x </u> No	
Significant deficiency(ies) identified?	<u> x </u> Yes	_____ None reported	
Noncompliance material to financial statements noted?	_____ Yes	<u> x </u> No	

Federal Awards:

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	<u> x </u> No	
Significant deficiency(ies) identified?	<u> x </u> Yes	_____ None reported	
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u> x </u> Yes	_____ No	

Programs tested as major programs were:

CFDA Number

84.395A

Name of Federal Program or Cluster

State Fiscal Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
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Auditee qualified as low-risk auditee?	_____ Yes	<u> x </u> No
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**TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended June 30, 2013**

FINDINGS – FINANCIAL STATEMENTS AUDIT

2013-1 Statement of Condition: The Committee of Sponsoring Organizations (“COSO”) framework for effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to The Network’s audited financial statements. While The Network utilizes an effective accounting department, it currently does not have a certified public accountant or individual with similar experience on staff to interpret generally accepted accounting principles and identify risks of misstatement that might be relevant to the risks of preparation of reliable financial statements, including full disclosures in accordance with generally accepted accounting principles (“GAAP”). Additionally, material adjustments were made during the audit in order to present The Network’s financial statements in accordance with GAAP.

Effect of Condition: The Network does not have the expertise in house to interpret GAAP and prepare its financial statements accordingly.

Auditor’s Recommendation: We recommend that the Board and management continue to evaluate the cost/benefit of engaging the resources in house to interpret GAAP and prepare its financial statements.

Grantee Response: We concur with the finding and will evaluate the cost/benefit to The Network of engaging personnel with GAAP knowledge.

**TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended June 30, 2013**

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

	<u>Questioned Costs</u>
2013-2 U.S. Department of Education, passed through Tennessee Higher Education Commission, State Fiscal Stabilization Fund, CFDA 84.395A, Grant No. GR1338950, for the year ended June 30, 2013	\$ 92,200

Statement of Condition: The Network's grant budget provided for indirect costs for which the Network applied to their grant for the year ended June 30, 2013. However, the Network did not incur indirect costs for the year ended June 30, 2013.

Criteria: The Network must incur indirect costs in order to be eligible for reimbursement of those costs.

Cause: Management's communication with the grantor agency caused them to believe that the billing for indirect costs from the grant could be received in advance of the indirect cost actually being incurred.

Effect: The indirect costs were disallowed.

Recommendation: The Network should reimburse the grantor the amount of indirect costs inappropriately applied to the grant.

Grantee response: The Network agrees with the finding and has recorded a payable to the grantor for the inappropriate amount of indirect costs applied to the grant for the year ended June 30, 2013.



December 26, 2013

U.S. Department of Education

Tennessee College Access and Success Network respectfully submits the following corrective action plan for the year ended June 30, 2013.

Name and address of independent public accounting firm:

Frasier, Dean & Howard, PLLC
3310 West End Avenue, Suite 550
Nashville, TN 37203

Audit period: July 1, 2012 – June 30, 2013

The finding from the June 30, 2013 schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2013-1 Auditor's Recommendation: The Network should evaluate the cost/benefit of engaging resources to interpret GAAP and prepare its audited financial statements.

Action Taken: We concur with the recommendation and will evaluate the cost/benefit to the Network of engaging personnel with GAAP knowledge to prepare financial statements.

FINDINGS – FEDERAL AWARD PROGRAMS AUDITS


U.S. Department of Education, passed through Tennessee Higher Education Commission, State Fiscal Stabilization Fund, VFDA 84.395A, Grant No. GR1338950

2013-2 Auditor's Recommendation: The Network should reimburse the amount of indirect costs inappropriately applied to the grant.

Action taken: The Network agrees with the finding and has recorded a payable to the grantor for the inappropriate amount of indirect costs applied to the grant.

If the U.S. Department of Education has questions regarding this plan, please call Bob Obrohta, Executive Director, at 615-327-4455.

Sincerely,


Bob Obrohta, Executive Director