



TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION

FINANCIAL STATEMENTS

***As of and for the Years Ended December 31, 2017
and 2016***

And Report of Independent Auditor

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Report of Independent Auditor

To the Board of Directors of
Tennessee State Collaborative on Reforming Education
Nashville, Tennessee

We have audited the accompanying financial statements of Tennessee State Collaborative on Reforming Education (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 Tennessee State Collaborative on Reforming Education as of December 31, 2017, 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.

Prior Period Financial Statements

The financial statements as of December 31, 2016, were audited by other auditors who report dated May 4, 2017, expressed an unmodified opinion on those statements.



Nashville, Tennessee
June 9, 2018

TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 12,145,546	\$ 10,198,085
Contributions receivable, net	4,260,103	4,109,168
Property and equipment, net of accumulated depreciation of \$92,883 and \$49,052, respectively	63,245	107,076
Total Assets	\$ 16,468,894	\$ 14,414,329
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 565,922	\$ 198,759
Funds held under agency agreements	3,007,832	3,848,073
Total Liabilities	3,573,754	4,046,832
Net Assets:		
Unrestricted	6,470,051	6,162,145
Temporarily restricted	6,425,089	4,205,352
Total Net Assets	12,895,140	10,367,497
Total Liabilities and Net Assets	\$ 16,468,894	\$ 14,414,329

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

TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue, Gains, and Other Support:			
Grants and contributions	\$ 1,181,000	\$ 8,610,697	\$ 9,791,697
Other income	268,612	-	268,612
Investment income	15,254	-	15,254
Net assets released from restrictions	6,390,960	(6,390,960)	-
Total Revenue, Gains, and Other Support	<u>7,855,826</u>	<u>2,219,737</u>	<u>10,075,563</u>
Expenses:			
Program	7,158,662	-	7,158,662
Management and general	389,258	-	389,258
Total Expenses	<u>7,547,920</u>	<u>-</u>	<u>7,547,920</u>
Change in net assets	307,906	2,219,737	2,527,643
Net assets, beginning of year	6,162,145	4,205,352	10,367,497
Net assets, end of year	<u>\$ 6,470,051</u>	<u>\$ 6,425,089</u>	<u>\$ 12,895,140</u>

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

TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue, Gains, and Other Support:			
Grants and contributions	\$ 1,751,062	\$ 2,587,500	\$ 4,338,562
Other income	335,673	-	335,673
Investment income	14,680	-	14,680
Net assets released from restrictions	5,573,163	(5,573,163)	-
Total Revenue, Gains, and Other Support	<u>7,674,578</u>	<u>(2,985,663)</u>	<u>4,688,915</u>
Expenses:			
Program	5,309,886	-	5,309,886
Management and general	331,069	-	331,069
Total Expenses	<u>5,640,955</u>	<u>-</u>	<u>5,640,955</u>
Change in net assets	2,033,623	(2,985,663)	(952,040)
Net assets, beginning of year	<u>4,128,522</u>	<u>7,191,015</u>	<u>11,319,537</u>
Net assets, end of year	<u><u>\$ 6,162,145</u></u>	<u><u>\$ 4,205,352</u></u>	<u><u>\$ 10,367,497</u></u>

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

TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services					Supporting Services		
	Educator Networks	Advocacy	Research, Policy, and Best Practices	Technical Assistance	Total	Management and General	Total	Total
Consultants	\$ 1,611,427	\$ 665,951	\$ 6,700	\$ 18,100	\$ 2,302,178	\$ 49,620	\$ 49,620	\$ 2,351,798
Salary and related expenses	520,604	756,156	370,907	374,481	2,022,148	158,382	158,382	2,180,530
Subgrants	345,785	-	-	895,625	1,241,410	-	-	1,241,410
Communications and media	12,365	581,358	23,062	-	616,785	-	-	616,785
Travel and meetings	354,069	159,464	66,042	27,220	606,795	-	-	606,795
Supplies	5,263	207,399	40,703	701	254,066	6,691	6,691	260,757
Accounting and legal	21,551	31,302	15,354	15,502	83,709	6,556	6,556	90,265
Office expenses	-	-	-	-	-	50,519	50,519	50,519
Rent	-	-	-	-	-	50,035	50,035	50,035
Depreciation	-	-	-	-	-	43,831	43,831	43,831
Team development	7,240	10,516	5,158	5,207	28,121	2,202	2,202	30,323
Other	-	-	-	-	-	8,145	8,145	8,145
Insurance	-	-	-	-	-	6,123	6,123	6,123
Lobbying	-	-	-	-	-	6,884	6,884	6,884
Board meetings	888	1,290	633	639	3,450	270	270	3,720
Total	<u>\$ 2,879,192</u>	<u>\$ 2,413,436</u>	<u>\$ 528,559</u>	<u>\$ 1,337,475</u>	<u>\$ 7,158,662</u>	<u>\$ 389,258</u>	<u>\$ 389,258</u>	<u>\$ 7,547,920</u>

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

TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Program Services					Supporting Services		
	Educator Networks	Advocacy	Research, Policy, and Best Practices	Technical Assistance	Total	Management and General	Total	Total
Salary and related expenses	\$ 452,521	\$ 651,370	\$ 353,050	\$ 344,855	\$ 1,801,796	\$ 162,274	\$ 162,274	\$ 1,964,070
Contractual services	1,316,221	240,910	166,930	14,243	1,738,304	-	-	1,738,304
Conferences and meetings	271,899	67,842	194,211	35,273	569,225	322	322	569,547
Communications and media	28,095	316,751	47,835	-	392,681	-	-	392,681
Awards	280,526	-	250	-	280,776	-	-	280,776
Travel and meetings	147,991	29,333	6,169	6,328	189,821	-	-	189,821
Video online and digital strategy	-	106,208	-	-	106,208	-	-	106,208
Accounting and legal	19,732	28,403	15,395	15,038	78,568	7,076	7,076	85,644
Supplies	17,467	16,445	34,183	2,707	70,802	-	-	70,802
Other	-	2,000	17,004	15,590	34,594	23,206	23,206	57,800
Office expenses	-	-	-	-	-	52,705	52,705	52,705
Rent	-	-	-	-	-	51,885	51,885	51,885
Depreciation	-	-	-	-	-	29,875	29,875	29,875
Subscriptions	-	26,707	-	-	26,707	-	-	26,707
Steering committee	-	-	-	12,390	12,390	-	-	12,390
Equipment	1,783	2,566	1,391	1,359	7,099	639	639	7,738
Insurance	-	-	-	-	-	2,267	2,267	2,267
Lobbying	-	915	-	-	915	820	820	1,735
Total	<u>\$ 2,536,235</u>	<u>\$ 1,489,450</u>	<u>\$ 836,418</u>	<u>\$ 447,783</u>	<u>\$ 5,309,886</u>	<u>\$ 331,069</u>	<u>\$ 331,069</u>	<u>\$ 5,640,955</u>

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

TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION **STATEMENTS OF CASH FLOWS**

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 2,527,643	\$ (952,040)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	43,831	29,875
Changes in operating assets and liabilities:		
Contributions receivable	(150,935)	2,253,492
Accounts payable	367,163	98,631
Funds held under agency agreements	(840,241)	(765,739)
Net cash provided by operating activities	<u>1,947,461</u>	<u>664,219</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>-</u>	<u>(124,602)</u>
Net cash used in investing activities	<u>-</u>	<u>(124,602)</u>
Net increase in cash and cash equivalents	1,947,461	539,617
Cash and cash equivalents, beginning of year	<u>10,198,085</u>	<u>9,658,468</u>
Cash and cash equivalents, end of year	<u><u>\$ 12,145,546</u></u>	<u><u>\$ 10,198,085</u></u>

TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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

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

Financial Statement Presentation – The financial statements of SCORE have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“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:

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

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

Permanently Restricted Net Assets – Net assets subject to donor-imposed restrictions that they be maintained permanently by SCORE. SCORE did not have any permanently restricted net assets at December 31, 2017 or 2016.

Cash and Cash Equivalents – SCORE considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Contributions Receivable – SCORE accounts for potential losses in contributions receivable utilizing the allowance method. Management believes that contributions receivable are fully collectible at December 31, 2017 or 2016. As a result, no allowance for uncollectible accounts has been provided.

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 five years.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. The expiration of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Program and Supporting Services – The following program and supporting services are included in the accompanying financial statements:

Educator Networks – Expenses related to fostering, convening, and supporting strong networks of education leaders, specifically teacher leaders and district leaders.

Advocacy – Expenses related to building awareness and support and sustaining the momentum among organizations and individuals for education reform and improving student achievement in the state of Tennessee.

TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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

Research, Policy, and Best Practice Sharing – Expenses related to research on key policies and the development of tools and reports focused on sharing best practices across the state to advance SCORE's strategic priorities.

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

Management and General – Includes the functions necessary to ensure an adequate working environment and costs not identifiable with a single program or activity. Includes costs associated with providing coordination and articulation of SCORE's program strategy, business management, general recordkeeping, budgeting, and related purposes.

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 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

SCORE follows Financial Accounting Standards Board Accounting Standards Codification guidance related to uncertain tax provisions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. SCORE has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include the years ended December 31, 2014 through December 31, 2017.

Reclassifications – Certain reclassifications have been made to 2016 balances to conform with 2017 presentation.

Subsequent Events – SCORE evaluated subsequent events through June 9, 2018, 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.

TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2—Concentrations

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

SCORE received approximately 86% of its contributions from two donors for the year ended December 31, 2017. SCORE received approximately 25% of its contributions from one donor for the year ended December 31, 2016. A significant reduction in the level of this support, if this were to occur, could have a negative impact on SCORE's programs and activities.

Note 3—Contributions receivable

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

	2017	2016
Amount receivable within one year	\$ 3,873,435	\$ 3,372,500
Amount Receivable in one to five years	400,000	750,000
	4,273,435	4,122,500
Less discounts on contributions receivable	(13,332)	(13,332)
	<u>\$ 4,260,103</u>	<u>\$ 4,109,168</u>

Contributions receivable due in more than one year are reflected at the net present value of estimated future cash flows using a discount rate of approximately 3%.

Note 4—Funds held under agency agreements

SCORE is acting as a fiscal sponsorship for certain organizations, receiving contributions and making disbursements restricted for the purpose of the agreement. Expenditures are made after approval by the management of the corresponding organization. All funds are held in a bank account separate from funds of SCORE.

Note 5—Commitments

SCORE leases office space under an agreement that is renewed annually. Rental expense under this lease agreement was \$50,035 and \$51,885 for the years ended December 31, 2017 or 2016, respectively. Effective January 1, 2017, SCORE revised the existing lease agreement and entered into a three year non-cancellable lease agreement for office space.

Future minimum lease payments required under this lease agreement at December 31, 2017 are as follows:

Years Ending December 31,

2018	\$ 60,180
2019	61,384
	<u>\$ 121,564</u>

TENNESSEE STATE COLLABORATIVE ON REFORMING EDUCATION
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 6—Temporarily restricted net assets

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

Purpose	Beginning, January 1, 2017	Contributions Received from January 1, 2017 to December 31, 2017	Expended and/or Released by Specific Purpose Being Fulfilled	Ending, December 31, 2017
Contributions receivable	\$ 2,509,168	\$ 6,802,000	\$ 5,051,065	\$ 4,260,103
LIFT	1,657,484	1,499,697	1,030,291	2,126,890
Data analysis	-	20,000	-	20,000
Leadership	-	25,000	14,600	10,400
Programmatic Support	-	200,000	194,696	5,304
Innovate to achieve	10,707	54,000	62,315	2,392
Expect more, achieve more, coalition	27,993	-	27,993	-
Nashville focus groups	-	10,000	10,000	-
	<u>\$ 4,205,352</u>	<u>\$ 8,610,697</u>	<u>\$ 6,390,960</u>	<u>\$ 6,425,089</u>

Purpose	Beginning, January 1, 2016	Contributions Received from January 1, 2016 to December 31, 2016	Expended and/or Released by Specific Purpose Being Fulfilled	Ending December 31, 2016
Contributions receivable	\$ 3,534,088	\$ 2,447,500	\$ 3,472,420	\$ 2,509,168
LIFT	3,656,927	-	1,999,443	1,657,484
Expect more, achieve more, coalition	-	100,000	72,007	27,993
Innovate to achieve	-	30,000	19,293	10,707
SCORE prize	-	10,000	10,000	-
	<u>\$ 7,191,015</u>	<u>\$ 2,587,500</u>	<u>\$ 5,573,163</u>	<u>\$ 4,205,352</u>

Note 7—Retirement plan

SCORE maintains an Internal Revenue Code Section 457 Retirement Plan for its Executive Chairman and CEO, as well as 403(b) Plan for certain eligible employees. Employer expense for the years ended December 31, 2017 and 2016, totaled \$50,184 and \$49,889, respectively, and is included in salary and related expenses in the accompanying statements of functional expenses.