

**TENNESSEE COLLEGE ACCESS
AND SUCCESS NETWORK**

FINANCIAL STATEMENTS

June 30, 2016 and 2015

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

We have audited the accompanying financial statements of Tennessee College Access and Success Network (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses for the years 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 audits. We conducted our audits 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 College Access and Success Network as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Fraser, Dean & Howard, PLLC

Nashville, Tennessee
December 13, 2016

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 469,812	\$ 391,573
Grants receivable	145,431	5,750
Property and equipment, net	<u>2,473</u>	<u>3,874</u>
Total assets	<u><u>\$ 617,716</u></u>	<u><u>\$ 401,197</u></u>
Liabilities and Net Assets		
Accounts payable	\$ 4,732	\$ 15,190
Accrued liabilities	9,732	6,946
Deferred revenue	<u>333,365</u>	<u>321,033</u>
Total liabilities	<u>347,829</u>	<u>343,169</u>
Net assets:		
Unrestricted	<u>269,887</u>	<u>58,028</u>
Total net assets	<u>269,887</u>	<u>58,028</u>
Total liabilities and net assets	<u><u>\$ 617,716</u></u>	<u><u>\$ 401,197</u></u>

See accompanying notes.

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Support and revenue:		
Corporate contracts and grants	\$ 737,021	\$ 868,250
Federal and state grants	119,250	354,127
Program fees	8,479	9,621
Miscellaneous revenue	<u>3,881</u>	<u>3,400</u>
Total support and revenue	<u>868,631</u>	<u>1,235,398</u>
Expenses:		
Program services	489,540	1,058,600
Management and general	154,273	155,029
Fundraising	<u>12,959</u>	<u>-</u>
Total expenses	<u>656,772</u>	<u>1,213,629</u>
Change in net assets	211,859	21,769
Net assets at beginning of year	<u>58,028</u>	<u>36,259</u>
Net assets at end of year	<u><u>\$ 269,887</u></u>	<u><u>\$ 58,028</u></u>

See accompanying notes.

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 211,859	\$ 21,769
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,401	1,092
Changes in operating assets and liabilities:		
Grants receivable	(139,681)	75,075
Other assets	-	261
Accounts payable	(10,458)	(104,939)
Accrued liabilities	2,786	(972)
Deferred revenue	12,332	237,767
	<u>78,239</u>	<u>230,053</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	<u>-</u>	<u>(1,689)</u>
Net cash used in investing activities	<u>-</u>	<u>(1,689)</u>
Net increase in cash and cash equivalents	78,239	228,364
Cash and cash equivalents at beginning of year	<u>391,573</u>	<u>163,209</u>
Cash and cash equivalents at end of year	<u><u>\$ 469,812</u></u>	<u><u>\$ 391,573</u></u>

See accompanying notes.

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	Program Services	Management and General	Fundraising	Total
Professional fees	\$ 239,003	\$ 24,835	\$ -	\$ 263,838
Salaries	138,768	91,384	10,652	240,804
Taxes and benefits	29,862	20,096	2,307	52,265
Conferences and meetings	51,257	-	-	51,257
Travel	17,229	-	-	17,229
Occupancy	-	13,200	-	13,200
Supplies	4,868	-	-	4,868
Insurance	-	4,738	-	4,738
Telephone	4,125	-	-	4,125
Printing and publications	2,910	-	-	2,910
Depreciation	1,401	-	-	1,401
Postage and shipping	116	-	-	116
Miscellaneous	1	20	-	21
	<u>\$ 489,540</u>	<u>\$ 154,273</u>	<u>\$ 12,959</u>	<u>\$ 656,772</u>

See accompanying notes.

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015

	Program Services	Management and General	Total
Professional fees	\$ 697,929	\$ 28,300	\$ 726,229
Salaries	122,048	85,923	207,971
Grants and subcontracts	109,211	-	109,211
Conferences and meetings	71,601	-	71,601
Taxes and benefits	28,161	17,990	46,151
Travel	18,396	-	18,396
Occupancy	-	13,200	13,200
Miscellaneous	1,549	4,377	5,926
Supplies	5,595	-	5,595
Insurance	-	4,147	4,147
Telephone	3,558	-	3,558
Depreciation	-	1,092	1,092
Postage and shipping	306	-	306
Printing and publications	246	-	246
	<u>\$ 1,058,600</u>	<u>\$ 155,029</u>	<u>\$ 1,213,629</u>

See accompanying notes.

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

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.

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.

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.

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, 2016 and 2015.

Cash Equivalents

For purposes of the statements 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.

Grants Receivable

Grants receivable consist of fees receivable from a state agency and a corporate donor 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.

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Contract revenue and grant revenue are earned and reported as revenue when the Network has incurred expenses in compliance with the specific restrictions of the respective agreements.

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.

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 years ended June 30, 2013 through June 30, 2016.

Program Services

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

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Network evaluated subsequent events through December 13, 2016, 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

Property and equipment consist of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Computers	\$ 6,582	\$ 6,582
Less: accumulated depreciation	<u>(4,109)</u>	<u>(2,708)</u>
	<u>\$ 2,473</u>	<u>\$ 3,874</u>

NOTE 4 – DEFERRED REVENUE

Deferred revenue at June 30, 2016 and 2015 consists of receipts from a corporate contractor for which revenue had not been earned and totaled \$333,365 and \$321,033, respectively.

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.

During fiscal year 2015, the Network signed an agreement with a corporate entity to receive \$985,000 for the creation of a website to connect college admissions, college access professionals and their high school students to increase recruitment of high-potential, lower-income, first-generation college-goers. Revenue from the agreement amounted to approximately 60% and 70% of total support and revenue in fiscal 2016 and 2015, respectively. Amounts expensed during fiscal 2016 and 2015, relating to the website totaled \$185,000 and \$665,000, respectively, and are included in the statements of activities.

Revenue from government grants totaled approximately 14% and 29% of total support and revenue in fiscal 2016 and 2015, respectively.

A significant reduction in the level of support from corporate and government sources would have a negative effect on the Network’s programs and activities.

TENNESSEE COLLEGE ACCESS AND SUCCESS NETWORK
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 6 – COMMITMENTS

The Network has 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 years ended June 30, 2016 and 2015, the Network recognized expense of \$15,000 related to this agreement. The agreement expires June 2017.

In addition, the Network has 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 \$1,100. During the years ended June 30, 2016 and 2015, the Network recognized expense of \$13,200 related to this agreement. The agreement expired June 30, 2016 and was renewed through June 2017 with similar terms.