ALIGNMENT NASHVILLE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

ALIGNMENT NASHVILLE, INC.

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CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
Alignment Nashville, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Alignment Nashville, Inc. (the "Organization"), a Tennessee not-for-profit corporation, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, the related statement of functional expenses for the year ended June 30, 2019, 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 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 Alignment Nashville, Inc. as of June 30, 2019 and 2018, 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.

Changes in Financial Statement Presentation

As discussed in Note A, Alignment Nashville, Inc. adopted the amendments in Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the statement of functional expenses and the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Crosslin, PLLC

Nashville, Tennessee
October 25, 2019

ALIGNMENT NASHVILLE
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30, 2019	June 30, 2018
Cash and cash equivalents	$ 847,773	$ 882,290
Accounts receivable, net	182,410	125,675
Prepaid expenses	60,335	76,981
Inventory	234	2,495
Furniture and equipment, net	33,602	4,753
Total assets	$ 1,124,354	$ 1,092,194

LIABILITIES AND NET ASSETS

	2019	2018
Liabilities:		
Accounts payable and accrued expenses	$ 171,094	$ 138,888
Deferred revenue	104,148	99,177
Total liabilities	275,242	238,065
Net assets:		
Without donor restrictions:		
Undesignated	318,179	398,954
Board designated	418,217	333,336
Total net assets without donor restrictions	736,396	732,290
With donor restrictions	112,716	121,839
Total net assets	849,112	854,129
Total liabilities and net assets	$ 1,124,354	$ 1,092,194

See accompanying notes to financial statements.

ALIGNMENT NASHVILLE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	$ 1,063	$ -	$ 1,063
Grants	396,182	82,900	479,082
Events income	1,196,254	-	1,196,254
In-kind donations	6,000	-	6,000
Consulting income	507,702	-	507,702
Other income	120,300	-	120,300
Released from restrictions	92,023	(92,023)	-
Total support and revenue	2,319,524	(9,123)	2,310,401
Expenses:			
Program services	2,067,542	-	2,067,542
Supporting services	247,876	-	247,876
Total expenses	2,315,418	-	2,315,418
Change in net assets	4,106	(9,123)	(5,017)
Net assets at beginning of year	732,290	121,839	854,129
Net assets at end of year	$ 736,396	$ 112,716	$ 849,112

See accompanying notes to financial statements.

ALIGNMENT NASHVILLE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contributions	$ 50,789	$ -	$ 50,789
Grants	376,676	262,948	639,624
Events income	1,495,969	-	1,495,969
In-kind donations	10,130	-	10,130
Consulting income	765,002	-	765,002
Other income	121,281	-	121,281
Released from restrictions	190,580	(190,580)	-
Total support and revenue	3,010,427	72,368	3,082,795
Expenses:			
Program services	2,595,523	-	2,595,523
Supporting services	234,537	-	234,537
Total expenses	2,830,060	-	2,830,060
Change in net assets	180,367	72,368	252,735
Net assets at beginning of year	551,923	49,471	601,394
Net assets at end of year	$ 732,290	$ 121,839	$ 854,129

See accompanying notes to financial statements.

ALIGNMENT NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services						Supporting Services	
	Alignment Nashville	Alignment USA	Nashville Hub	Academies of Nashville Support	Ford NGL	Total Program	General and Administrative	Total
Event expenses	$ 115,929	$ 7,832	$ 559,582	$ 81,726	$ -	$ 765,069	$ -	$ 765,069
Billable consulting services	4,228	38,240	161,101	-	-	203,569	-	203,569
Awards and grants	-	-	-	45,474	-	45,474	-	45,474
Contract services	10,584	5,156	47,943	2,625	56,437	122,745	14,511	137,256
Payroll expenses	268,710	285,012	168,127	-	-	721,849	180,463	902,312
Operations and other	10,475	20,313	15,729	233	-	46,750	30,515	77,265
Facilities and equipment	31,009	33,882	24,659	-	-	89,550	22,387	111,937
Travel and meetings	25,119	8,934	7,624	2,978	27,881	72,536	-	72,536
	$ 466,054	$ 399,369	$ 984,765	$ 133,036	$ 84,318	$ 2,067,542	$ 247,876	$ 2,315,418

See accompanying notes to financial statements.

ALIGNMENT NASHVILLE
STATEMENTS OF CASH FLOWS

	Years Ended June 30, 2019	Years Ended June 30, 2018
Cash flows from operating activities:		
Change in net assets	$ (5,017)	$ 252,735
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,486	7,254
(Increase) decrease in accounts receivable, net	(56,735)	28,144
Decrease in prepaid expenses	16,646	14,501
Decrease in inventory	2,261	55
Increase (decrease) in accounts payable and accrued expenses	32,206	(66)
Increase in deferred revenue	4,971	501
Total adjustments	7,835	50,389
Net cash provided by operating activities	2,818	303,124
Cash flows from investing activities:		
Purchases of furniture and equipment	(37,335)	-
Net cash used in investing activities	(37,335)	-
Net (decrease) increase in cash and cash equivalents	(34,517)	303,124
Cash and cash equivalents at beginning of year	882,290	579,166
Cash and cash equivalents at end of year	$ 847,773	$ 882,290

See accompanying notes to financial statements.

A. SUMMARY OF 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.

Accrual Basis and Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting.

The Organization classifies its net assets and its support and revenue and expenses into two classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets of the Organization and changes therein are classified as follows:

> Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the mission and primary objectives of the Organization. These net assets may be used at the discretion of management and the Board of Directors. Funds designated by the Organization's Board represent funds for which the Board has set general guidelines for use.
>
> Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature; whereby the donor has stipulated funds be maintained in perpetuity. The Organization does not have net assets with donor restrictions that are perpetual in nature.

The amount for each of these classes of net assets is displayed in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities.

Contributions

The Organization reports gifts of cash and other assets as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, 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 statement of activities as net assets released from restrictions.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 to be 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 which affects its classification among the net asset categories, such amounts are reflected as reclassifications in the statement of activities.

In-Kind Donations

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 as an asset at its estimated fair value at the date of the gift, provided the value of the asset and its estimated useful life meets 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 in the Organization's program operations. Generally accepted accounting principles allow recognition of contributed services only if (*a*) the services create or enhance nonfinancial assets or (*b*) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2019 and 2018.

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 Revenue

Grant funds, contract funds and event income received in advance for future periods are recorded as deferred revenue. Recognition as revenue occurs when the project or events take place and expenses are incurred.

Income Taxes

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Organization accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being 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 uncertainties of those positions, 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 for the Organization include, but are not limited to, the tax-exempt status 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.

Use of Estimates in the Preparation of Financial Statements

Judgment and estimation are exercised by management in certain areas of the preparation of financial statements. The most significant area is the collection of receivables and estimated useful lives of equipment. Management believes that such estimates have been based on reasonable assumptions and that such estimates are adequate. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized and reported on a functional basis. These costs have been allocated between program and supporting services based on estimates made by management.

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the statement of functional expenses and the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14.

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at June 30, 2019:

Financial assets at year-end:	
Cash and cash equivalents	$ 847,773
Accounts receivable, net	182,410
Total financial assets	1,030,183
Less amounts not available to be used for general expenditures within one year:	
Board designated funds	418,217
Net assets with donor restrictions	112,716
Financial assets not available to be used within one year to meet general expenditures	530,933
Financial assets available to meet general expenditures within one year	$ 499,250

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 other board designated assets that are designated for specific purposes. These assets are limited to use, which are more fully described in Note E and are not available for general expenditures within the next year. However, the board-designated amounts could be made available, if necessary. The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

C. FURNITURE AND EQUIPMENT

Furniture and equipment, net consists of the following at June 30, 2019 and 2018:

	2019	2018
Furniture	$ 70,613	$ 33,278
Software	37,500	37,500
	108,113	70,778
Less accumulated depreciation	(74,511)	(66,025)
	$ 33,602	$ 4,753

D. GRANT REVENUE

Grant revenue recognized for the years ended June 30, 2019 and 2018 by grantor is as follows:

	2019	2018
Ford NGL	$ 75,832	$289,624
MNPS	200,000	200,000
Metropolitan Nashville Government	150,000	150,000
HCA Foundation	25,250	-
Nashville Public Education Foundation (Spark grant)	15,000	-
Community Achieves	13,000	-
	$479,082	$639,624

E. NET ASSETS

Net assets without donor restrictions at June 30, 2019 and 2018, consisted of the following:

	2019	2018
Undesignated	$318,179	$398,954
Board designated - SEL Conference	50,000	-
Board designated - MNPS Academies of Nashville support	368,217	333,336
Total net assets without donor restrictions	$736,396	$732,290

E. NET ASSETS - Continued

Net assets with donor restrictions at June 30, 2019 and 2018, consisted of the following:

	2019	2018
Subject to purpose restrictions:		
Ford NGL	$ 85,624	$102,042
Spark grant	7,295	-
Other	19,797	19,797
Total net assets with donor restrictions	$112,716	$121,839

Net assets of $92,023 and $190,580 in fiscal 2019 and 2018, respectively, were released from donor restrictions by incurring costs and expenses satisfying the restricted purposes or by occurrence of other events specified by the various donors. The purpose restrictions accomplished were for program services.

F. LEASES

The Organization leased office space under a non-cancelable operating lease which expired in December 2018. On January 1, 2019, the Organization began leasing new office space under a non-cancelable lease which expires in December 2023. Lease expense totaled $74,788 and $50,663 for the years ended June 30, 2019 and 2018, respectively.

Remaining minimum lease payments as of June 30, 2019 are as follows:

Year Ending June 30,	
2020	$ 97,694
2021	100,625
2022	103,643
2023	106,753
2024	54,165
	$462,880

G. 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 disallowance under terms of the grants, management believes any required reimbursements would not be material to the financial statements of the Organization.

H. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash held by the Organization. Cash at June 30, 2019, 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. Credit risk also extends to receivables, all of which are uncollateralized.

I. RELATED PARTY TRANSACTIONS

During fiscal year 2019 and 2018, the Organization had related party transactions with a board member and board member-owned business for consulting services. Fees paid to related parties were $94,759 and $133,627 for fiscal year 2019 and 2018, respectively. These fees are paid from the proceeds of the Ford Motor Company grant.

J. SUBSEQUENT EVENTS

Management evaluated subsequent events through October 25, 2019, the date the financial statements were available to be issued, and has determined there are no subsequent events requiring disclosure.