

ALIGNMENT NASHVILLE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

ALIGNMENT NASHVILLE, INC.

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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, 2018 and 2017, and the related statements of activities and cash flows for the years 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 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 of 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, 2018 and 2017, 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.

Crosslin, PLLC

Nashville, Tennessee
October 16, 2018

ALIGNMENT NASHVILLE
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	2018	2017
Cash and cash equivalents	\$ 882,290	\$ 579,166
Accounts receivable, net	125,675	153,819
Prepaid expenses	76,981	91,482
Inventory	2,495	2,550
Furniture and equipment, net	4,753	12,007
Total assets	\$ 1,092,194	\$ 839,024

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 138,888	\$ 138,954
Deferred revenue	99,177	98,676
Total liabilities	238,065	237,630
Net assets:		
Unrestricted:		
Undesignated	398,954	299,493
Board designated	333,336	252,430
Total unrestricted	732,290	551,923
Temporarily restricted	121,839	49,471
Total net assets	854,129	601,394
Total liabilities and net assets	\$ 1,092,194	\$ 839,024

See accompanying notes to financial statements.

ALIGNMENT NASHVILLE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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)	-
	<u>3,010,427</u>	<u>72,368</u>	<u>3,082,795</u>
Total support and revenue			
Expenses:			
Alignment Nashville	721,438	-	721,438
Alignment USA	638,004	-	638,004
Nashville Hub	1,192,509	-	1,192,509
Academies of Nashville Support	87,959	-	87,959
Ford NGL	190,150	-	190,150
Other	-	-	-
	<u>2,830,060</u>	<u>-</u>	<u>2,830,060</u>
Total expenses			
Change in net assets	180,367	72,368	252,735
Net assets at beginning of year	<u>551,923</u>	<u>49,471</u>	<u>601,394</u>
Net assets at end of year	<u>\$ 732,290</u>	<u>\$ 121,839</u>	<u>\$ 854,129</u>

See accompanying notes to financial statements.

ALIGNMENT NASHVILLE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 25,000	\$ -	\$ 25,000
Grants	405,115	212,620	617,735
Events income	1,303,370	-	1,303,370
In-kind donations	6,000	-	6,000
Consulting income	787,497	-	787,497
Other income	75,379	-	75,379
Released from restrictions	<u>218,017</u>	<u>(218,017)</u>	<u>-</u>
Total support and revenue	<u>2,820,378</u>	<u>(5,397)</u>	<u>2,814,981</u>
Expenses:			
Alignment Nashville	626,206	-	626,206
Alignment USA	717,508	-	717,508
Nashville Hub	966,223	-	966,223
Academies of Nashville Support	88,535	-	88,535
Ford NGL	204,502	-	204,502
Other	<u>13,515</u>	<u>-</u>	<u>13,515</u>
Total expenses	<u>2,616,489</u>	<u>-</u>	<u>2,616,489</u>
Change in net assets	203,889	(5,397)	198,492
Net assets at beginning of year	<u>348,034</u>	<u>54,868</u>	<u>402,902</u>
Net assets at end of year	<u>\$ 551,923</u>	<u>\$ 49,471</u>	<u>\$ 601,394</u>

See accompanying notes to financial statements.

ALIGNMENT NASHVILLE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 252,735	\$ 198,492
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	7,254	12,254
Decrease in accounts receivable, net	28,144	25,762
Decrease (increase) in prepaid expenses	14,501	(61,837)
Decrease (increase) in inventory	55	(2,550)
Decrease in accounts payable and accrued expense	(66)	(14,773)
Increase (decrease) in deferred revenue	501	(20,120)
Total Adjustments	50,389	(61,264)
Net cash provided by operating activities	303,124	137,228
Net increase in cash and cash equivalents	303,124	137,228
Cash and cash equivalents at beginning of year	579,166	441,938
Cash and cash equivalents at end of year	\$ 882,290	\$ 579,166

See accompanying notes to financial statements.

ALIGNMENT NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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 three 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:

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 Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets would permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

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. The Organization had no permanently restricted net assets at June 30, 2018 or 2017. Temporarily restricted net assets totaled \$121,839 and \$49,471 at June 30, 2018 and 2017, respectively.

Contributions

The Organization reports gifts of cash and other assets as restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

ALIGNMENT NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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.

ALIGNMENT NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

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. The allowance for uncollectible accounts receivable was \$-0- and \$17,500 at June 30, 2018 and 2017, respectively.

Furniture and Equipment

Furniture and equipment is 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.

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.

ALIGNMENT NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

B. FURNITURE AND EQUIPMENT

Furniture and equipment, net consists of the following at June 30, 2018 and 2017:

	2018	2017
Furniture	\$ 33,278	\$ 33,278
Software	<u>37,500</u>	<u>37,500</u>
	70,778	70,778
Less accumulated depreciation	<u>(66,025)</u>	<u>(58,771)</u>
	<u>\$ 4,753</u>	<u>\$ 12,007</u>

C. GRANT REVENUE

Grant revenue recognized for the years ended June 30, 2018 and 2017 by grantor is as follows:

	2018	2017
Ford Motor Company	\$289,624	\$ 216,419
MNPS	200,000	200,000
Metropolitan Nashville Government	150,000	150,000
HCA Foundation	-	29,000
Ingram Charities	-	25,000
Other	<u>-</u>	<u>(2,684)</u>
	<u>\$639,624</u>	<u>\$ 617,735</u>

ALIGNMENT NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

D. NET ASSETS

Unrestricted net assets at June 30, 2018 and 2017, consisted of the following

	<u>2018</u>	<u>2017</u>
Undesignated	\$398,954	\$299,493
Board designated - MNPS Academies of Nashville support	<u>333,336</u>	<u>252,430</u>
	<u>\$732,290</u>	<u>\$551,923</u>

Temporarily restricted net assets at June 30, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Ford NGL	\$102,042	\$29,188
Other	<u>19,797</u>	<u>20,283</u>
	<u>\$121,839</u>	<u>\$49,471</u>

Temporarily restricted net assets of \$190,580 and \$218,017 in fiscal 2018 and 2017, 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.

E. LEASES

The Organization leases office space under a non-cancelable operating lease which expires in December 2018. Lease expense for the lease was \$50,663 and \$46,991 for the years ended June 30, 2018 and 2017, respectively.

Remaining minimum lease payments as of June 30, 2018 are as follows:

<u>Year Ending June 30,</u>	
2019	<u>\$26,596</u>

ALIGNMENT NASHVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

F. 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.

G. 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, 2018, 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.

H. RELATED PARTY TRANSACTIONS

During fiscal year 2018 and 2017, the Organization had related party transactions with a board member and board member-owned business for consulting services. Fees paid to related parties were \$133,627 and \$192,666 for fiscal year 2018 and 2017, respectively. These fees are paid from the proceeds of the Ford Motor Company grant.

I. SUBSEQUENT EVENTS

Management evaluated subsequent events through October 16, 2018, the date the financial statements were available to be issued, and has determined there are no subsequent events requiring disclosure.