

**TENNESSEE QUALITY AWARD, INC.
D/B/A TENNESSEE CENTER FOR
PERFORMANCE EXCELLENCE**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2008 AND 2007

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE**

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BELLENFANT + MILES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors

Tennessee Quality Award, Inc. d/b/a

Tennessee Center for Performance Excellence

Nashville, Tennessee

We have audited the accompanying statements of financial position of Tennessee Quality Award, Inc. d/b/a Tennessee Center for Performance Excellence as of December 31, 2008 and 2007, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Quality Award, Inc. d/b/a Tennessee Center for Performance Excellence as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Bellenfant & Miles, PLLC

June 4, 2009

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2008 AND 2007**

ASSETS

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 292,786	\$ 234,539
Grant receivable	7,982	-
Accounts receivable	10,522	22,789
Contributions receivable	27,850	45,800
Office and equipment, net accumulated depreciation	<u>1,280</u>	<u>3,193</u>
TOTAL ASSETS	<u><u>\$ 340,420</u></u>	<u><u>\$ 306,321</u></u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Accounts payable	\$ 38,714	\$ 30,809
Unearned revenue	<u>30,509</u>	<u>50,440</u>
Total Liabilities	<u>69,223</u>	<u>81,249</u>
<u>Net Assets</u>		
Unrestricted	243,347	179,272
Temporarily restricted	<u>27,850</u>	<u>45,800</u>
Total Net Assets	<u>271,197</u>	<u>225,072</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 340,420</u></u>	<u><u>\$ 306,321</u></u>

The accompanying notes are an integral part of these financial statements

TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
STATEMENTS OF ACTIVITIES
DECEMBER 31, 2008 AND 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<u>Support and Revenue</u>						
Public Support:						
Contributions and memberships	\$ 172,173	\$ -	\$ 172,173	\$ 179,676	\$ -	\$ 179,676
Application and site visit fees	54,025	-	54,025	100,571	-	100,571
Three star grant	-	169,930	169,930	-	99,560	99,560
Department of Labor and Workforce Development grant	43,406	-	43,406	-	-	-
Special events - banquet	15,080	-	15,080	24,191	-	24,191
Conference and workshops	113,512	-	113,512	84,021	-	84,021
Interest	6,488	-	6,488	-	-	-
Other	5,998	-	5,998	9,338	-	9,338
Net assets released in satisfaction of time restrictions	187,880	(187,880)	-	124,510	(124,510)	-
TOTAL REVENUES	598,562	(17,950)	580,612	522,307	(24,950)	497,357
<u>Expenses</u>						
Program services:						
Quality award program	242,753	-	242,753	258,543	-	258,543
Three star grant	169,930	-	169,930	97,640	-	97,640
Department of Labor and Workforce Development grant	43,406	-	43,406	-	-	-
Supporting services:						
Management and general	52,266	-	52,266	41,168	-	41,168
Fundraising	26,132	-	26,132	21,294	-	21,294
TOTAL EXPENSES	534,487	-	534,487	418,645	-	418,645
CHANGE IN NET ASSETS	64,075	(17,950)	46,125	103,662	(24,950)	78,712
NET ASSETS - BEGINNING OF YEAR	179,272	45,800	225,072	75,610	70,750	146,360
NET ASSETS - END OF YEAR	\$ 243,347	\$ 27,850	\$ 271,197	\$ 179,272	\$ 45,800	\$ 225,072

The accompanying notes are an integral part of these financial statements.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets:	\$ 46,125	\$ 78,712
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation of office and equipment	1,913	2,218
(Increase) Decrease in operating assets:		
Grant receivable	(7,982)	-
Accounts receivable	12,267	(3,665)
Contributions receivable	17,950	24,950
Increase (Decrease) in operating liabilities:		
Accounts payable	7,905	(5,956)
Unearned revenue	<u>(19,931)</u>	<u>50,440</u>
Net cash provided by operating activities	<u>58,247</u>	<u>146,699</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of equipment	<u>-</u>	<u>(1,920)</u>
Net cash used for financing activities	<u>-</u>	<u>(1,920)</u>
Net increase in cash and cash equivalents	58,247	144,779
Cash - beginning of year	<u>234,539</u>	<u>89,760</u>
Cash - end of year	<u><u>\$ 292,786</u></u>	<u><u>\$ 234,539</u></u>

The accompanying notes are an integral part of these financial statements

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2008**

2008

	Program Services			Supporting Services		
	Quality Award Program	Three Star Grant	Department of Labor and Workforce Development Grant	Management & General	Fundraising	Total
Salaries and related benefits	\$ 115,133	\$ 108,457	\$ 31,782	\$ 30,044	\$ 15,022	\$ 300,438
Administrative fees	5,640	5,423	1,706	1,502	751	15,022
Board of examiner selection, training, per diem and marketing costs	15,111	6,081	-	2,493	1,247	24,932
Conferences and workshops	24,479	13,031	-	4,413	2,206	44,129
Marketing	2,687	1,228	-	461	230	4,606
Office maintenance	6,314	3,410	-	1,144	572	11,440
Office supplies	2,354	1,308	-	431	215	4,308
Other	7,008	1,768	-	1,033	516	10,325
Postage	5,003	2,722	-	909	454	9,088
Printing	12,839	6,873	-	2,318	1,160	23,190
Professional services	2,632	1,513	-	488	244	4,877
Recognition and banquet expenses	23,262	10,667	-	3,992	1,995	39,916
Non-personnel grant expenses	-	-	9,918	-	-	9,918
Rent	8,500	-	-	1,000	500	10,000
Telephone	1,852	1,007	-	336	169	3,364
Travel	8,026	6,442	-	1,702	851	17,021
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	240,840	169,930	43,406	52,266	26,132	532,574
Depreciation of furniture and equipment	1,913	-	-	-	-	1,913
TOTAL FUNCTIONAL EXPENSES	\$ 242,753	\$ 169,930	\$ 43,406	\$ 52,266	\$ 26,132	\$ 534,487

The accompanying notes are an integral part of these financial statements.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2007**

2007

	Program Services		Supporting Services		
	Quality Award Program	Three Star Grant	Total	Management & General	Fundraising
					Total
Salaries and related benefits	\$ 120,481	\$ 67,932	\$ 188,413	\$ 22,166	\$ 11,083
Administrative fees	6,192	3,229	9,421	1,108	554
Board of examiner selection, training, per diem and marketing costs	14,560	5,053	19,613	2,307	1,154
Conferences and workshops	27,475	495	27,970	3,291	1,645
Marketing	5,412	1,711	7,123	838	419
Office maintenance	4,278	3,188	7,466	878	439
Office supplies	3,259	1,323	4,582	539	269
Other	8,469	2,006	10,475	758	1,091
Postage	4,164	598	4,762	560	280
Printing	12,440	6,497	18,937	2,228	1,114
Professional services	3,085	375	3,460	407	203
Recognition and banquet expenses	28,623	902	29,525	3,474	1,736
Rent	8,500	-	8,500	1,000	500
Telephone	2,255	770	3,025	356	178
Travel	7,132	3,561	10,693	1,258	629
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	256,325	97,640	353,965	41,168	21,294
Depreciation of furniture and equipment	2,218	-	2,218	-	-
TOTAL FUNCTIONAL EXPENSES	\$ 258,543	\$ 97,640	\$ 356,183	\$ 41,168	\$ 21,294
					\$ 418,645

The accompanying notes are an integral part of these financial statements.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Organization and Purpose:

Tennessee Quality Award, Inc. d/b/a Tennessee Center for Performance Excellence ("TNCPE") is a Tennessee not-for-profit corporation established in 1993 to promote and accelerate the economic well being of the State of Tennessee by fostering quality awareness and education, recognizing significant achievements, and sharing winning strategies and best practices among all companies and organizations. TNCPE works in tandem with public and private organizations to achieve performance excellence. TNCPE is governed by an independent Board of Directors.

Contributions and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on existence and/or nature of any donor restrictions.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction is fulfilled (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted and reported in the Statement of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the support is reported as unrestricted.

Cash and cash equivalents

Cash and cash equivalents consist of accounts with financial institutions.

Contributions receivable

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is recognized on the interest method over the term of the gift and included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

As of December 31, 2008, an allowance for uncollectible amounts has not been provided on contributions receivable since, in management's opinion, the receivable is fully collectible, based on past history.

Income Taxes

TNCPE has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for income taxes.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Office and equipment

Office and equipment are stated at acquisition cost, or estimated fair market value if donated, less accumulated depreciation, which is computed by the straight-line method over an estimated useful life of five years.

Program and supporting services

The following program and supporting services are included in the accompanying financial statements.

Quality Award Program - consists of program services to businesses and institutions in the state that wish to share in value and achievements associated with continuous improvement. The program creates a system for measuring progress toward quality improvement and awareness. Services provided include evaluation, assessment, education and recognition. Participants in the program are honored annually at the awards banquet. INCPE also provides training through various workshops and an annual conference.

Three Star Grant - assists local communities in their efforts to achieve excellence in community and economic development. Focusing on leadership, strategic planning, customers, measurement systems, workforce development, process management and results, the program will help communities become more attractive to new business, building stronger communities with more diverse economies and greater job opportunities.

Department of Labor and Workforce Development Grant - consists of program services funded by the Tennessee Department of Labor and Workforce Development, the purpose of which is to provide training for Adult Education providers.

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 INCPE's strategy, business management, general recordkeeping, budgeting and related purposes.

Fundraising - includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitation, creation, and distribution of fundraising materials.

Allocation of functional expenses

Expenses that can be directly attributed to a particular function are charged to the 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.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Donated services

Support and expenses for contributed services that require specialized skills, and would be purchased if not provided by the donor, are recognized at the fair value of the services received

No contributed services have been recognized in the accompanying financial statements. However, the donated services of the board of examiners for the Quality Award Program are critical to TNCPE's success. The board of examiners is comprised of leading quality, business, healthcare and education experts from across the state that conduct evaluations, consensus and site visits for organizations in both the public and private sectors. Without this significant donation of volunteer hours, TNCPE could not offer the level of service it offers to its constituency.

A summary of non-recognized volunteer services provided to TNCPE in 2008 and 2007 follows:

	(Unaudited)	
	2008	2007
Number of business and industry professional volunteers	186	170
Volunteer hours donated	6,338	12,224
Number of organizations served	20	34

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual amounts could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31:

	2008	2007
Checking account		
First Tennessee Bank	\$ 1,317	\$ 34,539
WCMA Money Fund		
Merrill Lynch	291,469	200,000
	<u>\$ 292,786</u>	<u>\$ 234,539</u>

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2008 AND 2007**

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<u>2008</u>	<u>2007</u>
Computer and related equipment	\$ 26,728	\$ 26,728
Less accumulated depreciation	<u>(25,448)</u>	<u>(23,535)</u>
	<u>\$ 1,280</u>	<u>\$ 3,193</u>

4. UNEARNED REVENUE

Unearned revenue consists of unexpended grant funds as of December 31 of each year.

5. IN-KIND CONTRIBUTIONS

The following goods and services were donated to INCPE during the years ended December 31:

	<u>2008</u>	<u>2007</u>
Rent	\$ 10,000	\$ 10,000
Meals in connection with examiner training	3,915	4,751
Graphic design	<u>513</u>	<u>1,500</u>
	<u>\$ 14,428</u>	<u>\$ 16,251</u>

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of December 31:

	<u>2008</u>	<u>2007</u>
Temporarily restricted:		
Less than one year	\$ 15,500	\$ 20,500
One to five years	<u>15,000</u>	<u>30,500</u>
	30,500	51,000
Less discounts to net present value	<u>(2,650)</u>	<u>(5,200)</u>
Net contributions receivable	<u>\$ 27,850</u>	<u>\$ 45,800</u>