

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2017 AND 2016

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

TABLE OF CONTENTS

Independent Auditor's Report	3
Financial Statements:	
Statements of Financial Position	5
Statements of Activities	6
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10

**BELLENFANT**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Professional Accounting & Consulting Services

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tennessee Quality Award, Inc. d/b/a
Tennessee Center for Performance Excellence
Nashville, Tennessee

We have audited the accompanying financial statements of Tennessee Quality Award, Inc. d/b/a Tennessee Center for Performance Excellence, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, 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 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 Quality Award, Inc. d/b/a Tennessee Center for Performance Excellence as of December 31, 2017 and 2016, 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.

Bellenfant, PLLC

May 25, 2018

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016**

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 261,107	\$ 238,309
Investments	264,031	244,008
Accounts Receivable	<u>45,330</u>	<u>24,185</u>
 Total Current Assets	 <u>570,468</u>	 <u>506,502</u>
 FIXED ASSETS		
Office Equipment	8,079	8,722
Less: Accumulated Depreciation	<u>(5,266)</u>	<u>(7,301)</u>
 Total Fixed Assets	 <u>2,813</u>	 <u>1,421</u>
 Total Assets	 <u><u>\$ 573,281</u></u>	 <u><u>\$ 507,923</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 3,469	\$ 9,858
Deferred Revenue	<u>81,531</u>	<u>72,475</u>
 Total Current Liabilities	 <u>85,000</u>	 <u>82,333</u>
 Total Liabilities	 <u>85,000</u>	 <u>82,333</u>
 NET ASSETS		
Unrestricted Net Assets	<u>488,281</u>	<u>425,590</u>
 Total Net Assets	 <u>488,281</u>	 <u>425,590</u>
 Total Liabilities and Net Assets	 <u><u>\$ 573,281</u></u>	 <u><u>\$ 507,923</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
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

SUPPORT AND REVENUE	2017	2016
Public Support:		
Contributions and Memberships	\$ 239,675	\$ 264,285
Application and Site Visit Fees	203,732	162,593
Special Events - Banquet	21,089	26,415
Conference and Workshops	157,905	162,379
Interest	69	50
Examiner Training Fees	43,470	41,000
Other	2,196	4,467
Realized/Unrealized Gain (Loss) on Investments	22,203	14,429
	<hr/>	<hr/>
Total Revenues	690,339	675,618
	<hr/>	<hr/>
EXPENSES		
Program services:		
Quality Award Program	534,307	532,404
Supporting services:		
Management and General	62,227	61,087
Fundraising	31,114	30,546
	<hr/>	<hr/>
Total Expenses	627,648	624,037
	<hr/>	<hr/>
Change in Net Assets	62,691	51,581
Unrestricted Net Assets, beginning of the year	425,590	374,009
Unrestricted Net Assets, end of the year	<u><u>\$ 488,281</u></u>	<u><u>\$ 425,590</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
FOR THE YEAR ENDED DECEMBER 31, 2017**

	2017			
	<u>Program Services</u>	<u>Supporting Services</u>		
	Quality Award Program	Management and General	Fundraising	Total
Salaries and Related Benefits	\$ 299,173	\$ 35,197	\$ 17,598	\$ 351,968
Administrative Fees	2,222	261	131	2,614
Board of examiner selection, training, per diem, and marketing costs	41,339	4,863	2,432	48,634
Conferences and Workshops	56,412	6,637	3,318	66,367
Marketing	4,312	507	254	5,073
Office Maintenance	8,760	1,031	515	10,306
Office Supplies	1,375	162	81	1,618
Miscellaneous	8,892	1,046	523	10,461
Postage	4,985	586	293	5,864
Printing	82	10	5	97
Professional Services	6,010	707	354	7,071
Recognition and Banquet	35,278	4,150	2,075	41,503
Credit Card Charges	13,001	1,530	765	15,296
Criteria Expenses	12,042	1,417	708	14,167
Rent	22,950	2,700	1,350	27,000
Bad Debts	3,760	-	-	3,760
Telephone	4,220	496	248	4,964
Travel	7,881	927	464	9,272
Total Functional Expenses before Depreciation	532,694	62,227	31,114	626,035
Depreciation of Office Equipment	1,613	-	-	1,613
Total Functional Expenses	<u>\$ 534,307</u>	<u>\$ 62,227</u>	<u>\$ 31,114</u>	<u>\$ 627,648</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
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016			
	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Quality Award Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Related Benefits	\$ 290,914	\$ 34,225	\$ 17,113	\$ 342,252
Administrative Fees	3,000	353	176	3,529
Board of examiner selection, training, per diem, and marketing costs	32,355	3,807	1,903	38,065
Conferences and Workshops	49,216	5,790	2,895	57,901
Marketing	14,538	1,710	855	17,103
Office Maintenance	12,394	1,458	729	14,581
Office Supplies	1,939	228	114	2,281
Miscellaneous	7,402	871	437	8,710
Postage	4,040	475	238	4,753
Printing	1,271	150	75	1,496
Professional Services	4,922	579	290	5,791
Recognition and Banquet	38,153	4,489	2,244	44,886
Credit Card Charges	10,345	1,217	609	12,171
Criteria Expenses	11,442	1,346	673	13,461
Rent	22,950	2,700	1,350	27,000
Bad Debts	12,080	-	-	12,080
Telephone	3,862	454	227	4,543
Travel	10,498	1,235	618	12,351
Total Functional Expenses before Depreciation	531,321	61,087	30,546	622,954
Depreciation of Office Equipment	1,083	-	-	1,083
Total Functional Expenses	<u>\$ 532,404</u>	<u>\$ 61,087</u>	<u>\$ 30,546</u>	<u>\$ 624,037</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 CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2017</u>	<u>2016</u>
Change in Net Assets	62,691	51,581
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,613	1,083
Realized/Unrealized (Gain) Loss on Investments	(22,203)	(14,429)
(Increase) Decrease in: Accounts Receivable	(21,145)	12,080
Increase (Decrease) in: Accounts Payable	(6,389)	5,647
Deferred Revenue	<u>9,056</u>	<u>(1,035)</u>
Net Cash Provided (Used) by Operating Activities	<u>23,623</u>	<u>54,927</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Office Equipment	(3,005)	(1,014)
Purchase of Investments	-	(100)
Sale of Investments	<u>2,180</u>	<u>1,996</u>
Net Cash Provided (Used) by Investing Activities	<u>(825)</u>	<u>882</u>
Net Increase (Decrease) in Cash and Cash Equivalents	22,798	55,809
Cash, beginning of the year	<u>238,309</u>	<u>182,500</u>
Cash, end of the year	<u><u>261,107</u></u>	<u><u>238,309</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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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 1992 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.

Basis of Presentation

The financial statements of TNCPE are presented on the accrual basis of accounting. Revenue is generally recognized when earned. Expenses are generally recognized when incurred.

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic related to Presentation of Financial Statements of Not-for-Profit Organizations. Under the FASB Accounting Standards Codification, TNCPE is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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 the actions of TNCPE and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. As of December 31, 2017 or 2016, TNCPE had no temporarily restricted net assets.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that may be maintained permanently by TNCPE. Generally, donors of these assets permit TNCPE to use all or part of the income earned for general or specific purposes. As of December 31, 2017 or 2016, TNCPE had no permanently restricted net assets.

TNCPE accounts for contributions in accordance with the requirements of the FASB Accounting Standards Codification Revenue Recognition Topic. In accordance with the FASB Accounting Standards Codification, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Basis of Presentation (Continued)

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.

Office Equipment

Office equipment with an acquisition cost over \$1,000 is capitalized and stated at the acquisition cost, or estimated fair market value if donated, less accumulated depreciation, which is computed using the straight-line method over an estimated useful life of three to 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. TNCPE also provides training through various workshops and an annual conference.

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 TNCPE'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, 2017 AND 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Estimates

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

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 2017 and 2016 follows:

	(Unaudited)	
	2017	2016
Number of business and industry professional volunteers	199	176
Volunteer hours donated	15,341	13,760
Number of organizations served	41	44

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.

TNCPE has evaluated its tax positions in accordance with the Codification Standard relating to Accounting for Uncertainty in Income Taxes. TNCPE believes that it has taken no uncertain tax positions.

TNCPE files a U.S. Federal Form 990-Return of Organization Exempt from Income Tax. The TNCPE's returns for the years prior to calendar year 2014 are no longer open for examination.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents consist of accounts with financial institutions. TNCPE considers all investment instruments purchased with a maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments

The following methods and assumptions were used by TNCPE in estimating fair value disclosures for financial instruments:

Cash, cash equivalents, investments, receivables, and payables: The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

2. FAIR VALUE OF INVESTMENTS

TNCPE's investments are reported at fair value in the accompanying statements of financial position.

Fair Value Measurements at December 31, 2017				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds-Equities	\$ 264,031	\$ 264,031	\$ -	\$ -
Fair Value Measurements at December 31, 2016				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds-Equities	\$ 244,008	\$ 244,008	\$ -	\$ -

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

2. FAIR VALUE OF INVESTMENTS (Continued)

The Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic relating to Fair Value Measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs and have the lowest priority. TNCPE uses the appropriate valuation techniques based on the available inputs to measure the fair value of its investments. At December 31, 2017 and 2016, TNCPE had no Level 2 or Level 3 investments.

3. OFFICE EQUIPMENT

Office equipment consists of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Computers and Related Equipment	\$ 8,079	\$ 8,722
Less: Accumulated Depreciation	<u>(5,266)</u>	<u>(7,301)</u>
Total Office Equipment	<u><u>\$ 2,813</u></u>	<u><u>\$ 1,421</u></u>

4. IN-KIND CONTRIBUTIONS

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

	<u>2017</u>	<u>2016</u>
Rent	<u><u>\$ 27,000</u></u>	<u><u>\$ 27,000</u></u>

5. PENSION

TNCPE maintains a 401(k) pension plan. Pension costs were \$7,733 and \$7,080 for the years ended December 31, 2017 and December 31, 2016, respectively. TNCPE will match the employee's contribution dollar for dollar up to an amount equal to 3% of the employee's annual salary. Each regular full-time and regular part-time employee is eligible to participate provided s/he meets the following requirements: (1) is at least 21 years old and (2) has worked for TNCPE for at least 90 days.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017 AND 2016**

6. DEFERRED REVENUE

Deferred Revenue consists of the followings as of December 31:

	<u>2017</u>	<u>2016</u>
Conference	\$ 8,131	\$ 5,375
Conference Sponsorship	56,500	41,000
Membership Dues	5,900	16,100
Criteria	<u>11,000</u>	<u>10,000</u>
Total Deferred Revenue	<u>\$ 81,531</u>	<u>\$ 72,475</u>

7. RESTATEMENT OF 2016 FINANCIAL STATEMENTS

Due to the increasing amount of revenue being collected during the December 31, 2017 and 2016 fiscal years that is attributable to subsequent fiscal years, we felt it was necessary to record deferred revenue to be compliant with generally accepted accounting principles. It was necessary to restate the 2016 financial statements to reflect these changes and to accurately represent the fiscal year ended December 31, 2017.

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 25, 2018 which is the date the financial statements were available to be issued.