

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2015 AND 2014

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

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	3
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 13

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
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, 2015 and 2014, 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.

Auditors' 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 auditors' 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, 2015 and 2014, 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.

June 16, 2016

DRAFT

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

ASSETS

	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents	\$ 182,500	\$ 202,440
Investments	231,475	238,502
Grant receivable	-	7,121
Accounts receivable	<u>78,774</u>	<u>57,591</u>
Total Current Assets	<u>492,749</u>	<u>505,654</u>
Office Equipment	7,708	10,478
Less: Accumulated Depreciation	<u>(6,218)</u>	<u>(7,497)</u>
Total Noncurrent Assets	<u>1,490</u>	<u>2,981</u>
TOTAL ASSETS	<u><u>\$ 494,239</u></u>	<u><u>\$ 508,635</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ <u>4,211</u>	\$ <u>6,218</u>
Total Current Liabilities	<u>4,211</u>	<u>6,218</u>
TOTAL LIABILITIES	<u>4,211</u>	<u>6,218</u>
Net Assets		
Unrestricted	<u>490,028</u>	<u>502,417</u>
TOTAL NET ASSETS	<u>490,028</u>	<u>502,417</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 494,239</u></u>	<u><u>\$ 508,635</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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<u>Support and Revenue</u>		
Public Support:		
Contributions and Memberships	\$ 255,659	\$ 205,355
Application and Site Visit Fees	111,241	241,517
Department of Labor and Workforce Development Grant	53,980	86,060
Special Events - Banquet	29,210	27,507
Conference and Workshops	148,662	153,186
Interest	13	58
Examiner Training Fees	30,240	34,545
Other	3,291	646
Realized and Unrealized Gain (Loss) on Investments	<u>(5,976)</u>	<u>-</u>
TOTAL REVENUES	<u>626,320</u>	<u>748,874</u>
<u>Expenses</u>		
Program services:		
Quality Award Program	507,378	488,579
Department of Labor and Workforce Development Grant	39,234	85,767
Supporting services:		
Management and General	61,398	63,490
Fundraising	<u>30,699</u>	<u>31,745</u>
TOTAL EXPENSES	<u>638,709</u>	<u>669,581</u>
CHANGE IN NET ASSETS	(12,389)	79,293
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	<u>502,417</u>	<u>423,124</u>
UNRESTRICTED NET ASSETS - END OF YEAR	<u><u>\$ 490,028</u></u>	<u><u>\$ 502,417</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, 2015**

	2015					
	Program Services			Supporting Services		
	Quality Award Program	Department of Labor and Workforce Development Grant	Total	Management and General	Fundraising	Total
Salaries and related benefits	\$ 302,024	\$ 24,202	\$ 326,226	\$ 38,379	\$ 19,190	\$ 383,795
Administrative fees	2,816	-	2,816	331	166	3,313
Board of examiner selection, training, per diem and marketing costs	29,734	-	29,734	3,498	1,749	34,981
Conferences and workshops	39,868	-	39,868	4,690	2,345	46,903
Marketing	6,073	-	6,073	715	357	7,145
Office maintenance	14,393	-	14,393	1,693	847	16,933
Office supplies	2,542	-	2,542	299	150	2,991
Other	13,042	-	13,042	1,534	767	15,343
Postage	4,479	-	4,479	527	263	5,269
Printing	864	-	864	102	51	1,017
Professional services	6,233	-	6,233	733	367	7,333
Recognition and banquet expenses	28,760	-	28,760	3,384	1,691	33,835
Non-personnel grant expenses	-	15,032	15,032	-	-	15,032
Criteria expenses	13,036	-	13,036	1,533	766	15,335
Rent	22,950	-	22,950	2,700	1,350	27,000
Bad Debts	8,190	-	8,190	-	-	8,190
Telephone	2,936	-	2,936	345	173	3,454
Travel	7,947	-	7,947	935	467	9,349
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	505,887	39,234	545,121	61,398	30,699	637,218
Depreciation of office equipment	1,491	-	1,491	-	-	1,491
TOTAL FUNCTIONAL EXPENSES	\$ 507,378	\$ 39,234	\$ 546,612	\$ 61,398	\$ 30,699	\$ 638,709

DRAFT

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, 2014**

	2014					
	Program Services			Supporting Services		
	Quality Award Program	Department of Labor and Workforce Development Grant	Total	Management and General	Fundraising	Total
Salaries and related benefits	\$ 241,427	\$ 61,469	\$ 302,896	\$ 35,635	\$ 17,817	\$ 356,348
Administrative fees	1,796	-	1,796	211	106	2,113
Board of examiner selection, training, per diem and marketing costs	50,238	-	50,238	5,910	2,955	59,103
Conferences and workshops	52,164	-	52,164	6,137	3,068	61,369
Marketing	1,901	-	1,901	224	111	2,236
Office maintenance	9,202	-	9,202	1,083	541	10,826
Office supplies	2,273	-	2,273	267	134	2,674
Other	20,650	-	20,650	2,429	1,215	24,294
Postage	6,180	-	6,180	727	364	7,271
Printing	1,282	-	1,282	151	75	1,508
Professional services	16,144	-	16,144	1,899	950	18,993
Recognition and banquet expenses	41,200	-	41,200	4,847	2,424	48,471
Non-personnel grant expenses	-	24,298	24,298	-	-	24,298
Criteria expenses	9,278	-	9,278	-	-	9,278
Rent	22,950	-	22,950	2,700	1,350	27,000
Telephone	2,672	-	2,672	314	157	3,143
Travel	8,123	-	8,123	956	478	9,556
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	487,479	85,767	573,246	63,490	31,745	668,481
Depreciation of office equipment	1,100	-	1,100	-	-	1,100
TOTAL FUNCTIONAL EXPENSES	\$ 488,579	\$ 85,767	\$ 574,346	\$ 63,490	\$ 31,745	\$ 669,581

DRAFT

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, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets:	\$ (12,389)	\$ 79,293
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,491	1,100
Unrealized (gain) loss on investments	5,976	-
(Increase) Decrease in operating assets:		
Grant receivable	7,121	6,965
Accounts receivable	(21,183)	13,711
Increase (Decrease) in operating liabilities:		
Accounts payable	<u>(2,007)</u>	<u>(2,802)</u>
Net cash provided (used) by operating activities	<u>(20,991)</u>	<u>98,267</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of office equipment	-	(2,550)
Purchase of investments	-	9
Sale of investments	<u>1,052</u>	<u>-</u>
Net cash used by investing activities	<u>1,052</u>	<u>(2,541)</u>
Net increase (decrease) in cash and cash equivalents	(19,939)	95,726
Cash - beginning of year	<u>202,439</u>	<u>106,713</u>
Cash - end of year	<u><u>\$ 182,500</u></u>	<u><u>\$ 202,439</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, 2015 AND 2014**

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, 2015 or 2014, 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, 2015 or 2014, 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.

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.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

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.

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 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.

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.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014**

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 2015 and 2014 follows:

	(Unaudited)	
	2015	2014
Number of business and industry professional volunteers	144	179
Volunteer hours donated	12,278	19,546
Number of organizations served	45	50

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 2012 are no longer open for examination.

Accounts Receivable

As of December 31, 2015 and 2014, an allowance for uncollectible amounts has not been provided on accounts receivable since, in management's opinion, the receivable is fully collectible, based on past history.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014**

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, 2015 Using:				
	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	\$ 231,475	\$ 231,475	\$ -	\$ -

Fair Value Measurements at December 31, 2014 Using:				
	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	\$ 238,502	\$ 238,502	\$ -	\$ -

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, 2015 and 2014, TNCPE had no Level 2 or Level 3 investments.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2015 AND 2014**

3. OFFICE EQUIPMENT

Office equipment consists of the following as of December 31:

	<u>2015</u>	<u>2014</u>
Computers and related equipment	\$ 7,708	\$ 10,478
Less accumulated depreciation	<u>(6,218)</u>	<u>(7,497)</u>
	<u>\$ 1,490</u>	<u>\$ 2,981</u>

4. IN-KIND CONTRIBUTIONS

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

	<u>2015</u>	<u>2014</u>
Rent	<u>\$ 27,000</u>	<u>\$ 27,000</u>

5. PENSION

TNCPE maintains a 401(k) pension plan. Pension costs were \$8,628 and \$8,714 for the years ended December 31, 2015 and December 31, 2014 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.

6. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 16, 2016 which is the date the financial statements were available to be issued.