

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

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

DECEMBER 31, 2019 AND 2018



BELLENFANT
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

**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



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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, 2019 and 2018, 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, 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.

Bellenfant, PLLC

Brentwood, Tennessee

May 29, 2020

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 18,992	\$ 176,705
Investments	160,404	247,061
Accounts Receivable	15,935	26,300
Prepaid Expenses	3,473	-
	<u>198,804</u>	<u>450,066</u>
FIXED ASSETS		
Office Equipment	10,039	8,079
Less: Accumulated Depreciation	<u>(7,814)</u>	<u>(6,606)</u>
	<u>2,225</u>	<u>1,473</u>
Total Fixed Assets		
	<u>2,225</u>	<u>1,473</u>
Total Assets	<u><u>\$ 201,029</u></u>	<u><u>\$ 451,539</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 5,389	\$ 9,590
Deferred Revenue	<u>11,607</u>	<u>67,615</u>
	<u>16,996</u>	<u>77,205</u>
Total Current Liabilities		
	<u>16,996</u>	<u>77,205</u>
Total Liabilities		
	<u>16,996</u>	<u>77,205</u>
NET ASSETS		
Net Assets Without Donor Restrictions	<u>184,033</u>	<u>374,334</u>
Total Net Assets Without Donor Restrictions		
	<u>184,033</u>	<u>374,334</u>
Total Liabilities and Net Assets	<u><u>\$ 201,029</u></u>	<u><u>\$ 451,539</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
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

SUPPORT AND REVENUE

	<u>2019</u>	<u>2018</u>
Public Support:		
Contributions and Memberships	\$ 143,350	\$ 185,050
In-kind Contributions	45,000	36,000
Revenue:		
Application and Site Visit Fees	99,662	137,116
Special Events - Banquet	11,485	17,195
Conference and Workshops	150,973	167,554
Interest	107	216
Examiner Training Fees	23,200	43,960
Other	757	194
Realized/Unrealized Gain (Loss) on Investments	27,639	(14,345)
	<u>502,173</u>	<u>572,940</u>
Total Revenues		
	<u>502,173</u>	<u>572,940</u>
EXPENSES		
Program Services:		
Quality Award Program	588,783	589,679
Supporting Services:		
Management and General	69,128	64,806
Fundraising	34,563	32,402
	<u>692,474</u>	<u>686,887</u>
Total Expenses		
	<u>692,474</u>	<u>686,887</u>
Change in Net Assets	(190,301)	(113,947)
Net Assets, beginning of the year	374,334	488,281
	<u>374,334</u>	<u>488,281</u>
Net Assets, end of the year	<u>\$ 184,033</u>	<u>\$ 374,334</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, 2019**

	<u>Program Services</u>	<u>Supporting Services</u>		
	Quality Award Program	Management and General	Fundraising	Total
Salaries and Related Benefits	\$ 345,006	\$ 40,589	\$ 20,294	\$ 405,889
Contract Staffing	27,668	3,255	1,628	32,551
Administrative Fees	2,546	300	150	2,996
Board of examiner selection, training, per diem, and marketing costs	29,981	3,527	1,764	35,272
Conferences and Workshops	58,205	6,848	3,424	68,477
Marketing	4,892	576	288	5,756
Office Maintenance	12,971	1,526	763	15,260
Office Supplies	1,308	154	77	1,539
Miscellaneous	6,786	798	398	7,982
Postage	1,703	201	100	2,004
Printing	413	49	24	486
Professional Services	5,372	632	316	6,320
Recognition and Banquet	25,864	3,043	1,521	30,428
Credit Card Charges	6,751	794	397	7,942
Criteria Expenses	9,156	1,077	539	10,772
Rent (In-Kind)	38,250	4,500	2,250	45,000
Bad Debts	-	-	-	-
Telephone	3,870	455	228	4,553
Travel	6,833	804	402	8,039
Total Functional Expenses before Depreciation	<u>587,575</u>	<u>69,128</u>	<u>34,563</u>	<u>691,266</u>
Depreciation of Office Equipment	<u>1,208</u>	<u>-</u>	<u>-</u>	<u>1,208</u>
Total Functional Expenses	<u><u>\$ 588,783</u></u>	<u><u>\$ 69,128</u></u>	<u><u>\$ 34,563</u></u>	<u><u>\$ 692,474</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, 2018**

	<u>Program Services</u>	<u>Supporting Services</u>		
	Quality Award Program	Management and General	Fundraising	Total
Salaries and Related Benefits	\$ 323,202	\$ 38,024	\$ 19,012	\$ 380,238
Contract Staffing	-	-	-	-
Administrative Fees	2,607	307	153	3,067
Board of examiner selection, training, per diem, and marketing costs	39,064	4,596	2,298	45,958
Conferences and Workshops	60,319	7,096	3,548	70,963
Marketing	2,233	263	131	2,627
Office Maintenance	10,201	1,200	600	12,001
Office Supplies	2,116	249	125	2,490
Miscellaneous	8,410	990	495	9,895
Postage	3,896	458	229	4,583
Printing	97	11	6	114
Professional Services	5,253	618	309	6,180
Recognition and Banquet	31,865	3,749	1,874	37,488
Credit Card Charges	8,930	1,051	525	10,506
Criteria Expenses	11,321	1,332	666	13,319
Rent (In-Kind)	30,600	3,600	1,800	36,000
Bad Debts	37,505	-	-	37,505
Telephone	4,246	500	250	4,996
Travel	6,474	762	381	7,617
Total Functional Expenses before Depreciation	<u>588,339</u>	<u>64,806</u>	<u>32,402</u>	<u>685,547</u>
Depreciation of Office Equipment	<u>1,340</u>	<u>-</u>	<u>-</u>	<u>1,340</u>
Total Functional Expenses	<u><u>\$ 589,679</u></u>	<u><u>\$ 64,806</u></u>	<u><u>\$ 32,402</u></u>	<u><u>\$ 686,887</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 CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

CASH FLOWS FROM OPERATING ACTIVITIES	2019	2018
Change in Net Assets	(190,301)	(113,947)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,208	1,340
Realized/Unrealized (Gain) Loss on Investments	(27,639)	14,345
(Increase) Decrease in:		
Accounts Receivable	10,365	19,030
Prepaid Expenses	(3,473)	-
Increase (Decrease) in:		
Accounts Payable	(4,201)	6,121
Deferred Revenue	(56,008)	(13,916)
Net Cash Provided (Used) by Operating Activities	<u>(270,049)</u>	<u>(87,027)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (Purchase) of Office Equipment	(1,960)	-
Sale (Purchase) of Investments	<u>114,296</u>	<u>2,625</u>
Net Cash Provided (Used) by Investing Activities	<u>112,336</u>	<u>2,625</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(157,713)	(84,402)
Cash, beginning of the year	<u>176,705</u>	<u>261,107</u>
Cash, end of the year	<u><u>18,992</u></u>	<u><u>176,705</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, 2019 AND 2018**

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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. 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 two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions - These are net assets that are not subject to donor-imposed stipulations. TNCPE had \$184,033 and \$374,334 of net assets without donor restrictions as of December 31, 2019 and 2018, respectively.

Net assets with donor restrictions - These are net assets subject to donor-imposed stipulations that may or will be met, either by actions of TNCPE and/or the passage of time. This classification also includes net assets subject to donor-imposed stipulations that may be maintained permanently by TNCPE. Generally, donors of these assets permit the TNCPE to use all or part of the income earned for general or specific purposes. TNCPE had no net assets with donor restrictions as of December 31, 2019 or 2018.

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.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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.

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, 2019 AND 2018**

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 2019 and 2018 follows:

	(Unaudited)	
	2019	2018
Number of business and industry professional volunteers	115	216
Volunteer hours donated	4,905	8,610
Number of organizations served	14	24

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 2016 are no longer open for examination.

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.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

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, 2019				
	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	\$ 160,404	\$ 160,404	\$ -	\$ -

Fair Value Measurements at December 31, 2018				
	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	\$ 247,061	\$ 247,061	\$ -	\$ -

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018**

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, 2019 and 2018, TNCPE had no Level 2 or Level 3 investments.

3. FIXED ASSETS

Fixed Assets consists of the following as of December 31:

	2019	2018
Computers and Related Equipment	\$ 10,039	\$ 8,079
Less: Accumulated Depreciation	(7,814)	(6,606)
Total Fixed Assets	<u>\$ 2,225</u>	<u>\$ 1,473</u>

4. IN-KIND CONTRIBUTIONS

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

	2019	2018
Rent	<u>\$ 45,000</u>	<u>\$ 36,000</u>

5. PENSION

TNCPE maintains a 401(k) pension plan. Pension costs were \$2,113 and \$4,353 for the years ended December 31, 2019 and December 31, 2018, 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 they meet 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, 2019 AND 2018**

6. DEFERRED REVENUE

Deferred Revenue consists of the following as of December 31:

	2019	2018
Conference	\$ 8,607	\$ 3,265
Conference Sponsorship	3,000	50,900
Membership Dues	-	1,600
Criteria	-	11,850
	<hr/>	<hr/>
Total Deferred Revenue	<u>\$ 11,607</u>	<u>\$ 67,615</u>

7. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Association's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use:

	2019	2018
Cash and Cash Investments	\$ 179,396	\$ 423,766
Less amounts invested in stocks and mutual funds	<u>(160,404)</u>	<u>(247,061)</u>
	<hr/>	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 18,992</u>	<u>\$ 176,705</u>

There is an adequate amount of financial assets available as of December 31, 2019 and 2018. TNCPE effectively manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date.

8. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 29, 2020 which is the date the financial statements were available to be issued.

On March 11, 2020, the World Health Organization characterized the outbreak of the COVID-19 coronavirus as a pandemic. Since the Organization receives the majority of its revenue from participant fees and camp operations, this will significantly impact the Organization's ability to generate revenue.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019 AND 2018**

8. SUBSEQUENT EVENTS (CONTINUED)

In response to the pandemic, Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and it was signed into law on March 27, 2020. The CARES Act implemented the Payroll Protection Program (PPP), which provides loans to small businesses and charitable organizations to keep their employees on payroll. TNCPE obtained a PPP loan for \$58,110 on May 4, 2020. The portion of loan proceeds that is spent on qualified payroll costs and operational expenses will be forgiven.