

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

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2013 AND 2012**

**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**

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, 2013 and 2012, 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, 2013 and 2012, 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 & Miles, PLLC*

June 6, 2014

**TENNESSEE QUALITY AWARD, INC. D/B/A  
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2013 AND 2012**

**ASSETS**

	<u>2013</u>	<u>2012</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 129,421	\$ 101,175
Investments	238,511	238,845
Grant receivable	14,086	21,867
Accounts receivable	<u>71,727</u>	<u>76,200</u>
Total Current Assets	<u>453,745</u>	<u>438,087</u>
<b>Office Equipment</b>	7,928	30,097
Less: Accumulated Depreciation	<u>(6,397)</u>	<u>(28,756)</u>
Total Noncurrent Assets	<u>1,531</u>	<u>1,341</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 455,276</u></u>	<u><u>\$ 439,428</u></u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable	<u>\$ 5,153</u>	<u>\$ 72,805</u>
Total Current Liabilities	<u>5,153</u>	<u>72,805</u>
<b>TOTAL LIABILITIES</b>	<u>5,153</u>	<u>72,805</u>
<b>Net Assets</b>		
Unrestricted	<u>450,123</u>	<u>366,623</u>
<b>TOTAL NET ASSETS</b>	<u>450,123</u>	<u>366,623</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 455,276</u></u>	<u><u>\$ 439,428</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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b><u>Support and Revenue</u></b>		
Public Support:		
Contributions and Memberships	\$ 225,925	\$ 227,825
Application and Site Visit Fees	139,054	145,943
Department of Labor and Workforce Development Grant	86,810	105,669
Special Events - Banquet	40,194	30,616
Conference and Workshops	182,341	140,260
Interest	340	3,147
Examiner Training Fees	28,255	3,675
Other	7,498	3,974
Realized and Unrealized Gain (Loss) on Investments	<u>(529)</u>	<u>(3,151)</u>
<b>TOTAL REVENUES</b>	<u>709,888</u>	<u>657,958</u>
<b><u>Expenses</u></b>		
Program services:		
Quality Award Program	462,586	485,044
Department of Labor and Workforce Development Grant	73,344	98,728
Supporting services:		
Management and General	60,307	63,850
Fundraising	<u>30,151</u>	<u>31,928</u>
<b>TOTAL EXPENSES</b>	<u>626,388</u>	<u>679,550</u>
<b>CHANGE IN NET ASSETS</b>	83,500	(21,592)
UNRESTRICTED NET ASSETS - BEGINNING OF YEAR	<u>366,623</u>	<u>388,215</u>
UNRESTRICTED NET ASSETS - END OF YEAR	<u><u>\$ 450,123</u></u>	<u><u>\$ 366,623</u></u>

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

## 2013

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, 2012**

	2012					
	Program Services			Supporting Services		
	Quality Award Program	Department of Labor and Workforce Development Grant	Total	Management and General	Fundraising	Total
Salaries and related benefits	\$ 237,341	\$ 82,661	\$ 320,002	\$ 37,647	\$ 18,824	\$ 376,473
Administrative fees	12,155	-	12,155	1,430	715	14,300
Board of examiner selection, training, per diem and marketing costs	38,321	-	38,321	4,508	2,255	45,084
Conferences and workshops	46,010	-	46,010	5,413	2,706	54,129
Marketing	2,953	-	2,953	347	174	3,474
Office maintenance	5,540	-	5,540	652	326	6,518
Office supplies	3,062	-	3,062	360	180	3,602
Other	13,508	-	13,508	1,589	795	15,892
Postage	10,815	-	10,815	1,272	637	12,724
Printing	15,360	-	15,360	1,807	903	18,070
Professional services	16,355	-	16,355	1,924	962	19,241
Recognition and banquet expenses	40,199	-	40,199	4,729	2,365	47,293
Non-personnel grant expenses	21,381	16,067	37,448	-	-	37,448
NIST Baldrige training grant expenses	2,500	-	2,500	-	-	2,500
Rent	8,500	-	8,500	1,000	500	10,000
Telephone	2,245	-	2,245	264	132	2,641
Travel	7,721	-	7,721	908	454	9,083
<b>TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION</b>	483,966	98,728	582,694	63,850	31,928	678,472
Depreciation of office equipment	1,078	-	1,078	-	-	1,078
<b>TOTAL FUNCTIONAL EXPENSES</b>	\$ 485,044	\$ 98,728	\$ 583,772	\$ 63,850	\$ 31,928	\$ 679,550

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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets:	\$ 83,500	\$ (21,592)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,100	1,078
Unrealized (gain) loss on investments	529	3,151
(Increase) Decrease in operating assets:		
Grant receivable	7,781	(16,147)
Accounts receivable	4,473	20,740
Increase (Decrease) in operating liabilities:		
Accounts payable	<u>(67,652)</u>	<u>3,027</u>
Net cash provided (used) by operating activities	<u>29,731</u>	<u>(9,743)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of office equipment	(1,290)	(1,271)
Purchase of investments	<u>(195)</u>	<u>(3,034)</u>
Net cash used by investing activities	<u>(1,485)</u>	<u>(4,305)</u>
Net increase (decrease) in cash and cash equivalents	28,246	(14,048)
Cash - beginning of year	<u>101,175</u>	<u>115,223</u>
Cash - end of year	<u><u>\$ 129,421</u></u>	<u><u>\$ 101,175</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, 2013 AND 2012**

**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, 2013 or 2012, 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, 2013 or 2012, 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, 2013 AND 2012**

**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, 2013 AND 2012**

**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 2013 and 2012 follows:

	(Unaudited)	
	2013	2012
Number of business and industry professional volunteers	197	195
Volunteer hours donated	17,121	19,666
Number of organizations served	40	46

**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 2010 are no longer open for examination.

**Accounts Receivable**

As of December 31, 2013 and 2012, 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.

**Grant Receivable**

Grant receivable represents the amount due from the Department of Labor and Workforce Development grant.

**TENNESSEE QUALITY AWARD, INC. D/B/A  
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2013 AND 2012**

**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, 2013 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	\$ 238,511	\$ 238,511	\$ -	\$ -

Fair Value Measurements at December 31, 2012 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	\$ 238,845	\$ 238,845	\$ -	\$ -

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, 2013 and 2012, 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, 2013 AND 2012**

**3. OFFICE EQUIPMENT**

Office equipment consists of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Computers and related equipment	\$ 7,928	\$ 30,097
Less accumulated depreciation	<u>(6,397)</u>	<u>(28,756)</u>
	<u>\$ 1,531</u>	<u>\$ 1,341</u>

**4. IN-KIND CONTRIBUTIONS**

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

	<u>2013</u>	<u>2012</u>
Rent	<u>\$ 10,000</u>	<u>\$ 10,000</u>

**5. RELATED PARTY**

TNCPE had an agreement with Nashville State Community College during 2012 in which Nashville State Community College is responsible for the payroll administration of TNCPE. This includes the responsibilities of TNCPE payroll, maintaining all financial records and other duties related to the fiscal affairs of the TNCPE payroll.

TNCPE paid Nashville State Community College a five percent management fee as payment for the expenses associated with the fiscal administration of the TNCPE payroll.

**6. PENSION**

TNCPE maintains a SIMPLE IRA (Savings Incentive Match Plan for Employees). Pension costs were \$8,295 for the year ended December 31, 2013. TNCPE matches employee contributions up to 3% of an employee's salary. Employees are allowed to participate if they received at least \$5,000 in compensation during any two years prior to the current year, and are reasonably expected to receive at least \$5,000 in compensation during the calendar year for which contributions are made.

**7. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 6, 2014 which is the date the financial statements were available to be issued. The following event occurred from January 1, 2014 through June 6, 2014.

The SIMPLE IRA was replaced with a 401(k) pension plan on June 1, 2014.