NASHVILLE TEACHER RESIDENCY

FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2020

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

NASHVILLE TEACHER RESIDENCY

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Report of Independent Auditor

To the Board of Directors
Nashville Teacher Residency
Nashville, Tennessee

We have audited the accompanying financial statements of Nashville Teacher Residency (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 Nashville Teacher Residency as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7, toward the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. During 2020, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses. Although it is not possible to reliably estimate the length or severity of this outbreak and, hence, its financial impact, any significant reduction in public support and resources caused by COVID-19 could negatively affect operations and have other material adverse effects on Nashville Teacher Residency. Our opinion is not modified with respect to this matter.

Cherry Bekaert LLP

Nashville, Tennessee
December 3, 2020

NASHVILLE TEACHER RESIDENCY
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS		
Cash and cash equivalents	$	205,659
Property and equipment, net of accumulated depreciation of $12,283		5,433
Other assets		805
Total Assets	$	211,897
LIABILITIES AND NET ASSETS		
Accounts payable	$	5,585
Note payable		116,407
Total Liabilities		121,992
Net Assets:		
Without donor restrictions		89,905
With donor restrictions		-
Total Net Assets		89,905
Total Liabilities and Net Assets	$	211,897

The accompanying notes to the financial statements are an integral part of this statement.

NASHVILLE TEACHER RESIDENCY
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains, and Other Support:			
Grants and contributions	$ 762,385	$ -	$ 762,385
Program revenues	111,487	-	111,487
Interest income	473	-	473
Net assets released from restrictions	60,000	(60,000)	-
Total Revenue, Gains, and Other Support	934,345	(60,000)	874,345
Expenses and Losses:			
Quality educators	812,380	-	812,380
Management and general	140,400	-	140,400
Total Expenses	952,780	-	952,780
Change in net assets	(18,435)	(60,000)	(78,435)
Net assets, beginning of year	108,340	60,000	168,340
Net assets, end of year	$ 89,905	$ -	$ 89,905

NASHVILLE TEACHER RESIDENCY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Quality Educators	Management and General	Total
Salaries, taxes, and benefits	$ 647,168	$ 114,206	$ 761,374
Professional fees	26,604	4,695	31,299
Mentor teacher stipends	27,000	-	27,000
Assessment	20,289	-	20,289
Professional development	17,815	2,235	20,050
Rent	15,300	2,700	18,000
Supplies and printing	11,743	1,441	13,184
Technology	9,601	1,694	11,295
Grants and awards	8,236	-	8,236
Bad debt	-	7,000	7,000
Insurance	5,461	964	6,425
Miscellaneous	1,907	3,754	5,661
Depreciation	3,440	607	4,047
Travel	3,516	462	3,978
Internship stipends	3,500	-	3,500
Meetings	3,104	126	3,230
Recruitment	2,495	-	2,495
Utilities	1,439	254	1,693
Meals and entertainment	1,613	-	1,613
Communications	1,083	191	1,274
Adjunct faculty	663	-	663
Licenses and fees	403	71	474
	$ 812,380	$ 140,400	$ 952,780

The accompanying notes to the financial statements are an integral part of this statement.

NASHVILLE TEACHER RESIDENCY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

Cash flows from operating activities:		
Change in net assets	$	(78,435)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation		4,047
Changes in operating assets and liabilities:		
Accounts receivable		7,000
Contributions receivable		40,000
Accounts payable		(12,674)
Grants payable		(3,680)
Net cash flows from operating activities		(43,742)
Cash flows from financing activities:		
Proceeds from note payable		116,407
Net cash flows from financing activities		116,407
Net increase in cash and cash equivalents		72,665
Cash and cash equivalents, beginning of year		132,994
Cash and cash equivalents, end of year	$	205,659

Note 1—Nature of Organization and summary of significant accounting policies

Nashville Teacher Residency (the "Organization") is a nonprofit organization that began operations in June 2015 as Project Renaissance. Effective October 17, 2017, the Organization restricted its programs and management team to focus exclusively on the Nashville Teacher Residency Project. The mission of the Organization is to develop diverse cohorts of thriving new teachers, prepared through strategic cycles of practice and feedback, who know their local and school communities, and value their relationships with students, families, and colleagues, in order to improve outcomes for all students in Middle Tennessee.

Financial Statement Presentation – The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are reported as follows:

> *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.
>
> *Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There were no restricted net assets at June 30, 2020.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Liquidity – Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and cash equivalents and liabilities are presented according to their maturing resulting in use of cash and cash equivalents.

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

Contributions – Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year of which the contributions are recognized. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets without donor restrictions.

Note 1—Nature of Organization and summary of significant accounting policies (continued)

Program and Supporting Services – The following program and supporting services are included in the accompanying financial statements:

Quality Educators – The Organization partners with other proven teacher preparation programs in order to form a greater pool of talent. The Organization is also partnering with Teach for America, the nationally recognized teaching training organization. The Quality Educators program has a five-year goal to train, support, and retain new high-quality teachers annually to serve in Nashville's public schools.

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 the Organization's program strategy, business management, general recordkeeping, budgeting, and related purposes.

Functional Allocation of Expenses – Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that were allocated consist primarily of salary and related expenses which have been allocated based on time incurred and spent.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The Organization has qualified for tax exempt status under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification guidance related to uncertain tax provisions. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization has no tax penalties or interest reported in the accompanying financial statements.

Recently Adopted Accounting Pronouncements – In June 2018, FASB issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The Organization evaluated the new standard and determined that the accounting standard did not require a change to the Organization's practices for recording contributions.

Note 1—Nature of Organization and summary of significant accounting policies (continued)

Accounting Policies for Future Pronouncements – In May 2014, FASB issued ASU 2014-09*, Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the year ending June 30, 2021. The Organization is currently evaluating the effect of the implementation of this new standard.

In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the fiscal year ending June 30, 2023. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – The Organization evaluated subsequent events through December 3, 2020, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

Note 2—Liquidity

The Organization regularly monitors liquidity available to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditure, that is, without donor restriction or other restrictions limiting their use within one year of the statement of financial position comprise the following at June 30, 2020:

Cash and cash equivalents	$ 205,659
Total financial assets	$ 205,659

Note 3—Concentration

The Organization received approximately 77% of its revenue, gains, and other support from three major donors for the year ended June 30, 2020.

Note 4—Note payable

In accordance with Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the ‘‘CARES Act’’), the Organization applied for and received a Paycheck Protection Program loan totaling $116,407 during April 2020 based on the federal government’s payroll formula. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans including accrued interest to the extent the Organization incurs certain qualifying expenses and maintains a certain level of average full-time equivalent employees during the measurement period following closing of the loan. Any portion of the loan that is not forgiven has a term of two years with an interest rate of 1%.

Note 5—Retirement plan

The Organization maintains a 401(k) retirement plan (the "Plan") for their employees. Under the terms of the Plan, the Organization may provide a matching contribution up to a maximum of 4% of each eligible employee's annual compensation. Employees are eligible to participate in the Plan immediately with no vesting period. Employer contributions for the year ended June 30, 2020 were $20,898.

Note 6—Operating lease commitments

The Organization is renting its building under an operating lease agreement. The lease agreement began on February 1, 2018 and required minimum monthly lease payments of $1,500 through May 31, 2020. The Organization renewed the lease agreement effective June 1, 2020 for three additional years increasing the required minimum monthly lease payment to $3,220. The lease terminates on January 31, 2020. Rent expense for all operating leases for the year ended June 30, 2020 was $18,000

Future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2020 are as follows:

Years Ending June 30,		
2021	$	38,902
2022		38,640
2023		35,420
	$	112,962

Note 7—Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in the financial markets. The coronavirus outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The outbreak has caused a material, adverse impact on the economic and market conditions. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.