

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

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

**DECEMBER 31, 2018 AND 2017**

**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 &amp; ADVISORS

Professional Accounting &amp; 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, 2018 and 2017, 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, 2018 and 2017, 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 31, 2019

**TENNESSEE QUALITY AWARD, INC. D/B/A  
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017**

**ASSETS**

	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 176,705	\$ 261,107
Investments	247,061	264,031
Accounts Receivable	<u>26,300</u>	<u>45,330</u>
Total Current Assets	<u>450,066</u>	<u>570,468</u>
<b>FIXED ASSETS</b>		
Office Equipment	8,079	8,079
Less: Accumulated Depreciation	<u>(6,606)</u>	<u>(5,266)</u>
Total Fixed Assets	<u>1,473</u>	<u>2,813</u>
Total Assets	<u><u>\$ 451,539</u></u>	<u><u>\$ 573,281</u></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 9,590	\$ 3,469
Deferred Revenue	<u>67,615</u>	<u>81,531</u>
Total Current Liabilities	<u>77,205</u>	<u>85,000</u>
Total Liabilities	<u>77,205</u>	<u>85,000</u>
<b>NET ASSETS</b>		
Net Assets Without Donor Restrictions	<u>374,334</u>	<u>488,281</u>
Total Net Assets Without Donor Restrictions	<u>374,334</u>	<u>488,281</u>
Total Liabilities and Net Assets	<u><u>\$ 451,539</u></u>	<u><u>\$ 573,281</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, 2018 AND 2017**

<b>SUPPORT AND REVENUE</b>	<b>2018</b>	<b>2017</b>
Public Support:		
Contributions and Memberships	\$ 221,050	\$ 239,675
Revenue:		
Application and Site Visit Fees	137,116	203,732
Special Events - Banquet	17,195	21,089
Conference and Workshops	167,554	157,905
Interest	216	69
Examiner Training Fees	43,960	43,470
Other	194	2,196
Realized/Unrealized Gain (Loss) on Investments	(14,345)	22,203
	<hr/>	<hr/>
Total Revenues	572,940	690,339
	<hr/>	<hr/>
<b>EXPENSES</b>		
Program Services:		
Quality Award Program	589,679	534,307
Supporting Services:		
Management and General	64,806	62,227
Fundraising	32,402	31,114
	<hr/>	<hr/>
Total Expenses	686,887	627,648
	<hr/>	<hr/>
Change in Net Assets	(113,947)	62,691
	<hr/>	<hr/>
Net Assets, beginning of the year	488,281	425,590
	<hr/>	<hr/>
Net Assets, end of the year	\$ 374,334	\$ 488,281
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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**

	<b>2018</b>			
	<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	\$ 323,202	\$ 38,024	\$ 19,012	\$ 380,238
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	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	588,339	64,806	32,402	685,547
Depreciation of Office Equipment	1,340	-	-	1,340
Total Functional Expenses	<u>\$ 589,679</u>	<u>\$ 64,806</u>	<u>\$ 32,402</u>	<u>\$ 686,887</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**

	<b>2017</b>			
	<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  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Change in Net Assets	(113,947)	62,691
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,340	1,613
Realized/Unrealized (Gain) Loss on Investments	14,345	(22,203)
(Increase) Decrease in: Accounts Receivable	19,030	(21,145)
Increase (Decrease) in: Accounts Payable	6,121	(6,389)
Deferred Revenue	<u>(13,916)</u>	<u>9,056</u>
Net Cash Provided (Used) by Operating Activities	<u>(87,027)</u>	<u>23,623</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale (Purchase) of Office Equipment	-	(3,005)
Sale (Purchase) of Investments	<u>2,625</u>	<u>2,180</u>
Net Cash Provided (Used) by Investing Activities	<u>2,625</u>	<u>(825)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(84,402)	22,798
Cash, beginning of the year	<u>261,107</u>	<u>238,309</u>
Cash, end of the year	<u><u>176,705</u></u>	<u><u>261,107</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, 2018 AND 2017**

**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 \$374,334 and \$488,281 of net assets without donor restrictions as of December 31, 2018 and 2017, 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, 2018 or 2017.

**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, 2018 AND 2017**

**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, 2018 AND 2017**

**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 2018 and 2017 follows:

	(Unaudited)	
	2018	2017
Number of business and industry professional volunteers	216	199
Volunteer hours donated	8,610	15,341
Number of organizations served	24	41

**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 2015 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, 2018 AND 2017**

**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, 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	\$ -	\$ -

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	\$ -	\$ -

**TENNESSEE QUALITY AWARD, INC. D/B/A  
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018 AND 2017**

**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, 2018 and 2017, TNCPE had no Level 2 or Level 3 investments.

**3. OFFICE EQUIPMENT**

Office equipment consists of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Computers and Related Equipment	\$ 8,079	\$ 8,079
Less: Accumulated Depreciation	<u>(6,606)</u>	<u>(5,266)</u>
Total Office Equipment	<u>\$ 1,473</u>	<u>\$ 2,813</u>

**4. IN-KIND CONTRIBUTIONS**

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

	<u>2018</u>	<u>2017</u>
Rent	<u>\$ 36,000</u>	<u>\$ 27,000</u>

**5. PENSION**

TNCPE maintains a 401(k) pension plan. Pension costs were \$4,353 and \$7,733 for the years ended December 31, 2018 and December 31, 2017, 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, 2018 AND 2017**

**6. DEFERRED REVENUE**

Deferred Revenue consists of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Conference	\$ 3,265	\$ 8,131
Conference Sponsorship	50,900	56,500
Membership Dues	1,600	5,900
Criteria	<u>11,850</u>	<u>11,000</u>
Total Deferred Revenue	<u>\$ 67,615</u>	<u>\$ 81,531</u>

**7. AVAILABILITY OF FINANCIAL ASSETS**

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

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

There is an adequate amount of financial assets available as of December 31, 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 31, 2019 which is the date the financial statements were available to be issued.