

NASHVILLE TEACHER RESIDENCY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023 AND 2022

NASHVILLE TEACHER RESIDENCY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR’S REPORT

JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

	<u>PAGE</u>
<u>INDEPENDENT AUDITOR’S REPORT</u>	1 - 2
<u>FINANCIAL STATEMENTS</u>	
Statements of Financial Position	3
Statement of Activities (2023)	4
Statement of Activities (2022)	5
Statement of Functional Expenses (2023).....	6
Statement of Functional Expenses (2022).....	7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 14

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nashville Teacher Residency
Nashville, Tennessee

OPINION

We have audited the financial statements of Nashville Teacher Residency (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expense, and cash flow for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, 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.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibility under those standards is further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OTHER MATTER

The financial statements of the Organization, as of and for the year ended June 30, 2022, were audited by other auditors whose report, dated November 14, 2022, expressed an unmodified opinion on those statements.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date the financial statements are issued or available to be issued.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Kraft+CPAs PLLC

Nashville, Tennessee
November 10, 2023

NASHVILLE TEACHER RESIDENCY

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,908,051	\$ 281,052
Pledges receivable	25,000	25,000
Accounts receivable - Employee Retention Credit	52,038	86,088
Other assets	605	4,700
Property and equipment, net	<u>-</u>	<u>1,761</u>
TOTAL ASSETS	<u>\$ 1,985,694</u>	<u>\$ 398,601</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ <u>-</u>	\$ <u>250</u>
TOTAL LIABILITIES	<u>-</u>	<u>250</u>
<u>NET ASSETS</u>		
Without donor restrictions	1,910,905	323,351
With donor restrictions	<u>74,789</u>	<u>75,000</u>
TOTAL NET ASSETS	<u>1,985,694</u>	<u>398,351</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,985,694</u>	<u>\$ 398,601</u>

See accompanying notes to financial statements.

NASHVILLE TEACHER RESIDENCY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Grants and contributions	\$ 2,344,331	\$ 49,789	\$ 2,394,120
Program revenue	212,413	-	212,413
Rental income	6,800	-	6,800
Other income	29,940	-	29,940
Net assets released from restrictions	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
 TOTAL REVENUES AND SUPPORT	 <u>2,643,484</u>	 <u>(211)</u>	 <u>2,643,273</u>
 EXPENSES			
Program services	915,770	-	915,770
Supporting services:			
Management and general	<u>140,160</u>	<u>-</u>	<u>140,160</u>
 TOTAL EXPENSES	 <u>1,055,930</u>	 <u>-</u>	 <u>1,055,930</u>
 CHANGE IN NET ASSETS	 1,587,554	 (211)	 1,587,343
 NET ASSETS - BEGINNING OF YEAR	 <u>323,351</u>	 <u>75,000</u>	 <u>398,351</u>
 NET ASSETS - END OF YEAR	 <u>\$ 1,910,905</u>	 <u>\$ 74,789</u>	 <u>\$ 1,985,694</u>

See accompanying notes to financial statements.

NASHVILLE TEACHER RESIDENCY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT			
Grants and contributions	\$ 604,105	\$ 75,000	\$ 679,105
Program revenue	203,700	-	203,700
Paycheck Protection Program income	113,515	-	113,515
Employee Retention Credit income	86,088	-	86,088
Rental income	12,041	-	12,041
Other income	518	-	518
Net assets released from restrictions	<u>200,004</u>	<u>(200,004)</u>	<u>-</u>
 TOTAL REVENUES AND SUPPORT	 <u>1,219,971</u>	 <u>(125,004)</u>	 <u>1,094,967</u>
 EXPENSES			
Program services	848,490	-	848,490
Supporting services:			
Management and general	<u>130,260</u>	<u>-</u>	<u>130,260</u>
 TOTAL EXPENSES	 <u>978,750</u>	 <u>-</u>	 <u>978,750</u>
 CHANGE IN NET ASSETS	 241,221	 (125,004)	 116,217
 NET ASSETS - BEGINNING OF YEAR	 <u>82,130</u>	 <u>200,004</u>	 <u>282,134</u>
 NET ASSETS - END OF YEAR	 <u><u>\$ 323,351</u></u>	 <u><u>\$ 75,000</u></u>	 <u><u>\$ 398,351</u></u>

See accompanying notes to financial statements.

NASHVILLE TEACHER RESIDENCY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

	Program Services	<u>Supporting Services</u> Management and General	Total
Salaries, taxes, and benefits	\$ 665,790	\$ 116,955	\$ 782,745
Professional fees	64,385	7,701	72,086
Grants and awards	41,877	-	41,877
Rent	30,132	5,293	35,425
Insurance	21,430	3,764	25,194
Mentor teacher stipends	29,880	-	29,880
Assessment	19,583	-	19,583
Cohort expenses	9,356	-	9,356
Recruitment	4,914	863	5,777
Technology	10,625	1,866	12,491
Utilities	3,889	683	4,572
Supplies and printing	4,773	838	5,611
Professional development	8,138	1,429	9,567
Depreciation	998	768	1,766
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	\$ <u>915,770</u>	\$ <u>140,160</u>	\$ <u>1,055,930</u>

See accompanying notes to financial statements.

NASHVILLE TEACHER RESIDENCY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Services	<u>Supporting Services</u> Management and General	Total
Salaries, taxes, and benefits	\$ 580,046	\$ 110,485	\$ 690,531
Professional fees	97,731	7,822	105,553
Grants and awards	55,237	-	55,237
Rent	30,107	5,313	35,420
Insurance	18,910	3,602	22,512
Mentor teacher stipends	22,200	-	22,200
Assessment	21,175	-	21,175
Cohort expenses	7,137	-	7,137
Recruitment	4,058	773	4,831
Technology	3,042	580	3,622
Utilities	3,036	578	3,614
Supplies and printing	2,555	487	3,042
Professional development	1,951	372	2,323
Depreciation	1,305	248	1,553
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	\$ 848,490	\$ 130,260	\$ 978,750
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements.

NASHVILLE TEACHER RESIDENCY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,587,343	\$ 116,217
Adjustments to reconcile change in net assets to net increase in cash and cash equivalents:		
Depreciation	1,761	1,553
Paycheck Protection Program loan forgiveness	-	(113,515)
(Increase) decrease in:		
Pledges receivable	-	175,004
Accounts receivable - Employee Retention Credit	34,050	(86,088)
Other assets	4,095	(3,895)
Decrease in:		
Accounts payable	<u>(250)</u>	<u>(5,889)</u>
TOTAL ADJUSTMENTS	<u>39,656</u>	<u>(32,830)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>1,626,999</u>	<u>83,387</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>281,052</u>	<u>197,665</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,908,051</u></u>	<u><u>\$ 281,052</u></u>

See accompanying notes to financial statements.

NASHVILLE TEACHER RESIDENCY
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

NOTE 1 - GENERAL

Nashville Teacher Residency (the “Organization”) is a nonprofit organization that began operations in 2016. The mission of the Organization is to develop and license teachers from diverse backgrounds and experiences who honor the dignity of every student.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with generally accepted accounting principles (“GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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. There are currently no donor restrictions that are perpetual in nature.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Liquidity

Assets are presented in the accompanying statements 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.

Cash and Cash Equivalents

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

NASHVILLE TEACHER RESIDENCY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges receivable

Pledges receivable are recorded at their net realizable value. An allowance for uncollectible pledges receivable is provided based on management's estimate of uncollectible pledges. Pledges receivable are written off when deemed to be uncollectible. In management's opinion, no allowance for uncollectible pledges receivable was necessary as of June 30, 2023.

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.

Revenue Recognition

Program Revenue - Program revenue is recognized in accordance with the contract obligations, which typically coincide with the annual school year and related fiscal year. As such, revenue is recognized as services are rendered resulting in no deferred revenue or contract balances at year end.

Contributions - Contributions are recognized when cash, securities or other assets, or an unconditional promise to give are received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services

Quality Educators - The Organization partners with other proven teacher preparation programs such as Teach for America, Belmont University, Relay Graduate School, Vanderbilt Peabody School of Education, Tennessee State University, and others to form a greater pool of talent. 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.

NASHVILLE TEACHER RESIDENCY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Supporting Services

Management and General - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or event, or with fundraising, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

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, professional fees, rent, insurance, technology, utilities, supplies and depreciation 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 revenue 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.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2023 and November 10, 2023, the date the financial statements were available to be issued for possible recognition or disclosure in the financial statements.

NASHVILLE TEACHER RESIDENCY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023 AND 2022

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets at June 30, 2023 and 2022, reduced by amounts not available for general use within one year of the statement of financial position date because of donor-imposed restrictions.

	<u>2023</u>	<u>2022</u>
Financial assets at year end		
Cash and cash equivalents	\$ 1,908,051	\$ 281,052
Pledges receivable	25,000	25,000
Accounts receivable - Employee Retention Credit	<u>52,038</u>	<u>86,088</u>
Total financial assets	<u>\$ 1,985,089</u>	<u>\$ 392,140</u>

There are no reductions for donor restricted net assets as amounts will become available within one year.

NOTE 4 - PLEDGES RECEIVABLE

Pledges receivable totaled \$25,000 and \$25,000 as of June 30, 2023 and 2022, respectively. All amounts are due within one year.

NOTE 5 - 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 ("PPP") 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 the closing of the loan. The loan balance and any accumulated interest was forgiven in its entirety on January 13, 2021, and the loan amount of \$116,407 was recognized as revenue in the statement of activities for the year ended June 30, 2021. The Organization qualified for an additional PPP loan for \$113,515 during February 2021. Any portion of the loan that was not forgiven had a term of two years with an interest rate of 1%. This loan was recorded as a note payable in the June 30, 2021 statement of financial position. As this loan was forgiven in fiscal 2022, it was recognized as revenue in the statement of activities for the year ended June 30, 2022.

NASHVILLE TEACHER RESIDENCY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023 AND 2022

NOTE 5 - NOTE PAYABLE (CONTINUED)

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 (“PPP”) loan totaling \$113,515 during February 2021 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 the closing of the loan. This loan was recorded as a note payable in the June 30, 2021 statement of financial position. As this loan was forgiven in fiscal 2022, it was recognized as revenue in the statement of activities for the year ended June 30, 2022.

NOTE 6 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, and various contributions, grants, contracts and related receivables. The Organization maintains cash and cash equivalents and investments in certificates of deposit at reputable financial institutions insured by the Federal Deposit Insurance Corporation (“FDIC”) up to statutory limits. The Organization’s balances may, at times, exceed statutory limits. The Organization has not experienced any losses in these accounts and management considers this to be a normal business risk.

The Organization received approximately 87% and 63% of its revenues and support from three and five major donors for the years ended June 30, 2023 and 2022, respectively.

NOTE 7 - EMPLOYEE RETENTION CREDIT

The CARES Act contains the Employee Retention Credit (“ERC”), a refundable payroll tax credit available to employers that have experienced hardship in their operations due to the COVID-19 outbreak. The Organization qualified for \$86,088 of ERC for various quarters during the years ended June 30, 2021 and 2020. The Organization selected Accounting Standards Codification 958-605 as the applicable standard for accounting for ERC and, as such, recognized the ERC when the qualifying wages were incurred and any barriers to realization were overcome, which was deemed to be during the year ended June 30, 2022 with the filing of the amended payroll tax returns. Employee retention credit income of \$86,088 and related accounts receivable - employee retention credit of \$86,088 has been recorded in the financial statements for the year ended June 30, 2022. The Organization has an outstanding receivable of \$52,038 for the year ended June 30, 2023.

NASHVILLE TEACHER RESIDENCY

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2023 AND 2022

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction are available for the following purposes at June 30:

	<u>2023</u>	<u>2022</u>
Net assets subject to time restrictions	<u>\$ 74,789</u>	<u>\$ 75,000</u>

NOTE 9 - 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 years ended June 30, 2023 and 2022 were \$17,967 and \$18,460, respectively.

NOTE 10 - OPERATING LEASE COMMITMENTS

The Organization was 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 terminated on May 31, 2023. Rent expense for all operating leases for the years ended June 30, 2023 and 2022 was \$35,425 and \$35,420 respectively.

During fiscal year 2022, the Organization began subleasing part of its office space to an unrelated third party for base rent of \$1,100 per month. This arrangement extended through November 2022. Amounts received under this sublease are reflected as rental income in the statement of activities for the year ended June 30, 2023.