

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

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

DECEMBER 31, 2020 AND 2019



BELLENFANT
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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

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CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tennessee Quality Award, Inc. d/b/a
Tennessee Center for Performance Excellence
Nashville, Tennessee

Opinion

We have audited the accompanying financial statements of Tennessee Quality Award, Inc. d/b/a Tennessee Center for Performance Excellence (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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, 2020 and 2019, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are 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 Tennessee Quality Award, Inc. d/b/a Tennessee Center for Performance Excellence and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Tennessee Quality Award, Inc. d/b/a Tennessee Center for Performance Excellence's ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Tennessee Quality Award, Inc. d/b/a Tennessee Center for Performance Excellence'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 Tennessee Quality Award, Inc. d/b/a Tennessee Center for Performance Excellence'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.

Bellenfant, PLLC

Nashville, Tennessee
May 28, 2021

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,523	\$ 18,992
Investments	72,529	160,404
Accounts Receivable	20,407	15,935
Prepaid Expenses	-	3,473
	<hr/>	<hr/>
Total Current Assets	95,459	198,804
	<hr/>	<hr/>
FIXED ASSETS		
Office Equipment	5,148	10,039
Less: Accumulated Depreciation	(3,646)	(7,814)
	<hr/>	<hr/>
Total Fixed Assets	1,502	2,225
	<hr/>	<hr/>
Total Assets	<u>\$ 96,961</u>	<u>\$ 201,029</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 10,010	\$ 5,389
Deferred Revenue	-	11,607
SBA PPP Loan Payable	58,110	-
	<hr/>	<hr/>
Total Current Liabilities	68,120	16,996
	<hr/>	<hr/>
Total Liabilities	68,120	16,996
	<hr/>	<hr/>
NET ASSETS		
Net Assets Without Donor Restrictions	28,841	184,033
	<hr/>	<hr/>
Total Net Assets Without Donor Restrictions	28,841	184,033
	<hr/>	<hr/>
Total Liabilities and Net Assets	<u>\$ 96,961</u>	<u>\$ 201,029</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, 2020 AND 2019**

SUPPORT AND REVENUE

	<u>2020</u>	<u>2019</u>
Public Support:		
Contributions and Memberships	\$ 163,665	\$ 143,350
In-kind Contributions	36,580	45,000
Revenue:		
Application and Site Visit Fees	83,719	99,662
Special Events - Banquet	-	11,485
Conference and Workshops	115,877	150,973
Interest	3	107
Examiner Training Fees	12,708	23,200
Other	2,713	757
Realized/Unrealized Gain (Loss) on Investments	7,655	27,639
	<u>422,920</u>	<u>502,173</u>
Total Revenues		

EXPENSES

Program Services:		
Quality Award Program	493,393	588,783
Supporting Services:		
Management and General	56,481	69,128
Fundraising	28,238	34,563
	<u>578,112</u>	<u>692,474</u>
Total Expenses		
Change in Net Assets	(155,192)	(190,301)
Net Assets, beginning of the year	<u>184,033</u>	<u>374,334</u>
Net Assets, end of the year	<u><u>\$ 28,841</u></u>	<u><u>\$ 184,033</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, 2020**

	<u>Program Services</u>	<u>Supporting Services</u>		
	Quality Award Program	Management and General	Fundraising	Total
Salaries and Related Benefits	\$ 320,322	\$ 37,685	\$ 18,842	\$ 376,849
Contract Staffing	-	-	-	-
Administrative Fees	2,645	311	156	3,112
Board of examiner selection, training, per diem, and marketing costs	4,320	508	254	5,082
Conferences and Workshops	51,117	6,014	3,007	60,138
Marketing	8,201	965	482	9,648
Office Maintenance	9,393	1,105	552	11,050
Office Supplies	399	47	23	469
Miscellaneous	5,010	590	295	5,895
Postage	2,035	240	120	2,395
Printing	-	-	-	-
Professional Services	5,374	632	316	6,322
Recognition and Banquet	23,651	2,783	1,391	27,825
Credit Card Charges	5,798	682	341	6,821
Criteria Expenses	6,989	822	411	8,222
Rent (In-Kind)	31,093	3,658	1,829	36,580
Bad Debts	12,600	-	-	12,600
Telephone	3,396	400	200	3,996
Travel	327	39	19	385
Total Functional Expenses before Depreciation	<u>492,670</u>	<u>56,481</u>	<u>28,238</u>	<u>577,389</u>
Depreciation of Office Equipment	<u>723</u>	<u>-</u>	<u>-</u>	<u>723</u>
Total Functional Expenses	<u><u>\$ 493,393</u></u>	<u><u>\$ 56,481</u></u>	<u><u>\$ 28,238</u></u>	<u><u>\$ 578,112</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, 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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

CASH FLOWS FROM OPERATING ACTIVITIES	2020	2019
Change in Net Assets	(155,192)	(190,301)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	723	1,208
Realized/Unrealized (Gain) Loss on Investments	(7,655)	(27,639)
(Increase) Decrease in:		
Accounts Receivable	(4,472)	10,365
Prepaid Expenses	3,473	(3,473)
Increase (Decrease) in:		
Accounts Payable	4,621	(4,201)
Deferred Revenue	(11,607)	(56,008)
Net Cash Provided (Used) by Operating Activities	<u>(170,109)</u>	<u>(270,049)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale (Purchase) of Office Equipment	-	(1,960)
Sale (Purchase) of Investments	<u>95,530</u>	<u>114,296</u>
Net Cash Provided (Used) by Investing Activities	<u>95,530</u>	<u>112,336</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
SBA PPP Loan Payable	<u>58,110</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	<u>58,110</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(16,469)	(157,713)
Cash and Cash Equivalents, beginning of the year	<u>18,992</u>	<u>176,705</u>
Cash and Cash Equivalents, end of the year	<u><u>2,523</u></u>	<u><u>18,992</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, 2020 AND 2019**

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 \$28,841 and \$184,033 of net assets without donor restrictions as of December 31, 2020 and 2019, 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, 2020 or 2019.

Fixed Assets

Fixed Assets 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, 2020 AND 2019**

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.

Revenue Recognition

Revenue is recognized over the period in relation to the expenditures incurred and services provided. Cash received in excess of revenue is recorded as deferred revenue, and an account receivable is recorded when allowable expenditures exceed cash received.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019**

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 2020 and 2019 follows:

	(Unaudited)	
	2020	2019
Number of business and industry professional volunteers	120	115
Volunteer hours donated	12,000	4,905
Number of organizations served	12	14

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 2017 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, 2020 AND 2019**

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.

Change in Accounting Principle

In November 2016, FASB issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows*. The standard provides guidance on the classification and presentation of changes in restricted cash on the statement of cash flows. The standard also acknowledges and provides guidance on the diversity that exists within this classification. ASU 2016-18 is effective for TNCPE for the years ended December 31, 2020 and 2019. The accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

In June 2018, FASB issued 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. ASU 2018-08 is effective for TNCPE for the years ended December 31, 2020 and 2019. The accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

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 will be effective for the fiscal year ending December 31, 2021. TNCPE is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Accounting Policies for Future Pronouncements (Continued)

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 balance sheet 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 income statement. This standard will be effective for the fiscal year ending December 31, 2023. TNCPE is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

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, 2020				
	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	\$ 72,529	\$ 72,529	\$ -	\$ -

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	\$ -	\$ -

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019**

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, 2020 and 2019, TNCPE had no Level 2 or Level 3 investments.

3. FIXED ASSETS

Fixed Assets consists of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Computers and Related Equipment	\$ 5,148	\$ 10,039
Less: Accumulated Depreciation	<u>(3,646)</u>	<u>(7,814)</u>
Total Fixed Assets	<u>\$ 1,502</u>	<u>\$ 2,225</u>

4. IN-KIND CONTRIBUTIONS

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

	<u>2020</u>	<u>2019</u>
Rent	<u>\$ 36,580</u>	<u>\$ 45,000</u>

5. PENSION

TNCPE maintains a 401(k) pension plan. Pension costs were \$1,950 and \$2,113 for the years ended December 31, 2020 and December 31, 2019, 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, 2020 AND 2019**

6. DEFERRED REVENUE

Deferred Revenue consists of the following as of December 31:

	2020	2019
Conference	\$ -	\$ 8,607
Conference Sponsorship	-	3,000
	<hr/>	<hr/>
Total Deferred Revenue	<u>\$ -</u>	<u>\$ 11,607</u>

7. AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Association's financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use:

	2020	2019
Cash and Cash Investments	\$ 75,052	\$ 179,396
Less amounts invested in stocks and mutual funds	(72,529)	(160,404)
	<hr/>	<hr/>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,523</u>	<u>\$ 18,992</u>

There is not an adequate amount of financial assets available as of December 31, 2020 and 2019. TNCPE does not effectively manage its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date. Management needs to implement a regular cash flow analysis to ensure TNCPE has enough liquidity to support ongoing operations.

8. UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, TNCPE has temporarily not been able to continue normal activities. The extent to which these events will affect the amounts reported in future financial statements remains uncertain.

**TENNESSEE QUALITY AWARD, INC. D/B/A
TENNESSEE CENTER FOR PERFORMANCE EXCELLENCE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2020 AND 2019**

9. PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

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.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 28, 2021 which is the date the financial statements were available to be issued.

The Consolidated Appropriations Act was signed into law on December 21, 2020 and allowed eligible organizations to apply for the PPP Loan for a second draw. TNCPE obtained a second PPP loan for \$74,433 on February 12, 2021. The portion of loan proceeds that is spent on qualified payroll costs and operational expenses will be forgiven.