

NASHVILLE ENTREPRENEUR CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NASHVILLE ENTREPRENEUR CENTER

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows.....	8
Notes to Financial Statements	9 - 21



Independent Auditor's Report

The Board of Directors
Nashville Entrepreneur Center
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Nashville Entrepreneur Center ("NEC") which comprise the statements of financial position as of December 31, 2020 and 2019, 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 audits. We conducted our audits 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 Entrepreneur Center 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.

Nashville, Tennessee
April 27, 2021

NASHVILLE ENTREPRENEUR CENTER
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2020	2019
Cash	\$ 1,685,045	\$ 1,075,532
Endowment cash	-	304,951
Investments	443,532	-
Contributions and grants receivable, net	285,210	290,558
Prepaid expenses	34,906	17,895
Leasehold improvements and equipment, net	3,009,774	2,991,126
	<u> </u>	<u> </u>
Total assets	<u>\$ 5,458,467</u>	<u>\$ 4,680,062</u>

LIABILITIES

Accounts payable	\$ 86,172	\$ 75,935
Accrued expenses	199,413	-
Deferred revenue	7,500	14,091
	<u> </u>	<u> </u>
Total liabilities	<u>293,085</u>	<u>90,026</u>

NET ASSETS

Net assets without donor restrictions	4,443,447	4,278,791
Net assets with donor restrictions	721,935	311,245
	<u> </u>	<u> </u>
Total net assets	<u>5,165,382</u>	<u>4,590,036</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 5,458,467</u>	<u>\$ 4,680,062</u>

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions and grants	\$ 1,416,158	\$ 826,000	\$ 2,242,158
Program income	607,483	-	607,483
Interest and other income	249,858	-	249,858
Net assets released from restrictions	<u>415,310</u>	<u>(415,310)</u>	<u>-</u>
Total support and revenue	<u>2,688,809</u>	<u>410,690</u>	<u>3,099,499</u>
Expenses:			
Program expenses	1,974,578	-	1,974,578
Supporting services:			
Management and general	170,070	-	170,070
Fundraising	<u>379,505</u>	<u>-</u>	<u>379,505</u>
Total supporting services	<u>549,575</u>	<u>-</u>	<u>549,575</u>
Total expenses	<u>2,524,153</u>	<u>-</u>	<u>2,524,153</u>
Net change in net assets	<u>164,656</u>	<u>410,690</u>	<u>575,346</u>
Net assets at beginning of year	<u>4,278,791</u>	<u>311,245</u>	<u>4,590,036</u>
Net assets at end of year	<u><u>\$ 4,443,447</u></u>	<u><u>\$ 721,935</u></u>	<u><u>\$ 5,165,382</u></u>

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions and grants	\$ 1,115,796	\$ 541,250	\$ 1,657,046
Program income	771,699	-	771,699
Interest and other income	13,259	-	13,259
Net assets released from restrictions	534,993	(534,993)	-
	<u>2,435,747</u>	<u>6,257</u>	<u>2,442,004</u>
Total support and revenue			
Expenses:			
Program expenses	2,017,878	-	2,017,878
Supporting services:			
Management and general	199,458	-	199,458
Fundraising	373,702	-	373,702
Total supporting services	573,160	-	573,160
	<u>2,591,038</u>	<u>-</u>	<u>2,591,038</u>
Total expenses			
Net change in net assets	(155,291)	6,257	(149,034)
	<u>4,434,082</u>	<u>304,988</u>	<u>4,739,070</u>
Net assets at beginning of year			
Net assets at end of year	<u>\$ 4,278,791</u>	<u>\$ 311,245</u>	<u>\$ 4,590,036</u>

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and benefits	\$ 1,001,409	\$ 117,453	\$ 249,739	\$ 367,192	\$ 1,368,601
Program expenses	95,226	-	-	-	95,226
Professional fees	201,400	8,095	17,211	25,306	226,706
Administrative expenses	38,279	1,880	14,028	15,908	54,187
Facility expenses	296,031	15,655	21,619	37,274	333,305
Travel and entertainment	649	56	224	280	929
Marketing expenses	196,895	16,416	35,377	51,793	248,688
Other operating expenses	143,481	10,515	38,798	49,313	192,794
Fundraising expenses	1,208	-	2,509	2,509	3,717
Total expenses	<u>\$ 1,974,578</u>	<u>\$ 170,070</u>	<u>\$ 379,505</u>	<u>\$ 549,575</u>	<u>\$ 2,524,153</u>

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and benefits	\$ 939,412	\$ 135,527	\$ 212,353	\$ 347,880	\$ 1,287,292
Program expenses	259,766	-	1,290	1,290	261,056
Professional fees	219,660	23,477	36,786	60,263	279,923
Administrative expenses	42,903	1,384	4,515	5,899	48,802
Facility expenses	375,204	20,015	27,640	47,655	422,859
Travel and entertainment	8,782	382	762	1,144	9,926
Marketing expenses	81,814	7,592	37,909	45,501	127,315
Other operating expenses	90,337	10,849	35,965	46,814	137,151
Fundraising expenses	-	232	16,482	16,714	16,714
Total expenses	<u>\$ 2,017,878</u>	<u>\$ 199,458</u>	<u>\$ 373,702</u>	<u>\$ 573,160</u>	<u>\$ 2,591,038</u>

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 575,346	\$ (149,034)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	107,181	188,766
Net appreciation in fair value of investments	(38,748)	-
Contributions restricted for long-term investment	(100,000)	(100,000)
(Increase) decrease in:		
Contributions and grants receivable	5,348	(81,673)
Prepaid assets	(17,011)	1,285
Increase (decrease) in:		
Accounts payable	10,237	9,208
Accrued expenses	199,413	(195,243)
Deferred revenue	(6,591)	10,825
Net cash provided by (used in) operating activities	<u>735,175</u>	<u>(315,866)</u>
Cash flows from investing activities:		
Purchases of investments	(404,784)	-
Purchases of leasehold improvements and equipment	<u>(125,829)</u>	<u>(13,708)</u>
Net cash used in investing activities	<u>(530,613)</u>	<u>(13,708)</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	<u>100,000</u>	<u>100,000</u>
Net cash provided by financing activities	<u>100,000</u>	<u>100,000</u>
Net increase (decrease) in cash and restricted cash	304,562	(229,574)
Cash and restricted cash, beginning of year	<u>1,380,483</u>	<u>1,610,057</u>
Cash and restricted cash, end of year	<u><u>\$ 1,685,045</u></u>	<u><u>\$ 1,380,483</u></u>
Reconciliation of cash and restricted cash:		
Cash	\$ 1,685,045	\$ 1,075,532
Restricted cash (endowment)	<u>-</u>	<u>304,951</u>
Total cash and restricted cash	<u><u>\$ 1,685,045</u></u>	<u><u>\$ 1,380,483</u></u>

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Nashville Entrepreneur Center (“NEC”), a not-for-profit 501(c)3 public-private partnership, was founded in 2009 as an initiative of the Nashville community with a vision to be the front door to the City’s entrepreneurial ecosystem. A partnership of local and state government support, private interests and the Nashville business community at-large, the Center’s mission is to connect entrepreneurs with critical resources to create, launch and grow businesses.

The NEC fosters innovation and entrepreneurship by helping startup businesses develop and grow, gain education, get access to resources and connections, and create jobs. NEC is funded through sponsorships, partnerships, donations, grants and fees for services (i.e. membership and programs). NEC relies on support from leading corporations, successful entrepreneurs and those who have a vested interest in NEC’s success.

Further developed by entrepreneurs for entrepreneurs, NEC offers membership and advisors, community events, entrepreneurial education and industry-immersive experiences in healthcare (Project Healthcare) and music (Project Music). NEC programs are built on a foundation of inclusion and sustainability.

Basis of Presentation

NEC’s financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”). Resources are classified into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of NEC and changes therein are classified and 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 NEC. These net assets may be used at the discretion of NEC’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 NEC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity, but may permit NEC to use or expend part or all of the income derived from the donated assets.

Expirations of restrictions on net assets as the result of the passage of time and/or fulfilling donor-imposed stipulations are reported as net assets released from restrictions between the applicable classes of net assets in the statement of activities.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents and Restricted Cash

For financial statement purposes, the NEC considers all non-endowment cash and all highly liquid investments not held for long-term investment, and which have original maturities of three months or less, to be cash equivalents. At December 31, 2019, NEC held restricted endowment cash in a separate money market account. In 2020, NEC invested the endowment funds in accordance with NEC's endowment policy (Note I). For the statement of cash flows, the NEC considers all cash reported under endowment cash to be restricted cash.

Revenue Recognition

Revenues from contracts with customers is based on consideration defined in the contracts. NEC's contracts with customers include sponsorships and memberships that provide members with business development assistance, education and access to resources and connections.

Revenue from exchange transactions and other non-contribution related revenue are recognized as earned, or when the performance obligation is satisfied. Performance obligations are determined based on the nature of the service provided by NEC. Contributions are recognized as revenue when received. Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions.

Grants and Grant Receivables

NEC receives funding under grants for program and operating costs. If grants are deemed to be exchange transactions, revenue is recognized as expenses are incurred. Grants receivable represent amounts due from funding organizations or reimbursable expenses incurred.

Contributions Receivable

Contributions receivable are recorded at their estimated fair value and reflect discounts for payment terms greater than one year. Contributions receivable are considered to be either conditional or unconditional promises to give. A conditional contribution is one which depends on the occurrence of some specified uncertain future event to become binding on the donor. Conditional contributions are not recorded as revenue until the condition is met, at which time they become unconditional. Unconditional contributions are recorded as revenue at the time verifiable evidence of the pledge is received.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Leasehold Improvements and Equipment

Leasehold improvements and equipment are stated in the accompanying statements of financial position at cost, or if contributed, at fair market value at the date of the gift. It is NEC's policy to capitalize expenditures for these items in excess of \$1,000. Depreciation is calculated using the straight-line basis over the estimated useful life of the various assets, ranging from three to forty years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the financial statements and disclosures. The most significant areas include the collectability of contributions and grants receivable, useful lives of leasehold improvements and equipment, and functional expenses. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

Assets and liabilities recorded at fair value in the statements of financial position on a recurring basis are categorized based on the level of judgment associated with the inputs used to measure their fair value. Level inputs are as follows:

Level 1 - Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

NEC's investments are level 1 investments.

NEC's financial instruments consist of investments, contributions and grants receivables, accounts payable, and accrued expenses. The recorded values approximate their fair values based on their short-term nature. The carrying value of any outstanding line of credit balance is not materially different from the estimated fair value of the instrument.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Advertising Costs

All advertising costs are expensed as incurred. Advertising expense was \$248,688 and \$127,315 for the years ended December 31, 2020 and 2019, respectively.

Income Taxes

Nashville Entrepreneur Center is exempt from income taxes under Internal Revenue Code Section 501(c)(3); accordingly, no provision for taxes has been made in the financial statements.

NEC accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for NEC include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, NEC has determined that such tax positions do not result in an uncertainty requiring recognition.

Functional Expenses

Costs of providing NEC's programs are reported in the Statement of Functional Expenses and the Statement of Activities. Program expenses include costs directly associated with the program. These costs have been allocated between program and supporting services based on estimates made by management.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash	\$1,685,045	\$1,380,483
Investments	443,532	-
Receivables (net)	<u>285,210</u>	<u>290,558</u>
Total financial assets	<u>2,413,787</u>	<u>1,671,041</u>
Less amounts not available to be used for general expenditures within one year:		
Financial assets not available to be used within one year:		
Amounts subject to time or purpose restrictions	321,935	11,245
Donor restricted funds held in perpetuity	<u>400,000</u>	<u>300,000</u>
Total financial assets not available to be used within one year	<u>721,935</u>	<u>311,245</u>
Financial assets available to meet general expenditures within one year	<u>\$1,691,852</u>	<u>\$1,359,796</u>

NEC receives significant support through restricted and unrestricted contributions and grants and must maintain sufficient resources to meet responsibilities to its donors; therefore, these assets are limited to use for donor-restricted purposes. NEC also has a line-of-credit with a maximum borrowing limit of \$500,000, which is available for use in operations as needed. NEC has a policy to structure its financial assets to be available as its obligations come due.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

C. INVESTMENTS

NEC's investment portfolio, at fair value, consists of:

	December 31,	
	2020	2019
Cash and cash equivalents	\$ 11,566	\$ -
Certificates of deposit	22,000	
Mutual funds	146,353	-
Exchange traded funds	263,613	-
	<u>\$ 443,532</u>	<u>\$ -</u>

D. CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Contributions and grants receivable, net of an allowance, at December 31, 2020 and 2019, totaled \$285,210 and \$290,558, respectively. The outstanding balance at December 31, 2020, is expected to be collected through 2021. The allowance for doubtful accounts at December 31, 2020 and 2019 was \$15,000 and \$10,000, respectively. There were no conditional promises to give as of December 31, 2020 or 2019.

E. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment at December 31, 2020 and 2019, consisted of the following:

	2020	2019
Furniture and equipment	\$ 908,278	\$ 789,914
Leasehold improvements	3,506,867	3,499,402
Computer software and website	27,000	27,000
	<u>4,442,145</u>	<u>4,316,316</u>
Less accumulated depreciation	<u>(1,432,371)</u>	<u>(1,325,190)</u>
Leasehold improvements and equipment, net	<u>\$ 3,009,774</u>	<u>\$ 2,991,126</u>

Depreciation expense was \$107,181 and \$188,766 at December 31, 2020 and 2019, respectively.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

F. LINE OF CREDIT

NEC has an available line of credit with borrowing availability up to \$500,000. The line of credit matured May 2, 2019. On June 26, 2019, NEC entered into an agreement, extending the maturity date through June 2021. Interest was payable monthly at the prime rate with a floor of 4% through May 2, 2019 and at prime rate thereafter (effective rates of 3.25% and 5.5% at December 31, 2020 and 2019, respectively). The outstanding balance on the line was \$-0- at December 31, 2020 and 2019.

G. LEASES

NEC subleases its building under an operating lease which expires on September 1, 2056. The lease arrangement requires NEC to pay their proportionate share of taxes, insurance premiums and common area maintenance. These expenses amounted to \$78,912 and \$70,380 in 2020 and 2019, respectively. NEC may elect at any time during the lease term to terminate the lease with the landlord and enter into a direct lease with the owner of the property.

NEC leases copier equipment through an operating lease, which expires in June 2023. Minimum monthly lease payments are \$1,550, with lease expense totaling \$18,660 and \$21,363 in 2020 and 2019, respectively. Minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 18,600
2022	18,600
2023	<u>7,750</u>
	<u>\$ 44,950</u>

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

H. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2020 and 2019 have been restricted by the donors for the following purposes:

	<u>2020</u>	<u>2019</u>
Subject to purpose restriction:		
Navigation	\$ -	\$ 11,245
Podcast	40,000	-
Twende program	52,852	-
P4G scholarships	16,995	-
Inflight	11,458	-
Diversity and inclusion	<u>48,130</u>	<u>-</u>
	169,435	11,245
Subject to time restrictions	<u>152,500</u>	<u>-</u>
	321,935	11,245
Restricted in perpetuity:		
General endowment	<u>400,000</u>	<u>300,000</u>
Total net assets with donor restrictions	<u><u>\$721,935</u></u>	<u><u>\$311,245</u></u>

Net assets with donor restrictions for the years ended December 31, 2020 and 2019 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restriction	\$ 68,047	\$184,885
Expiration of time restriction	<u>347,263</u>	<u>350,108</u>
	<u><u>\$415,310</u></u>	<u><u>\$534,993</u></u>

I. ENDOWMENT FUNDS

NEC's endowment was established in 2018 and consists of two individual funds established for a variety of purposes. The endowment includes only donor-restricted endowment funds that NEC must hold in perpetuity. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. As of December 31, 2019, endowment funds are being held in a separate money market account. In 2020 the endowment money market was invested with a separate investment company in accordance with NEC's endowment policy.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

I. ENDOWMENT FUNDS - Continued

Interpretation of Relevant Law

ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”) and requires additional disclosures about an organization’s endowment funds. NEC has interpreted UPMIFA as the prudent preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NEC classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) the remaining portion of the donor-restricted endowment until those amounts are appropriated for expenditure by NEC in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, NEC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of NEC
- g. NEC’s investment policies

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

I. ENDOWMENT FUNDS - Continued

Changes in Endowment Net Assets for the Year Ended December 31, 2020 and 2019, is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restrictions	Perpetual in Nature	
Endowment net assets, December 31, 2018	\$ -	\$ -	\$ 200,000	\$ 200,000
Contributions	-	-	100,000	100,000
Investment return, net	4,951	-	-	4,951
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, December 31, 2019	\$ 4,951	\$ -	\$ 300,000	304,951
Contributions	-	-	100,000	100,000
Investment return, net	38,581	-	-	38,581
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, December 31, 2020	<u>\$ 43,532</u>	<u>\$ -</u>	<u>\$ 400,000</u>	<u>443,532</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires NEC to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2020 and 2019.

Return Objectives and Risk Parameters, Strategies Employed for Achieving Objectives, and Spending Policies

NEC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that NEC must hold in perpetuity or for a donor-specified period.

To satisfy its long-term rate-of-return objectives, NEC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

I. ENDOWMENT FUNDS - Continued

Spending Policy – NEC’s spending policy was developed with the objectives of meeting the current operating needs of NEC, providing budget stability, and protecting the future purchasing power of the endowment assets against the impact of inflation. NEC’s spending policy is as follows:

- The spending rate shall be within a range of three percent to five percent to be determined by the Finance Committee.
- The amount available for appropriation during the first three years shall be determined annually by the Finance Committee. Subsequent years will be calculated by applying the policy spending rate to the average of the previous three fiscal years’ beginning-period fund values.
- Any special appropriation or decision not to spend the amount indicated by the spending formula must be approved in advance by the Finance Committee.
- Funds are unrestricted and can be used for direct and indirect program costs.
- Subject to the intent of a donor expressed in a gift instrument, NEC may appropriate for expenditure or accumulate so much of the assets as the Finance Committee determines to be prudent for the uses, benefits, purposes, and duration for which the endowment is established.

NEC’s asset allocation policy is to provide a diversified strategic mix of asset classes that places emphasis on investments. As determined by the Finance Committee, NEC shall have a moderate risk tolerance invested to protect the corpus during the first three years for the investment. From time to time, the portfolio may be outside these ranges for various reasons, including, without limitation, temporary defensive positions with respect to one or more markets, market fluctuations, and significant contributions to or withdrawals from the portfolio. The portfolio is prohibited from making direct investments in individual equity stocks or covered calls and other derivative strategies, unless part of a professionally managed pooled investment such as a mutual fund, exchange traded fund, or alternative investment.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

I. ENDOWMENT FUNDS - Continued

NEC's asset allocation is set as follows:

	<u>Moderate Target</u>	<u>Moderate Allocation Min-Max Target Ranges</u>
<u>Equity</u>	49%	44% - 54%
Large US	20%	
Mid US	5%	
Small US	3%	
Developed International	15%	
Emerging Markets	6%	
<u>Fixed Income</u>	39%	34% - 44%
CD/TIPS/MMF	21%	
Corporate	7%	
Hi Yield	7%	
International	1%	
Emerging	3%	
<u>Alternative Investments</u>	10%	5% - 15%
Cash	2%	0% - 7%

J. CREDIT RISK AND OTHER CONCENTRATIONS

Financial instruments which potentially subject NEC to concentrations of credit risk consist principally of cash and cash equivalents. Cash and cash equivalents carry credit risk to the extent they exceed federally insured limits from time to time. Credit risk also extends to receivables, all of which are uncollateralized.

K. RETIREMENT PLAN

NEC sponsors a defined contribution retirement plan covering employee who meet specified age and service requirements. Employer contributions related to the plan totaled \$16,446 and \$12,933 for December 31, 2020 and 2019, respectively.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

L. RISKS AND UNCERTAINTIES

During March 2020, a global pandemic was declared related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions across the nation as federal, state, and local governments react to the public health crisis, creating significant uncertainties in the economy. This situation is rapidly changing, and additional impacts may arise. While the disruptions are currently expected to be temporary, there is uncertainty around its duration.

The pandemic may have a continued material adverse impact on economic and market conditions, triggering a period of economic slowdown. As such, this may hinder the NEC's ability to advance their mission and led NEC to seek financing through the Paycheck Protection Program ("PPP"). On April 16, 2020, NEC was approved for the first round PPP loans issued by the federal government and received funding for the PPP loan in the amount of approximately \$204,100. The loan was forgiven in full by the Small Business Administration on December 7, 2020 and recognized as other income by the NEC at that time. On February 5, 2021, NEC was approved for the second round PPP loans issued by the federal government and received funding in the amount of approximately \$204,100.

The ultimate future impact, if any, of the pandemic on NEC's results of operations, financial position, liquidity, or capital resources cannot be reasonably estimated at this time.

M. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 27, 2021, the date the financial statements were available for issuance, and has determined that except for the Paycheck Protection Program funds received on February 5, 2021 (Note L) there were no subsequent events requiring disclosure.