

**NASHVILLE ENTREPRENEUR CENTER**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

# NASHVILLE ENTREPRENEUR CENTER

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## 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, 2016 and 2015, and the related statements of activities and changes in net assets, 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, 2016 and 2015, 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.

*Crosslin, PLLC*

Nashville, Tennessee  
May 18, 2017

NASHVILLE ENTREPRENEUR CENTER  
STATEMENTS OF FINANCIAL POSITION

ASSETS

|   | December 31,        |                     |
|---|---------------------|---------------------|
|   | 2016                | 2015                |
| Cash                                      | \$ 1,081,546        | \$ 376,660          |
| Contributions and grants receivable, net  | 117,279             | 525,252             |
| Prepaid expenses                          | 18,891              | 6,363               |
| Leasehold improvements and equipment, net | 3,535,310           | 3,723,125           |
|   | <u>\$ 4,753,026</u> | <u>\$ 4,631,400</u> |
| Total assets                              |                     |                     |

LIABILITIES

|                   |                |                |
|-------------------|----------------|----------------|
| Accounts payable  | \$ 71,917      | \$ 50,648      |
| Accrued expenses  | 192,818        | 118,960        |
| Deferred revenue  | 11,587         | 63,493         |
|                   | <u>276,322</u> | <u>233,101</u> |
| Total liabilities |                |                |

NET ASSETS

|                                  |                     |                     |
|----------------------------------|---------------------|---------------------|
| Unrestricted                     | 4,212,405           | 3,981,561           |
| Temporarily restricted           | 264,299             | 416,738             |
|                                  | <u>4,476,704</u>    | <u>4,398,299</u>    |
| Total net assets                 |                     |                     |
|                                  | <u>\$ 4,753,026</u> | <u>\$ 4,631,400</u> |
| Total liabilities and net assets |                     |                     |

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>        |
|---|---------------------|-----------------------------------|---------------------|
| Support and Revenue:                    |                     |                                   |                     |
| Contributions and grants                | \$ 1,555,396        | \$ 239,299                        | \$ 1,794,695        |
| Program income                          | 548,946             | -                                 | 548,946             |
| Interest and other income               | 4,535               | -                                 | 4,535               |
| Net assets released from restrictions   | 391,738             | (391,738)                         | -                   |
|   | <u>2,500,615</u>    | <u>(152,439)</u>                  | <u>2,348,176</u>    |
| Total support and revenue               |                     |                                   |                     |
| Expenses:                               |                     |                                   |                     |
| Program expenses                        | 95,252              | -                                 | 95,252              |
| Administrative expenses                 | 189,127             | -                                 | 189,127             |
| Salaries, benefits and taxes            | 1,179,478           | -                                 | 1,179,478           |
| Professional fees and contract services | 280,449             | -                                 | 280,449             |
| Rent, parking and utilities             | 253,503             | -                                 | 253,503             |
| Depreciation                            | 200,675             | -                                 | 200,675             |
| Other business expenses                 | 71,287              | -                                 | 71,287              |
|   | <u>2,269,771</u>    | <u>-</u>                          | <u>2,269,771</u>    |
| Total expenses                          |                     |                                   |                     |
| Net increase in net assets              | 230,844             | (152,439)                         | 78,405              |
| Net assets at beginning of year         | 3,981,561           | 416,738                           | 4,398,299           |
| Net assets at end of year               | <u>\$ 4,212,405</u> | <u>\$ 264,299</u>                 | <u>\$ 4,476,704</u> |

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015

|   | <u>Unrestricted</u>        | <u>Temporarily<br/>Restricted</u> | <u>Total</u>               |
|---|----------------------------|-----------------------------------|----------------------------|
| Support and Revenue:                    |                            |                                   |                            |
| Contributions and grants                | \$ 996,725                 | \$ 366,738                        | \$ 1,363,463               |
| Program income                          | 645,678                    | -                                 | 645,678                    |
| Interest and other income               | 6,519                      | -                                 | 6,519                      |
| Net assets released from restrictions   | <u>92,700</u>              | <u>(92,700)</u>                   | <u>-</u>                   |
| Total support and revenue               | <u>1,741,622</u>           | <u>274,038</u>                    | <u>2,015,660</u>           |
| Expenses:                               |                            |                                   |                            |
| Program expenses                        | 62,631                     | -                                 | 62,631                     |
| Administrative expenses                 | 180,830                    | -                                 | 180,830                    |
| Salaries, benefits and taxes            | 1,018,106                  | -                                 | 1,018,106                  |
| Professional fees and contract services | 188,871                    | -                                 | 188,871                    |
| Rent, parking and utilities             | 246,927                    | -                                 | 246,927                    |
| Depreciation                            | 202,049                    | -                                 | 202,049                    |
| Interest expense                        | 9,828                      | -                                 | 9,828                      |
| Other business expenses                 | <u>100,763</u>             | <u>-</u>                          | <u>100,763</u>             |
| Total expenses                          | <u>2,010,005</u>           | <u>-</u>                          | <u>2,010,005</u>           |
| Net increase in net assets              | <u>(268,383)</u>           | <u>274,038</u>                    | <u>5,655</u>               |
| Net assets at beginning of year         | <u>4,249,944</u>           | <u>142,700</u>                    | <u>4,392,644</u>           |
| Net assets at end of year               | <u><u>\$ 3,981,561</u></u> | <u><u>\$ 416,738</u></u>          | <u><u>\$ 4,398,299</u></u> |

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER  
STATEMENTS OF CASH FLOWS

|  | Year Ended December 31, |                   |
|--|-------------------------|-------------------|
|  | 2016                    | 2015              |
| Cash flows from operating activities:  |                         |                   |
| Increase in net assets   | \$ 78,405               | \$ 5,655          |
| Adjustments to reconcile increase in net assets<br>to net cash provided by operating activities: |                         |                   |
| Depreciation   | 200,675                 | 202,049           |
| Decrease (increase) in contributions and grants receivable, net                                  | 407,973                 | (188,577)         |
| (Increase) decrease in prepaid assets  | (12,528)                | 31,077            |
| Increase in accounts payable and<br>accrued expenses   | 95,127                  | 81,822            |
| (Decrease) increase in deferred revenue  | (51,906)                | 26,963            |
| Net cash provided by operating activities  | 717,746                 | 158,989           |
| Cash flows from investing activities:  |                         |                   |
| Purchases of leasehold improvements and equipment  | (12,860)                | (6,221)           |
| Net cash used in investing activities  | (12,860)                | (6,221)           |
| Cash flows from financing activities:  |                         |                   |
| Net payments on line of credit   | -                       | (380,225)         |
| Net cash used in financing activities  | -                       | (380,225)         |
| Net increase (decrease) in cash  | 704,886                 | (227,457)         |
| Cash, beginning of year  | 376,660                 | 604,117           |
| Cash, end of year  | <u>\$ 1,081,546</u>     | <u>\$ 376,660</u> |
| <b><i>Supplemental cash flow information:</i></b>  |                         |                   |
| Cash paid for interest during the year   | <u>\$ -</u>             | <u>\$ 9,828</u>   |

See notes to financial statements.



NASHVILLE ENTREPRENEUR CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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.

Accrual Basis and Financial Statement Presentation

NEC has presented its financial statements on the accrual basis of accounting.

NEC classifies its support, revenue, expenses, gains and losses into three classes of net assets based on the existence or absence of donor-imposed restrictions. Net assets of NEC and changes therein are classified as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of NEC and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations require that the assets be permanently maintained by NEC. Generally, the donors of these assets permit NEC to use all or part of the income earned on related investments for general or specific purposes. At December 31, 2016 and 2015, there were no permanently restricted net assets.

The amount for each of these classes of net assets is displayed in the statements of financial position and the amount of change in each class of net assets is displayed in the statements of activities.

NASHVILLE ENTREPRENEUR CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

For financial statement purposes, NEC considers all 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.

Contributions

NEC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

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.

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 collectibility of contributions and grants receivable, useful lives of leasehold improvements and equipment, and functional expenses. Accordingly, actual results could differ from those estimates.

NASHVILLE ENTREPRENEUR CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Financial Instruments

NEC's financial instruments consist of contributions and grants receivable, accounts payable and accrued expenses and 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.

Advertising Costs

All advertising costs are expensed as incurred. Advertising expense was \$20,947 and \$8,497 for the years ended December 31, 2016 and 2015, 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.

Reclassifications

Certain prior period amounts are reclassified to conform to the current year presentation.

B. CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Contributions and grants receivable, net of an allowance, at December 31, 2016 and 2015, totaled \$117,279 and \$525,252, respectively. The outstanding balance at December 31, 2016, is expected to be collected through 2017. The allowance for doubtful accounts at December 31, 2016 and 2015 was \$5,775 and \$44,761, respectively. There were no conditional promises to give as of December 31, 2016 or 2015.

NASHVILLE ENTREPRENEUR CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

C. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment at December 31, 2016 and 2015, consisted of the following:

|   | <u>2016</u>         | <u>2015</u>         |
|---|---------------------|---------------------|
| Furniture and equipment                   | \$ 766,888          | \$ 754,028          |
| Leasehold improvements                    | 3,489,762           | 3,489,762           |
| Computer software and website             | <u>27,000</u>       | <u>27,000</u>       |
|   | 4,283,650           | 4,270,790           |
| Less accumulated depreciation             | <u>( 748,340)</u>   | <u>( 547,665)</u>   |
| Leasehold improvements and equipment, net | <u>\$ 3,535,310</u> | <u>\$ 3,723,125</u> |

D. LINE OF CREDIT

NEC has an available line of credit with borrowing availability up to \$500,000. The line of credit matured April 15, 2017, and bears interest, payable monthly, at the prime rate with a floor of 4.0% (actual 4.0%) at December 31, 2016 and 2015, respectively. On May 2, 2017, NEC entered into an agreement, extending the maturity date through May 2019.

The outstanding balance on the line was \$-0- at December 31, 2016 and 2015.

E. LEASE

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 \$63,680 and \$57,912 in 2016 and 2015, 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.

NASHVILLE ENTREPRENEUR CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

F. NET ASSETS AND NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Temporarily restricted net assets as of December 31, 2016 and 2015 are available for the following purposes:

|                    | <u>2016</u>      | <u>2015</u>      |
|--------------------|------------------|------------------|
| Project Healthcare | \$150,000        | \$ -             |
| Project Music      | 50,000           | 153,000          |
| Teacherpreneurs    | 25,000           | 110,000          |
| Pre-flight         | -                | 153,738          |
| Time Restricted    | <u>39,299</u>    | <u>-</u>         |
|                    | <u>\$264,299</u> | <u>\$416,738</u> |

In 2016 and 2015, net assets of \$391,738 and \$92,700, respectively were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time restriction.

G. FUNCTIONAL ALLOCATION OF EXPENSES

Costs of providing NEC's programs and services are summarized and reported on a functional basis. Program expenses included costs directly associated with the program and other indirect costs determined to benefit that program. These costs have been allocated between program and supporting services as follows:

|                        | <u>2016</u>        | <u>2015</u>        |
|------------------------|--------------------|--------------------|
| Program                | \$1,822,754        | \$1,623,654        |
| Management and general | 446,955            | 386,337            |
| Fundraising            | <u>62</u>          | <u>14</u>          |
| Total expenses         | <u>\$2,269,771</u> | <u>\$2,010,005</u> |

NASHVILLE ENTREPRENEUR CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

H. RELATED PARTY TRANSACTIONS

In 2015, NEC had related party transactions with a board member for accounting and payroll services in the amount of \$46,765. There were no related party transactions during 2016.

I. CREDIT RISK AND OTHER CONCENTRATIONS

For the year ended December 31, 2016 and 2015, revenue from one major grantor comprised approximately 15% of NEC's total support and revenue.

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.

J. RETIREMENT PLAN

NEC sponsors a defined contribution retirement plan covering employees who meet specified age and service requirements. Employer contributions related to the plan totaled \$12,799 and \$598 for December 31, 2016 and 2015, respectively.

K. SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 18, 2017, the date the financial statements were available for issuance, and has determined that, except for the amendment to the line of credit agreement dated May 2, 2017, as described in Note D, there are no additional subsequent events requiring disclosure.