

**NASHVILLE ENTREPRENEUR CENTER**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

# 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, 2018 and 2017, and the related statements of activities, and cash flows for the years then ended, the related statements of functional expenses for the year ended December 31, 2018, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Changes in Financial Statement Presentation**

As discussed in Note A, Nashville Entrepreneur Center adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The ASU has been applied retrospectively to all periods presented with the exception of the statement of functional expenses and the disclosure of liquidity and availability of resources, which have been implemented prospectively as allowed under the provisions of ASU 2016-14. Our opinion is not modified with respect to this matter.

Nashville, Tennessee  
July 8, 2019

NASHVILLE ENTREPRENEUR CENTER  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2018	2017
Cash	\$ 1,610,057	\$ 1,554,208
Contributions and grants, net	208,885	256,545
Prepaid expenses	19,180	11,505
Leasehold improvements and equipment, net	3,166,184	3,339,978
	<u>3,394,256</u>	<u>3,602,236</u>
Total assets	<u>\$ 5,004,306</u>	<u>\$ 5,162,236</u>

LIABILITIES

Accounts payable	\$ 66,727	\$ 69,858
Accrued expenses	195,243	136,733
Deferred revenue	3,266	66,014
	<u>265,236</u>	<u>272,605</u>
Total liabilities	<u>265,236</u>	<u>272,605</u>

NET ASSETS

Net assets without donor restrictions	4,434,082	4,625,115
Net assets with donor restrictions	304,988	264,516
	<u>4,739,070</u>	<u>4,889,631</u>
Total net assets	<u>4,739,070</u>	<u>4,889,631</u>
Total liabilities and net assets	<u>\$ 5,004,306</u>	<u>\$ 5,162,236</u>

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions and grants	\$ 1,091,724	\$ 492,553	\$ 1,584,277
Program income	592,716	-	592,716
Interest and other income	8,912	-	8,912
Net assets released from restrictions	452,081	(452,081)	-
	<u>2,145,433</u>	<u>40,472</u>	<u>2,185,905</u>
Total support and revenue			
Expenses:			
Program expenses	1,755,954	-	1,755,954
Supporting services:			
Management and general	200,756	-	200,756
Fundraising	379,756	-	379,756
Total supporting services	580,512	-	580,512
	<u>2,336,466</u>	<u>-</u>	<u>2,336,466</u>
Total expenses			
	<u>(191,033)</u>	<u>40,472</u>	<u>(150,561)</u>
Net change in net assets			
	<u>4,625,115</u>	<u>264,516</u>	<u>4,889,631</u>
Net assets at beginning of year			
	<u>\$ 4,434,082</u>	<u>\$ 304,988</u>	<u>\$ 4,739,070</u>
Net assets at end of year			

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Contributions and grants	\$ 1,398,431	\$ 431,392	\$ 1,829,823
Program income	491,146	-	491,146
Interest and other income	6,979	-	6,979
Net assets released from restrictions	431,175	(431,175)	-
	<u>2,327,731</u>	<u>217</u>	<u>2,327,948</u>
Total support and revenue			
Expenses:			
Program expenses	1,444,983	-	1,444,983
Supporting services:			
Management and general	354,729	-	354,729
Fundraising	115,309	-	115,309
Total supporting services	470,038	-	470,038
	<u>1,915,021</u>	<u>-</u>	<u>1,915,021</u>
Total expenses			
Net change in net assets	412,710	217	412,927
	<u>4,212,405</u>	<u>264,299</u>	<u>4,476,704</u>
Net assets at beginning of year			
Net assets at end of year	<u>\$ 4,625,115</u>	<u>\$ 264,516</u>	<u>\$ 4,889,631</u>

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 760,819	\$ 141,836	\$ 250,251	\$ 392,087	\$ 1,152,906
Program expenses	166,480	-	-	-	166,480
Professional fees	153,076	14,448	25,491	39,939	193,015
Administrative expenses	34,070	3,275	5,237	8,512	42,582
Facility expenses	403,140	27,491	36,289	63,780	466,920
Travel and entertainment	8,995	807	3,235	4,042	13,037
Other operating expenses	115,284	12,554	38,778	51,332	166,616
Fundraising expenses	114,090	345	20,475	20,820	134,910
Total expenses	<u>\$ 1,755,954</u>	<u>\$ 200,756</u>	<u>\$ 379,756</u>	<u>\$ 580,512</u>	<u>\$ 2,336,466</u>

See notes to financial statements.



NASHVILLE ENTREPRENEUR CENTER  
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (150,561)	\$ 412,927
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	190,982	197,103
(Increase) decrease in:		
Contributions and grants receivable	47,660	(139,266)
Prepaid assets	(7,675)	7,386
Increase (decrease) in:		
Accounts payable	(3,131)	(2,059)
Accrued expenses	58,510	(56,085)
Deferred revenue	(62,748)	54,427
Net cash provided by operating activities	<u>73,037</u>	<u>474,433</u>
Cash flows from investing activities:		
Purchases of leasehold improvements and equipment	<u>(17,188)</u>	<u>(1,771)</u>
Net cash used in investing activities	<u>(17,188)</u>	<u>(1,771)</u>
Net increase in cash	55,849	472,662
Cash, beginning of year	<u>1,554,208</u>	<u>1,081,546</u>
Cash, end of year	<u><u>\$ 1,610,057</u></u>	<u><u>\$ 1,554,208</u></u>

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

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, 2018 AND 2017

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.

Revenue Recognition

Revenue from exchange transactions and other non-contribution related revenue are recognized as earned. 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.

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.

NASHVILLE ENTREPRENEUR CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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 \$39,492 and \$20,967 for the years ended December 31, 2018 and 2017, 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, 2018 AND 2017

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. NEC has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented with the exception of the disclosure of liquidity and availability of resources and statement of functional expenses, which has been implemented prospectively as allowed under the provisions of ASU 2016-14.

Reclassifications

Certain reclassifications have been made to the 2017 amounts in the financial statements to conform to the 2018 presentation.

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at December 31, 2018:

Financial assets at year end:	
Cash	\$1,610,057
Receivables (net)	<u>208,885</u>
Total financial assets	<u>1,818,942</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	104,988
Donor restricted funds held in perpetuity	<u>200,000</u>
Total financial assets not available to be used within one year	<u>304,988</u>
Financial assets available to meet general expenditures within one year	<u>\$1,513,954</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  
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C. CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Contributions and grants receivable, net of an allowance, at December 31, 2018 and 2017, totaled \$208,885 and \$256,545, respectively. The outstanding balance at December 31, 2018, is expected to be collected through 2019. The allowance for doubtful accounts at December 31, 2018 and 2017 was \$11,470 and \$-0-, respectively. There were no conditional promises to give as of December 31, 2018 or 2017.

D. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment at December 31, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 781,678	\$ 768,659
Leasehold improvements	3,493,930	3,489,762
Computer software and website	<u>27,000</u>	<u>27,000</u>
	4,302,608	4,285,421
Less accumulated depreciation	<u>(1,136,424)</u>	<u>( 945,443)</u>
Leasehold improvements and equipment, net	<u>\$ 3,166,184</u>	<u>\$ 3,339,978</u>

Depreciation expense was \$190,982 and \$197,103 at December 31, 2018 and 2017, respectively.

E. 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, and bears interest, payable monthly, at the prime rate with a floor of 4.0% (5.5% and 4.5% at December 31, 2018 and 2017, respectively). On June 26, 2019, NEC entered into an agreement, extending the maturity date through June 2021. The outstanding balance on the line was \$-0- at December 31, 2018 and 2017.

F. 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 \$69,980 and \$64,003 in 2018 and 2017, 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, 2018 AND 2017

F. LEASES - Continued

NEC leases copier equipment through an operating lease, which expires in June 2023. Minimum monthly lease payments are \$1,300, with lease expense totaling \$24,214 and \$22,170 in 2018 and 2017, respectively. Minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 15,600
2020	15,600
2021	15,600
2022	15,600
2023	7,800
	<u>\$ 70,200</u>

G. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017 have been restricted by the donors for the following purposes:

	<u>2018</u>	<u>2017</u>
Subject to purpose restriction:		
Navigation	\$ 69,397	\$ 87,385
Diversity and inclusion	26,970	-
Project Music	-	50,000
BEST program	-	102,485
	<u>96,367</u>	<u>239,870</u>
Expiration of time restrictions	<u>8,622</u>	<u>24,646</u>
	104,988	264,516
Restricted in perpetuity:		
General endowment	<u>200,000</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$304,998</u>	<u>\$264,516</u>

Net assets with donor restrictions for the years ended December 31, 2018 and 2017 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restriction	\$327,307	\$304,022
Expiration of time restriction	<u>124,774</u>	<u>127,153</u>
	<u>\$452,081</u>	<u>\$431,175</u>

NASHVILLE ENTREPRENEUR CENTER  
NOTES TO FINANCIAL STATEMENTS  
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G. NET ASSETS WITH DONOR RESTRICTIONS - Continued

In 2018, NEC ended the BEST program and contributed the assets to Building Entrepreneurs for Success in Tennessee, who will be administering the program. Amounts contributed totaled \$79,866, which are included in net assets released from restriction and in program expenses in the Statement of Activities.

H. 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. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

***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, 2018 AND 2017

H. ENDOWMENT FUNDS - Continued

***Endowment Net Asset Composition by Type of Fund as of December 31, 2018***

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restrictions	Perpetual in Nature	
Donor-restricted endowment funds	\$ -	\$ -	\$ 200,000	\$ 200,000
Board-designated endowment funds	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 200,000</u>

***Changes in Endowment Net Assets for the Year Ended December 31, 2018***

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose Restrictions	Perpetual in Nature	
Endowment net assets, December 31, 2017	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	200,000	200,000
Investment return, net	-	-	-	-
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, December 31, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>200,000</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 June 30, 2018.

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

NEC's endowment was established in 2018. The Board is currently adopting policies related to the endowment, related investments, and spending policies.

NASHVILLE ENTREPRENEUR CENTER  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

I. CREDIT RISK AND OTHER CONCENTRATIONS

For the year ended December 31, 2018 and 2017, revenue from one major grantor comprised approximately 10% and 13% of NEC's total support and revenue, respectively.

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 \$12,614 and \$16,479 for December 31, 2018 and 2017, respectively.

K. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 8, 2019, the date the financial statements were available for issuance, and has determined that, other than the extension of the maturity of the line-of-credit as disclosed in Note E, there are no additional subsequent events requiring disclosure.