

# **THE SYCAMORE INSTITUTE, INC.**

## **FINANCIAL STATEMENTS**

***As of and for the Years Ended December 31, 2018 and 2017***

***And Report of Independent Auditor***

**THE SYCAMORE INSTITUTE, INC.**  
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## Report of Independent Auditor

To the Board of Directors  
The Sycamore Institute, Inc.  
Nashville, Tennessee

We have audited the accompanying financial statements of The Sycamore Institute, Inc. ("Sycamore") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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 The Sycamore Institute, Inc. 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 1, The Sycamore Institute, Inc. 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. Our opinion is not modified with respect to this matter.



Nashville, Tennessee  
June 18, 2019

**THE SYCAMORE INSTITUTE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**

*DECEMBER 31, 2018 AND 2017*

	<u><b>2018</b></u>	<u><b>2017</b></u>
<b>ASSETS</b>		
Cash	\$ 326,082	\$ 63,555
Contribution receivable	-	3,038
Grant receivable, net	-	500,000
Prepaid expenses and other	27,329	21,992
Property and equipment, net	3,697	11,639
<b>Total Assets</b>	<u><u>\$ 357,108</u></u>	<u><u>\$ 600,224</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 12,979	\$ 2,094
Accrued expenses	18,416	12,374
<b>Total Liabilities</b>	31,395	14,468
Net Assets:		
Without donor restrictions	223,213	85,756
With donor restrictions	102,500	500,000
<b>Total Net Assets</b>	<u><u>325,713</u></u>	<u><u>585,756</u></u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 357,108</u></u>	<u><u>\$ 600,224</u></u>

**THE SYCAMORE INSTITUTE, INC.**  
**STATEMENTS OF ACTIVITIES**

*YEARS ENDED DECEMBER 31, 2018 AND 2017*

	<u>2018</u>	<u>2017</u>
Changes in Net Assets Without Donor Restrictions:		
Contributions and Support Without Donor Restrictions:		
Contributions	\$ 161,818	\$ 41,089
Net assets released from time restrictions	500,000	500,000
Total Contributions and Support Without Donor Restrictions and Releases from Restrictions	<u>661,818</u>	<u>541,089</u>
Expenses:		
Program services	444,477	434,134
Supporting Services:		
General and administrative expenses	47,830	46,434
Fundraising expenses	<u>32,054</u>	<u>30,119</u>
Total Expenses	<u>524,361</u>	<u>510,687</u>
Increase in Net Assets Without Donor Restrictions	<u>137,457</u>	<u>30,402</u>
Changes in Net Assets With Donor Restrictions:		
Contributions	102,500	-
Net assets released from time restrictions	<u>(500,000)</u>	<u>(500,000)</u>
Decrease in Net Assets With Donor Restrictions	<u>(397,500)</u>	<u>(500,000)</u>
Decrease in net assets	(260,043)	(469,598)
Net assets, beginning of year	<u>585,756</u>	<u>1,055,354</u>
Net assets, end of year	<u><u>\$ 325,713</u></u>	<u><u>\$ 585,756</u></u>

**THE SYCAMORE INSTITUTE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2018*

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>General and Administrative</b>	<b>Fundraising</b>	
Salaries	\$ 288,812	\$ 21,591	\$ 21,591	\$ 331,994
Fringe benefits	55,088	3,034	2,881	61,003
	<u>343,900</u>	<u>24,625</u>	<u>24,472</u>	<u>392,997</u>
Rent	52,541	3,762	3,739	60,042
Professional fees	4,911	16,793	1,755	23,459
Travel	9,848	442	437	10,727
Dues and subscriptions	6,973	499	496	7,968
Depreciation	7,545	397	-	7,942
Technology support	6,680	478	475	7,633
Telephone	4,347	311	309	4,967
Printing	2,942	30	30	3,002
Insurance	2,513	180	179	2,872
Furniture and equipment maintenance	1,805	129	128	2,062
Supplies	429	31	31	491
Miscellaneous	-	150	-	150
Postage	43	3	3	49
	<u>\$ 444,477</u>	<u>\$ 47,830</u>	<u>\$ 32,054</u>	<u>\$ 524,361</u>

**THE SYCAMORE INSTITUTE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**

*YEAR ENDED DECEMBER 31, 2017*

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	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>General and Administrative</b>	<b>Fundraising</b>	
Salaries	\$ 279,263	\$ 20,902	\$ 20,902	\$ 321,067
Fringe benefits	56,369	2,984	2,841	62,194
	<u>335,632</u>	<u>23,886</u>	<u>23,743</u>	<u>383,261</u>
 Rent	 39,314	 2,798	 2,781	 44,893
Professional fees	3,099	16,172	699	19,970
Dues and subscriptions	16,029	1,141	1,134	18,304
Furniture and equipment maintenance	10,750	765	761	12,276
Technology support	8,131	579	575	9,285
Depreciation	7,647	402	-	8,049
Travel	6,265	-	-	6,265
Telephone	2,847	203	201	3,251
Insurance	2,248	160	159	2,567
Printing	1,234	-	-	1,234
Supplies	938	67	66	1,071
Miscellaneous	-	261	-	261
	<u>\$ 434,134</u>	<u>\$ 46,434</u>	<u>\$ 30,119</u>	<u>\$ 510,687</u>

**THE SYCAMORE INSTITUTE, INC.**  
**STATEMENTS OF CASH FLOWS**

*YEARS ENDED DECEMBER 31, 2018 AND 2017*

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Decrease in net assets	\$ (260,043)	\$ (469,598)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Depreciation	7,942	8,049
Decrease (increase) in:		
Contribution receivable	3,038	(3,038)
Grant receivable	500,000	491,784
Prepaid expenses	(5,337)	(18,193)
Increase (decrease) in:		
Accounts payable	10,885	(1,600)
Accrued expenses	<u>6,042</u>	<u>6,817</u>
Net cash provided by operating activities	<u>262,527</u>	<u>14,221</u>
Net increase in cash	262,527	14,221
Cash, beginning of year	<u>63,555</u>	<u>49,334</u>
Cash, end of year	<u><u>\$ 326,082</u></u>	<u><u>\$ 63,555</u></u>



# THE SYCAMORE INSTITUTE, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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### **Note 1—Nature of activities and significant accounting policies**

*Nature of Activities* – The Sycamore Institute, Inc. (the “Sycamore”) is an independent, statewide, nonpartisan public policy research center for Tennessee. Sycamore was established to provide reliable, accessible data, and research to inform and support the creation of sound, sustainable public policy for Tennessee.

*Basis of Presentation* – The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Resources are classified based on the existence or absence of donor-imposed restrictions as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations.

*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 the actions of Sycamore or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At December 31, 2018 and 2017, there are no funds required to be maintained in perpetuity.

*Contributions and Support* – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Sycamore 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 purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

*Functional Allocation of Expenses* – The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

*Cash* – Cash consists of a checking account held in a financial institution.

*Property and Equipment* – It is Sycamore’s policy to capitalize all property and equipment over \$2,500. Property and equipment acquisitions are recorded at cost. Donations of property and equipment are recorded as revenues at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in the statements of activities. Depreciation is provided over the estimated useful lives of the assets (currently 3 years) and computed on the straight-line method.

*Vacation Leave* – Accruals for accumulated unpaid vacation have been provided and are included as accrued expenses. No accrual is made for accumulated sick leave, since such benefits do not vest.

# THE SYCAMORE INSTITUTE, INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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### Note 1—Nature of activities and significant accounting policies (continued)

*Use of Estimates* – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Income Taxes* – Sycamore is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Sycamore follows guidance for the financial statement recognition measurement and disclosure of uncertain tax positions. Income tax positions must meet a more likely than not recognition threshold to be recognized.

As of December 31, 2018 and 2017, Sycamore did not have any accrued interest or penalties related to income tax liabilities, and no interest or penalties have been charged to operations for the years then ended.

Sycamore files U.S. Federal Form 990 for organizations exempt from income tax. Tax returns are subject to audit by the U.S. Internal Revenue Service for three years following the date of filing.

*Change in Accounting Principle* – In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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. The ASU has been applied retrospectively to all periods presented.

*Accounting Policies for Future Pronouncements* – In May 2014, the 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 is effective for Sycamore for the year ending December 31, 2019. Sycamore is currently evaluating the effect of the implementation of this new standard.

In February 2016, the 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, 2020. Sycamore is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

In June 2018, the 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 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. The standard will be effective for the fiscal year ending December 31, 2019. Sycamore is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

**THE SYCAMORE INSTITUTE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2018 AND 2017*

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**Note 2—Property and equipment**

Property and equipment consists of the following at December 31:

	<b>2018</b>	<b>2017</b>
Furniture and equipment	\$ 13,146	\$ 13,146
Website	11,000	11,000
	24,146	24,146
Less accumulated depreciation	(20,449)	(12,507)
Property and equipment, net	<u>\$ 3,697</u>	<u>\$ 11,639</u>

**Note 3—Grant receivable**

Grant receivable consists of a five-year grant from The Healing Trust, payable from 2015 to 2020. The grant contains certain conditions requiring Sycamore to match the funds awarded for 2019 and 2020; therefore, Sycamore will not recognize the conditional funding until the conditions are met. The grant receivable of \$500,000 at December 31, 2017 was collected during 2018.

**Note 4—Concentration of credit risk**

Sycamore maintains its cash in bank deposit accounts which may exceed federally insured limits during the year. There were no amounts in excess of uninsured balances for the years ended December 31, 2018 and 2017. Sycamore has not experienced any losses in such accounts. In management's opinion, Sycamore is not exposed to any significant credit risk relating to cash balances.

**Note 5—Concentration of revenue**

Sycamore has received a majority of its revenue from a single grant. Failure to receive future grant distributions could have an adverse effect on the operations of Sycamore.

**Note 6—Operating leases**

*Office Lease* – During 2017, Sycamore entered into a five-year agreement to lease of the office space for Sycamore's operations. The agreement requires monthly payments of approximately \$4,500. The total paid for the year ended December 31, 2018 and 2017, was approximately \$54,000 and \$32,000 respectively.

*Office Equipment Lease* – During 2017, Sycamore entered into a three-year agreement to lease a copy machine. The agreement requires monthly payments of approximately \$120. The total paid for the years ended December 31, 2018 and 2017, was approximately \$1,750 and \$807, respectively.

**THE SYCAMORE INSTITUTE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2018 AND 2017*

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**Note 6—Operating leases (continued)**

Future minimum lease payments for these leases are as follows:

**Years Ending December 31,**

2019	\$	56,304
2020		57,283
2021		58,311
2022		19,627
2023		-
	\$	<u>191,525</u>

**Note 7—Employee benefit plan**

Sycamore sponsors a safe harbor defined contribution plan covering all employees who are over the age of 21 and have completed three months of service. Safe harbor contributions and employer matches vest immediately. Total contributions to the plan by Sycamore were \$13,056 and \$11,393 for the years ended December 31, 2018 and 2017, respectively.

**Note 8—Net assets with donor restrictions**

The net assets with donor restrictions at December 31:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Time restricted grant	\$ 60,000	\$ 500,000
Research grant	42,500	-
	<u>\$ 102,500</u>	<u>\$ 500,000</u>

**Note 9—The Healing Trust**

During 2015, Sycamore was incubated and launched by The Healing Trust (the “Trust”), a separate nonprofit organization. The Trust awarded Sycamore a grant in the amount of up to \$2,500,000 to be paid in cash and administrative services through 2020. The grant was partially recognized as a contribution with donor restrictions in 2015. The outstanding receivable of \$0- and \$500,000 (net of discount) is shown as grant receivable on the statements of financial position as of December 31, 2018 and 2017, respectively.

**Note 10—Liquidity and funds available**

Sycamore regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Sycamore considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

**THE SYCAMORE INSTITUTE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**

*DECEMBER 31, 2018 AND 2017*

**Note 10—Liquidity and funds available (continued)**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	<u>2018</u>	<u>2017</u>
Financial assets:		
Cash and cash equivalents	\$ 326,082	\$ 63,555
Contributions receivable	-	3,038
Grants receivable	-	500,000
Less amounts not available to be used within one year:		
Donor restricted cash and cash equivalents	<u>(82,500)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 243,582</u>	<u>\$ 566,593</u>

Sycamore's cash flows have seasonal variations during the year attributable to the timing of contributions and grants received. To manage liquidity, Sycamore has a goal of maintaining cash reserve balances equal to six months of average operating expenses, approximately \$260,000 for 2018.

**Note 11—Evaluation of subsequent events**

Sycamore has evaluated subsequent events through June 18, 2019, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Sycamore is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.