

THE SYCAMORE INSTITUTE, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2020 and 2019

And Report of Independent Auditor

THE SYCAMORE INSTITUTE, INC.
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR1-2

FINANCIAL STATEMENTS

Statements of Financial Position 3

Statements of Activities..... 4

Statements of Functional Expenses5-6

Statements of Cash Flows7

Notes to the Financial Statements.....8-11

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, 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 audits 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, 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.

Emphasis of Matter

As discussed in Note 10, towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses, which could negatively impact Sycamore's operations. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction of contributions could negatively impact Sycamore's operations for an indeterminable time period. Other financial impacts could occur though such potential impacts are unknown at this time. Our opinion is not modified with respect to this matter.

Cherry Bekant LLP

Nashville, Tennessee
May 21, 2021

THE SYCAMORE INSTITUTE, INC.
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash	\$ 563,982	\$ 401,138
Contribution receivable	4,400	29,048
Prepaid expenses and other	27,074	24,152
Property and equipment, net	-	-
Total Assets	\$ 595,456	\$ 454,338
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 6,386	\$ 11,615
Accrued expenses	35,117	19,757
Total Liabilities	41,503	31,372
Net Assets:		
Without donor restrictions	533,953	382,966
With donor restrictions	20,000	40,000
Total Net Assets	553,953	422,966
Total Liabilities and Net Assets	\$ 595,456	\$ 454,338

THE SYCAMORE INSTITUTE, INC.
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Changes in Net Assets Without Donor Restrictions:		
Contributions and Support Without Donor Restrictions:		
Contributions	\$ 745,995	\$ 662,302
Net assets released from time restrictions	<u>20,000</u>	<u>62,500</u>
Total Contributions and Support Without Donor Restrictions and Releases from Restrictions	765,995	724,802
Earned income	21,000	-
Interest income	<u>1,229</u>	<u>3,660</u>
Total Contributions and Support	<u>788,224</u>	<u>728,462</u>
Expenses:		
Program services	538,571	485,639
Supporting Services:		
General and administrative expenses	62,156	48,850
Fundraising expenses	<u>36,510</u>	<u>34,220</u>
Total Expenses	<u>637,237</u>	<u>568,709</u>
Change in Net Assets Without Donor Restrictions	<u>150,987</u>	<u>159,753</u>
Changes in Net Assets With Donor Restrictions:		
Net assets released from time restrictions	<u>(20,000)</u>	<u>(62,500)</u>
Change in Net Assets With Donor Restrictions	<u>(20,000)</u>	<u>(62,500)</u>
Change in net assets	130,987	97,253
Net assets, beginning of year	<u>422,966</u>	<u>325,713</u>
Net assets, end of year	<u><u>\$ 553,953</u></u>	<u><u>\$ 422,966</u></u>

THE SYCAMORE INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries	\$ 383,365	\$ 30,871	\$ 25,871	\$ 440,107
Fringe benefits	70,565	5,861	3,311	79,737
	453,930	36,732	29,182	519,844
Rent	59,207	4,787	3,804	67,798
Professional fees	2,978	18,608	2,302	23,888
Dues and subscriptions	7,604	615	489	8,708
Telephone	3,697	299	237	4,233
Travel	3,426	293	-	3,719
Technology support	2,611	211	168	2,990
Insurance	2,548	205	164	2,917
Furniture and equipment maintenance	1,964	159	126	2,249
Supplies	606	49	38	693
Miscellaneous	-	172	-	172
Postage	-	26	-	26
	<u>\$ 538,571</u>	<u>\$ 62,156</u>	<u>\$ 36,510</u>	<u>\$ 637,237</u>

THE SYCAMORE INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries	\$ 316,281	\$ 21,520	\$ 22,549	\$ 360,350
Fringe benefits	59,545	2,993	2,943	65,481
	375,826	24,513	25,492	425,831
Rent	59,635	3,892	4,044	67,571
Professional fees	3,235	16,895	2,973	23,103
Travel	17,788	1,583	-	19,371
Dues and subscriptions	8,219	537	557	9,313
Furniture and equipment maintenance	5,607	366	380	6,353
Telephone	4,140	271	280	4,691
Technology support	3,694	241	250	4,185
Depreciation	3,511	186	-	3,697
Insurance	2,557	168	173	2,898
Supplies	1,052	71	71	1,194
Printing	368	-	-	368
Miscellaneous	-	127	-	127
Postage	7	-	-	7
	<u>\$ 485,639</u>	<u>\$ 48,850</u>	<u>\$ 34,220</u>	<u>\$ 568,709</u>

THE SYCAMORE INSTITUTE, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 130,987	\$ 97,253
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	-	3,697
Decrease (increase) in:		
Contribution receivable	24,648	(29,048)
Prepaid expenses	(2,922)	3,177
Increase (decrease) in:		
Accounts payable	(5,229)	(1,364)
Accrued expenses	15,360	1,341
Net cash flows from operating activities	<u>162,844</u>	<u>75,056</u>
Change in cash	162,844	75,056
Cash, beginning of year	<u>401,138</u>	<u>326,082</u>
Cash, end of year	<u><u>\$ 563,982</u></u>	<u><u>\$ 401,138</u></u>

THE SYCAMORE INSTITUTE, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 1—Nature of activities and summary of significant accounting policies

Nature of Activities – The Sycamore Institute, Inc. (“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, 2020 and 2019, there are no funds required to be maintained in perpetuity.

Contributions – In accordance with U.S. GAAP for nonprofit organizations, contributions and grants are recognized when the donor makes a promise to give to Sycamore that is, in substance, unconditional. Contributions are recorded as increases in net assets with or without donor restrictions depending on the existence or nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional contributions are recognized when the specified donor conditions have been met.

Contributions receivable are considered fully collectible and no allowance for doubtful accounts has been provided. All such contributions receivable are expected to be collected in less than one year and are considered to approximate fair value.

Revenue Recognition – Sycamore recognizes revenue in accordance with 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.

Functional Allocation of Expenses –The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Certain salaries and wages have been allocated to program, management and general, and fundraising based on time and effort estimates made by management.

Cash – Cash consists of a checking account and a money market 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 three years) and computed on the straight-line method.

THE SYCAMORE INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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

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.

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, 2020 and 2019, 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.

Accounting Policies for Future Pronouncements – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“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 statement of financial position 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 statement of activities. This standard will be effective for the fiscal year ending December 31, 2022. Sycamore is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – Sycamore has evaluated subsequent events through May 21, 2021, when the financial statements were available to be issued.

Note 2—Property and equipment

Property and equipment consists of the following at December 31:

	2020	2019
Furniture and equipment	\$ 13,146	\$ 13,146
Website	11,000	11,000
	24,146	24,146
Less accumulated depreciation	(24,146)	(24,146)
Property and equipment, net	\$ -	\$ -

THE SYCAMORE INSTITUTE, INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 3—Concentration of credit risk

Sycamore maintains its cash in bank deposit accounts which may exceed federally insured limits during the year. Amounts in excess of uninsured balances for the years ended December 31, 2020 and 2019 were \$319,931 and \$154,514, respectively. 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 4—Concentration of support

Sycamore has received a majority of its support from a single grant from The Healing Trust, a separate nonprofit organization. The Healing Trust awarded Sycamore a grant in the amount of up to \$2,500,000 to be paid in cash and administrative services through 2020. Amounts recognized under this grant for the years ended December 31, 2020 and 2019 totaled \$414,458 and \$500,000, respectively. The grant contained certain conditions requiring Sycamore to match the funds awarded; therefore, Sycamore did not recognize the conditional funding until the conditions were met. All such conditions were met in 2020.

Note 5—Paycheck Protection Program loan

During 2020, Sycamore received a Paycheck Protection Program loan ("PPP") in the amount of \$73,550. The PPP loan was granted by the Small Business Administration under the Coronavirus Aid Relief, and Economic Security Act (the "CARES Act"). PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. The loan must be repaid if Sycamore does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. Sycamore received notification that the loan had been forgiven as of December 31, 2020 and has reflected the loan as contribution and support revenue for the year ended December 31, 2020.

Note 6—Operating leases

Office Lease – During 2017, Sycamore entered into a five-year agreement to lease the office space for its operations. The agreement requires monthly payments of approximately \$4,500. The total paid for the years ended December 31, 2020 and 2019 was approximately \$62,000 and \$58,000, respectively.

Future minimum lease payments for these leases are as follows:

Years Ending December 31,

2021	\$ 58,311
2022	19,627
	<hr/>
	\$ 77,938

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 \$13,387 and \$12,018 for the years ended December 31, 2020 and 2019, respectively.

THE SYCAMORE INSTITUTE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 8—Net assets with donor restrictions

The net assets with donor restrictions consist of the following at December 31:

	2020	2019
Time restricted grant	\$ 20,000	\$ 40,000

Note 9—Liquidity and availability of resources

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.

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:

	2020	2019
Financial assets:		
Cash	\$ 563,982	\$ 401,138
Contributions receivable	4,400	29,048
Less amounts not available to be used within one year:		
Net assets with donor restriction for specific time	(20,000)	(20,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 548,382</u>	<u>\$ 410,186</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, approximating \$350,000 for 2021.

Note 10—Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in the financial markets. The COVID-19 outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. COVID-19 has caused a material adverse impact on the economic and market conditions. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the COVID-19 outbreak. Nevertheless, the COVID-19 outbreak presents uncertainty and risk with respect to Sycamore, its performance, and its financial results.