

NASHVILLE ENTREPRENEUR CENTER
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Entrepreneur Center as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Nashville, Tennessee
April 14, 2020

NASHVILLE ENTREPRENEUR CENTER
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2019	2018
Cash	\$ 1,075,532	\$ 1,510,057
Endowment cash	304,951	100,000
Contributions and grants, net	290,558	208,885
Prepaid expenses	17,895	19,180
Leasehold improvements and equipment, net	2,991,126	3,166,184
Total assets	<u>\$ 4,680,062</u>	<u>\$ 5,004,306</u>

LIABILITIES

Accounts payable	\$ 75,935	\$ 66,727
Accrued expenses	-	195,243
Deferred revenue	14,091	3,266
Total liabilities	<u>90,026</u>	<u>265,236</u>

NET ASSETS

Net assets without donor restrictions	4,278,791	4,434,082
Net assets with donor restrictions	311,245	304,988
Total net assets	<u>4,590,036</u>	<u>4,739,070</u>
Total liabilities and net assets	<u>\$ 4,680,062</u>	<u>\$ 5,004,306</u>

See notes to financial statements.

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

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

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	1,749,780	-	1,749,780
Supporting services:			
Management and general	200,613	-	200,613
Fundraising	386,073	-	386,073
Total supporting services	586,686	-	586,686
	<u>2,336,466</u>	<u>-</u>	<u>2,336,466</u>
Total expenses			
Net change in net assets	(191,033)	40,472	(150,561)
	<u>(191,033)</u>	<u>40,472</u>	<u>(150,561)</u>
Net assets at beginning of year	4,625,115	264,516	4,889,631
	<u>4,625,115</u>	<u>264,516</u>	<u>4,889,631</u>
Net assets at end of year	\$ 4,434,082	\$ 304,988	\$ 4,739,070
	<u>\$ 4,434,082</u>	<u>\$ 304,988</u>	<u>\$ 4,739,070</u>

See notes to financial statements.

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

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

See notes to financial statements.

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

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
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
Marketing expenses	25,378	2,355	11,759	14,114	39,492
Other operating expenses	83,732	10,056	33,336	43,392	127,124
Fundraising expenses	114,090	345	20,475	20,820	134,910
Total expenses	<u>\$ 1,749,780</u>	<u>\$ 200,613</u>	<u>\$ 386,073</u>	<u>\$ 586,686</u>	<u>\$ 2,336,466</u>

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (149,034)	\$ (150,561)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	188,766	190,982
(Increase) decrease in:		
Contributions and grants receivable	(81,673)	47,660
Prepaid assets	1,285	(7,675)
Increase (decrease) in:		
Accounts payable	9,208	(3,131)
Accrued expenses	(195,243)	58,510
Deferred revenue	10,825	(62,748)
Net cash (used in) provided by operating activities	<u>(215,866)</u>	<u>73,037</u>
Cash flows from investing activities:		
Purchases of leasehold improvements and equipment	<u>(13,708)</u>	<u>(17,188)</u>
Net cash used in investing activities	<u>(13,708)</u>	<u>(17,188)</u>
Net (decrease) increase in cash and restricted cash	(229,574)	55,849
Cash and restricted cash, beginning of year	<u>1,610,057</u>	<u>1,554,208</u>
Cash and restricted cash, end of year	<u><u>\$ 1,380,483</u></u>	<u><u>\$ 1,610,057</u></u>
Reconciliation of cash and restricted cash:		
Cash	\$ 1,075,532	\$ 1,510,057
Restricted cash (endowment)	<u>304,951</u>	<u>100,000</u>
Total cash and restricted cash	<u><u>\$ 1,380,483</u></u>	<u><u>\$ 1,610,057</u></u>

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 AND 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents and Restricted Cash

For financial statement purposes, the NEC considers all non-endowment cash and all highly liquid investments not held for long-term investment, and which have original maturities of three months or less, to be cash equivalents. At December 31, 2019 and 2018, NEC held restricted endowment cash in a separate money market account. For the statement of cash flows, the NEC considers all cash reported under endowment cash to be restricted cash.

Revenue Recognition

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

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

Grants and Grant Receivables

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

Contributions Receivable

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

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Leasehold Improvements and Equipment

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

Use of Estimates

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

Fair Value of Financial Instruments

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 \$127,315 and \$39,492 for the years ended December 31, 2019 and 2018, 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.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

Reclassification

Certain reclassifications have been made to the 2018 financial statement amounts to conform to the 2019 presentation.

New Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. NEC adopted ASU 2014-09 and related amendments on January 1, 2019 using the modified retrospective method and elected to apply the standard only to contracts that were not completed as of that date. The adoption of the standard did not impact the results of operations or change in net assets.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Confirmations Received and Contributions Made*. This ASU provides additional guidance to be used to determine whether a contribution is conditional and when a transaction should be accounted for as a contribution versus an exchange. NEC early adopted ASU 2018-08 as of January 1, 2019 and has applied the amendments of this standard on a modified prospective basis and elected to apply the standard only to agreements that were entered into after the effective date. This standard did not result in a material change to the financial statements or the timing of revenue recognition for NEC's contributions and grants.

Effective January 1, 2019, NEC adopted ASU 2016-18, *Statement of Cash Flows – Restricted Cash*. The standard requires that an entity include in its cash and cash equivalent balances in the statement of cash flows, those amounts that are deemed to be restricted cash and restricted cash equivalents. A reconciliation between the statement of financial position and the statement of cash flows must be disclosed when the balance sheet includes more than one-line item for cash, cash equivalents, restricted cash, and restricted cash equivalents. NEC has adopted ASU 2016-18 as of and for the year ended December 31, 2019 with retrospective application for all periods presented.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash	\$1,380,483	\$1,610,057
Receivables (net)	<u>290,558</u>	<u>208,885</u>
Total financial assets	<u>1,671,041</u>	<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	11,245	104,988
Donor restricted funds held in perpetuity	<u>300,000</u>	<u>200,000</u>
Total financial assets not available to be used within one year	<u>311,245</u>	<u>304,988</u>
Financial assets available to meet general expenditures within one year	<u>\$1,359,796</u>	<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.

C. CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Contributions and grants receivable, net of an allowance, at December 31, 2019 and 2018, totaled \$290,558 and \$208,885, respectively. The outstanding balance at December 31, 2019, is expected to be collected through 2020. The allowance for doubtful accounts at December 31, 2019 and 2018 was \$10,000 and \$11,470, respectively. There were no conditional promises to give as of December 31, 2019 or 2018.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

D. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment at December 31, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 789,914	\$ 781,678
Leasehold improvements	3,499,402	3,493,930
Computer software and website	<u>27,000</u>	<u>27,000</u>
	4,316,316	4,302,608
Less accumulated depreciation	<u>(1,325,190)</u>	<u>(1,136,424)</u>
Leasehold improvements and equipment, net	<u>\$ 2,991,126</u>	<u>\$ 3,166,184</u>

Depreciation expense was \$188,766 and \$190,982 at December 31, 2019 and 2018, 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. On June 26, 2019, NEC entered into an agreement, extending the maturity date through June 2021. Interest was payable monthly at the prime rate with a floor of 4% through May 2, 2019 and at prime rate thereafter (effective rates of 5.5% and 4.5% at December 31, 2019 and 2018, respectively). The outstanding balance on the line was \$-0- at December 31, 2019 and 2018.

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 \$70,380 and \$69,980 in 2019 and 2018, 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, 2019 AND 2018

F. LEASES - Continued

NEC leases copier equipment through an operating lease, which expires in June 2023. Minimum monthly lease payments are \$1,550, with lease expense totaling \$21,363 and \$24,214 in 2019 and 2018, respectively. Minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 18,600
2021	18,600
2022	18,600
2023	<u>7,750</u>
	<u>\$ 63,550</u>

G. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2019 and 2018 have been restricted by the donors for the following purposes:

	<u>2019</u>	<u>2018</u>
Subject to purpose restriction:		
Navigation	\$ 11,245	\$ 69,397
Diversity and inclusion	<u>-</u>	<u>26,970</u>
	11,245	96,367
Subject to time restrictions	<u>-</u>	<u>8,622</u>
	11,245	104,988
Restricted in perpetuity:		
General endowment	<u>300,000</u>	<u>200,000</u>
Total net assets with donor restrictions	<u>\$311,245</u>	<u>\$304,988</u>

Net assets with donor restrictions for the years ended December 31, 2019 and 2018 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restriction	\$184,885	\$327,307
Expiration of time restriction	<u>350,108</u>	<u>124,774</u>
	<u>\$534,993</u>	<u>\$452,081</u>

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 2018 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 that NEC must hold in perpetuity. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. As of December 31, 2019 and 2018, endowment funds are being held in a separate money market account.

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, 2019 AND 2018

H. ENDOWMENT FUNDS - continued

Changes in Endowment Net Assets for the Year Ended December 31, 2019 and 2018, is as follows:

	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	\$ -	\$ -	\$ 200,000	200,000
Contributions	-	-	100,000	100,000
Investment return, net	4,951	-	-	4,951
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, December 31, 2019	<u>\$ 4,951</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>304,951</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, 2019 and 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, 2019 AND 2018

I. CREDIT RISK AND OTHER CONCENTRATIONS

For the year ended December 31, 2018, revenue from one major grantor comprised approximately 10% of NEC's total support and revenue. There was no concentration risk related to this grantor in fiscal year 2019.

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 \$12,933 and \$12,614 for December 31, 2019 and 2018, respectively.

K. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 14, 2020, the date the financial statements were available for issuance, and has determined that there was one subsequent event requiring disclosure as follows:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our members, donors, employees, and vendors, all of which are uncertain and cannot be predicted. As such, this may hinder the NEC's ability to advance their mission and led the NEC to seek financing through the Paycheck Protection Program ("PPP").

Although the NEC cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the NEC's results of future operations, financial position, and liquidity in fiscal year 2020.