NASHVILLE ENTREPRENEUR CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2015 AND 2014

NASHVILLE ENTREPRENEUR CENTER

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CROSSLIN
&ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Entrepreneur Center as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Crosslin + Associates, P.C.

Nashville, Tennessee
April 7, 2016

NASHVILLE ENTREPRENEUR CENTER
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31, 2015	December 31, 2014
Cash - unrestricted	$ 376,660	$ 604,117
Contributions and grants receivable, net	525,252	336,675
Prepaid expenses	6,363	37,440
Leasehold improvements and equipment, net	3,723,125	3,918,953
Total assets	$ 4,631,400	$ 4,897,185

LIABILITIES

	2015	2014
Accounts payable	$ 50,648	$ 71,008
Accrued expenses	118,960	16,778
Deferred revenue	63,493	36,530
Line of credit	-	380,225
Total liabilities	233,101	504,541

NET ASSETS

	2015	2014
Unrestricted	3,981,561	4,249,944
Temporarily restricted (Note F)	416,738	142,700
Total net assets	4,398,299	4,392,644
Total liabilities and net assets	$ 4,631,400	$ 4,897,185

See notes to financial statements.

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

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Contributions and grants	$ 996,725	$ 366,738	$ 1,363,463
Program income	645,678	-	645,678
Interest and other income	6,519	-	6,519
Net assets released from restrictions	92,700	(92,700)	-
Total support and revenue	1,741,622	274,038	2,015,660
Expenses:			
Events	19,519	-	19,519
Education series	8,500	-	8,500
Program expenses	34,379	-	34,379
Administrative expenses	188,091	-	188,091
Salaries, benefits and taxes	1,018,106	-	1,018,106
Professional fees and contract services	254,757	-	254,757
Rent, parking and utilities	213,559	-	213,559
Depreciation	202,049	-	202,049
Interest expense	9,828	-	9,828
Other business expenses	61,217	-	61,217
Total expenses	2,010,005	-	2,010,005
Net (decrease) increase in net assets	(268,383)	274,038	5,655
Net assets at beginning of year	4,249,944	142,700	4,392,644
Net assets at end of year	$ 3,981,561	$ 416,738	$ 4,398,299

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Contributions and grants	$ 1,445,255	$ 142,700	$ 1,587,955
Program income	619,501	-	619,501
Interest and other income	506	-	506
Net assets released from restrictions	5,000	(5,000)	-
Total support and revenue	2,070,262	137,700	2,207,962
Expenses:			
Events	11,493	-	11,493
Education series	320	-	320
Program expenses	77,491	-	77,491
Administrative expenses	158,052	-	158,052
Salaries, benefits and taxes	828,645	-	828,645
Professional fees and contract services	250,892	-	250,892
Rent, parking and utilities	152,119	-	152,119
Depreciation	201,457	-	201,457
Interest expense	24,031	-	24,031
Other business expenses	84,317	-	84,317
Total expenses	1,788,817	-	1,788,817
Net increase in net assets	281,445	137,700	419,145
Net assets at beginning of year	3,968,499	5,000	3,973,499
Net assets at end of year	$ 4,249,944	$ 142,700	$ 4,392,644

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER
STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2015	Year Ended December 31, 2014
Cash flows from operating activities:		
Increase in net assets	$ 5,655	$ 419,145
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	202,049	201,457
Loss on disposal of assets	-	30,227
(Increase) decrease in contributions and grants receivable	(188,577)	495,034
Decrease (increase) in prepaid assets	31,077	(34,568)
Increase (decrease) in accounts payable and accrued expenses	81,822	(88,927)
Increase (decrease) in deferred revenue	26,963	(14,636)
Net cash provided by operating activities	158,989	1,007,732
Cash flows from investing activities:		
Purchases of leasehold improvements and equipment	(6,221)	(5,626)
Net cash used in investing activities	(6,221)	(5,626)
Cash flows from financing activities:		
Net payments on line of credit	(380,225)	(25)
Payments on long-term debt	-	(621,998)
Net cash used in financing activities	(380,225)	(622,023)
Net (decrease) increase in cash	(227,457)	380,083
Cash, beginning of year	604,117	224,034
Cash, end of year	$ 376,660	$ 604,117

Supplemental cash flow information:

	2015	2014
Cash paid for interest during the year	$ 9,828	$ 24,031

See notes to financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Nashville Entrepreneur Center ("NEC") is a 501(c)(3) non-profit organization founded in 2007, as a vision out of the Partnership 2010 initiatives of the Nashville Chamber of Commerce. A partnership of local and state government support, private interests, and the Nashville business community at-large, the Center's mission is to raise the quality of resources available to the Nashville entrepreneurial and small business communities.

NEC connects entrepreneurs with investors, mentors and the critical resources they need to accelerate the launch of startup businesses. NEC fosters innovation and entrepreneurship by turning ideas into reality, helping to start businesses and create jobs. NEC is funded through sponsorships, partnerships, donations and grants. NEC relies on support from leading corporations, successful entrepreneurs and those who have a vested interest in the Center's success.

Accrual Basis and Financial Statement Presentation

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

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

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

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

Permanently restricted net assets - Net assets subject to donor-imposed stipulations require that the assets be permanently maintained by NEC. Generally, the donors of these assets permit NEC to use all or part of the income earned on related investments for general or specific purposes. At December 31, 2015 and 2014, there were no permanently restricted net assets.

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

For financial statement purposes, NEC considers all cash and all highly liquid investments not held for long-term investment, and which have original maturities of three months or less, to be cash equivalents.

Contributions

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

Contributions Receivable

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

Leasehold Improvements and Equipment

Leasehold improvements and equipment are stated in the accompanying statements of financial position at cost, or if contributed, at fair market value at the date of the gift. Depreciation is calculated using the straight-line basis over the estimated useful life of the various assets, ranging from three to forty years.

Use of Estimates

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value of Financial Instruments

NEC's financial instruments consist of contributions and grants receivable, accounts payable and accrued expenses and approximate their fair values based on their short-term nature. The carrying value of any outstanding line of credit balance is not materially different from the estimated fair value of the instrument.

Income Taxes

Nashville Entrepreneur Center is exempt from income taxes under Internal Revenue Code Section 501(c)(3); accordingly, no provision for taxes has been made in the financial statements.

NEC accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for NEC include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, NEC has determined that such tax positions do not result in an uncertainty requiring recognition.

Reclassifications

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

B. CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable at December 31, 2015 and 2014, totaled $525,252 and $336,675, respectively. The outstanding balance at December 31, 2015, is expected to be collected through 2016. The allowance for doubtful accounts at December 31, 2015 and 2014 was $44,761 and $77,643, respectively. There were no conditional promises to give as of December 31, 2015 or 2014.

C. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment at December 31, 2015 and 2014, consisted of the following:

	2015	2014
Furniture and equipment	$ 754,028	$ 747,807
Leasehold improvements	3,489,762	3,489,762
Computer software and website	27,000	27,000
	4,270,790	4,264,569
Less accumulated depreciation	(547,665)	(345,616)
Leasehold improvements and equipment, net	$ 3,723,125	$ 3,918,953

D. LINE OF CREDIT

NEC has an available line of credit with borrowing availability up to $500,000. The line of credit matures April 16, 2016, and bears interest, payable monthly, at the prime rate with a floor of 4.0% and 4.5% (actual 4.0% and 4.5%) at December 31, 2015, and 2014, respectively.

The outstanding balance on the line was $-0- and $380,225 at December 31, 2015 and 2014, respectively.

E. LEASE

NEC subleases its building under an operating lease which expires on September 1, 2056. The lease arrangement requires NEC to pay their proportionate share of taxes, insurance premiums and common area maintenance. These expenses amounted to $57,912 and $52,941 in 2015 and 2014, 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.

F. NET ASSETS AND NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Temporarily restricted net assets as of December 31, 2015 and 2014 are available for the following purposes:

	2015	2014
Project Music	$153,500	$ 67,700
Teacherpreneurs	110,000	75,000
Pre-flight	153,238	-
	$416,738	$142,700

In 2015 and 2014, net assets of $92,700 and $5,000, respectively were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time restriction.

G. FUNCTIONAL ALLOCATION OF EXPENSES

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

	2015	2014
Program	$1,623,654	$1,438,209
Management and general	386,337	350,608
Fundraising	14	-
Total expenses	$2,010,005	$1,788,817

H. RELATED PARTY TRANSACTIONS

NEC has related party transactions with a board member for accounting and payroll services. Fees paid to the related party were as follows:

	2015	2014
Accounting services	$31,280	$14,050
Payroll services	15,485	3,493
Total	$46,765	$17,543

I. CREDIT RISK AND OTHER CONCENTRATIONS

For the year ended December 31, 2015, revenue from one major grantor comprised approximately 15% of NEC's total support and revenue. For the year ended December 31, 2014, revenue from two major grantors comprised approximately 31% of NEC's total support and revenue.

Financial instruments which potentially subject NEC to concentrations of credit risk consist principally of cash and cash equivalents. Cash and cash equivalents carry credit risk to the extent they exceed federally insured limits from time to time. Credit risk also extends to receivables, all of which are uncollateralized.

J. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 7, 2016, the date the financial statements were available for issuance. Management has determined that there are no subsequent events requiring disclosure.