

NASHVILLE ENTREPRENEUR CENTER
FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, 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, 2017 and 2016, 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, PLLC

Nashville, Tennessee
July 3, 2018

NASHVILLE ENTREPRENEUR CENTER
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2017	2016
Cash	\$ 1,554,208	\$ 1,081,546
Contributions and grants, net	256,545	117,279
Prepaid expenses	11,505	18,891
Leasehold improvements and equipment, net	3,339,978	3,535,310
	<u>5,162,236</u>	<u>4,753,026</u>
Total assets	<u>\$ 5,162,236</u>	<u>\$ 4,753,026</u>

LIABILITIES

Accounts payable	\$ 69,858	\$ 71,917
Accrued expenses	136,733	192,818
Deferred revenue	66,014	11,587
	<u>272,605</u>	<u>276,322</u>
Total liabilities	<u>272,605</u>	<u>276,322</u>

NET ASSETS

Unrestricted	4,625,115	4,212,405
Temporarily restricted	264,516	264,299
	<u>4,889,631</u>	<u>4,476,704</u>
Total net assets	<u>4,889,631</u>	<u>4,476,704</u>
	<u>\$ 5,162,236</u>	<u>\$ 4,753,026</u>
Total liabilities and net assets	<u>\$ 5,162,236</u>	<u>\$ 4,753,026</u>

See notes to financial statements.

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

	Unrestricted	Temporarily Restricted	Total
	<u> </u>	<u> </u>	<u> </u>
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> </u>	<u> </u>	<u> </u>
Total support and revenue	2,327,731	217	2,327,948
	<u> </u>	<u> </u>	<u> </u>
Expenses:			
Program expenses	55,128	-	55,128
Administrative expenses	86,838	-	86,838
Salaries, benefits and taxes	985,363	-	985,363
Professional fees and contract services	236,743	-	236,743
Rent, parking and utilities	269,901	-	269,901
Depreciation	197,103	-	197,103
Other business expenses	83,945	-	83,945
	<u> </u>	<u> </u>	<u> </u>
Total expenses	1,915,021	-	1,915,021
	<u> </u>	<u> </u>	<u> </u>
Net increase in net assets	412,710	217	412,927
	<u> </u>	<u> </u>	<u> </u>
Net assets at beginning of year	4,212,405	264,299	4,476,704
	<u> </u>	<u> </u>	<u> </u>
Net assets at end of year	\$ 4,625,115	\$ 264,516	\$ 4,889,631
	<u> </u>	<u> </u>	<u> </u>

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Contributions and grants	\$ 1,555,396	\$ 239,299	\$ 1,794,695
Program income	548,946	-	548,946
Interest and other income	4,535	-	4,535
Net assets released from restrictions	<u>391,738</u>	<u>(391,738)</u>	<u>-</u>
Total support and revenue	<u>2,500,615</u>	<u>(152,439)</u>	<u>2,348,176</u>
Expenses:			
Program expenses	95,252	-	95,252
Administrative expenses	189,127	-	189,127
Salaries, benefits and taxes	1,179,478	-	1,179,478
Professional fees and contract services	280,449	-	280,449
Rent, parking and utilities	253,503	-	253,503
Depreciation	200,675	-	200,675
Other business expenses	<u>71,287</u>	<u>-</u>	<u>71,287</u>
Total expenses	<u>2,269,771</u>	<u>-</u>	<u>2,269,771</u>
Net increase (decrease) in net assets	<u>230,844</u>	<u>(152,439)</u>	<u>78,405</u>
Net assets at beginning of year	<u>3,981,561</u>	<u>416,738</u>	<u>4,398,299</u>
Net assets at end of year	<u><u>\$ 4,212,405</u></u>	<u><u>\$ 264,299</u></u>	<u><u>\$ 4,476,704</u></u>

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2017	2016
Cash flows from operating activities:		
Increase in net assets	\$ 412,927	\$ 78,405
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	197,103	200,675
(Increase) decrease in contributions and grants receivable	(139,266)	407,973
Decrease (increase) in prepaid assets	7,386	(12,528)
(Decrease) increase in accounts payable and accrued expenses	(58,144)	95,127
Increase (decrease) in deferred revenue	54,427	(51,906)
Net cash provided by operating activities	474,433	717,746
Cash flows from investing activities:		
Purchases of leasehold improvements and equipment	(1,771)	(12,860)
Net cash used in investing activities	(1,771)	(12,860)
Net increase in cash	472,662	704,886
Cash, beginning of year	1,081,546	376,660
Cash, end of year	\$ 1,554,208	\$ 1,081,546

See notes to financial statements.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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.

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, 2017 and 2016, 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.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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. 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 collectibility of contributions and grants receivable, useful lives of leasehold improvements and equipment, and functional expenses. Accordingly, actual results could differ from those estimates.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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.

Advertising Costs

All advertising costs are expensed as incurred. Advertising expense was \$19,862 and \$20,947 for the years ended December 31, 2017 and 2016, 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.

B. CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Contributions and grants receivable, net of an allowance, at December 31, 2017 and 2016, totaled \$256,545 and \$117,279, respectively. The outstanding balance at December 31, 2017, is expected to be collected through 2018. The allowance for doubtful accounts at December 31, 2017 and 2016 was \$-0- and \$5,775, respectively. There were no conditional promises to give as of December 31, 2017 or 2016.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
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C. LEASEHOLD IMPROVEMENTS AND EQUIPMENT

Leasehold improvements and equipment at December 31, 2017 and 2016, consisted of the following:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 768,659	\$ 766,888
Leasehold improvements	3,489,762	3,489,762
Computer software and website	<u>27,000</u>	<u>27,000</u>
	4,285,421	4,283,650
Less accumulated depreciation	<u>(945,443)</u>	<u>(748,340)</u>
Leasehold improvements and equipment, net	<u>\$ 3,339,978</u>	<u>\$ 3,535,310</u>

D. LINE OF CREDIT

NEC has an available line of credit with borrowing availability up to \$500,000. The line of credit matured April 15, 2017, and bears interest, payable monthly, at the prime rate with a floor of 4.0% (4.5% and 4.0% at December 31, 2017 and 2016, respectively). On May 2, 2017, NEC entered into an agreement, extending the maturity date through May 2019.

The outstanding balance on the line was \$-0- at December 31, 2017 and 2016.

E. 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 \$64,003 and \$63,680 in 2017 and 2016, 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.

NEC leases copier equipment through an operating lease, which expires in June 2018. Minimum monthly lease payments are \$1,300, with lease expense totaling \$22,170 and \$20,222 in 2017 and 2016, respectively. Minimum lease payments are \$7,800 in fiscal year 2018.

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
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F. NET ASSETS AND NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Temporarily restricted net assets as of December 31, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Project Healthcare	\$ -	\$150,000
Project Music	50,000	50,000
Teacherpreneurs	-	25,000
Best program	102,485	-
Navigation	87,385	-
Time restricted	<u>24,646</u>	<u>39,299</u>
	<u>\$264,516</u>	<u>\$264,299</u>

In 2017 and 2016, net assets of \$431,175 and \$391,738, 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:

	<u>2017</u>	<u>2016</u>
Program	\$1,537,162	\$1,822,754
Management and general	377,774	446,955
Fundraising	<u>85</u>	<u>62</u>
Total expenses	<u>\$1,915,021</u>	<u>\$2,269,771</u>

NASHVILLE ENTREPRENEUR CENTER
NOTES TO FINANCIAL STATEMENTS
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H. CREDIT RISK AND OTHER CONCENTRATIONS

For the year ended December 31, 2017 and 2016, revenue from one major grantor comprised approximately 13% and 15% 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.

I. 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 \$16,479 and \$12,799 for December 31, 2017 and 2016, respectively.

J. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 3, 2018, the date the financial statements were available for issuance, and has determined that, there are no additional subsequent events requiring disclosure.