

# **THE SYCAMORE INSTITUTE, INC.**

## **FINANCIAL STATEMENTS**

***As of and for the Years Ended December 31, 2021 and 2020***

***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

### Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sycamore as of December 31, 2021 and 2020, 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Sycamore and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sycamore's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sycamore's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sycamore's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Cherry Bekant LLP*

Nashville, Tennessee  
August 31, 2022

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

*DECEMBER 31, 2021 AND 2020*

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash	\$ 500,363	\$ 563,982
Contribution receivable	1,272	4,400
Prepaid expenses and other	22,055	27,074
<b>Total Assets</b>	<b>\$ 523,690</b>	<b>\$ 595,456</b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable	\$ 6,772	\$ 6,386
Accrued expenses	19,362	35,117
<b>Total Liabilities</b>	<b>26,134</b>	<b>41,503</b>
Net Assets:		
Without Donor Restrictions:		
Undesignated	97,556	533,953
Board designated reserves	355,000	-
With Donor Restrictions	45,000	20,000
<b>Total Net Assets</b>	<b>497,556</b>	<b>553,953</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 523,690</b>	<b>\$ 595,456</b>

The accompanying notes to the financial statements are an integral part of these statements.

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

*YEARS ENDED DECEMBER 31, 2021 AND 2020*

	<b>2021</b>	<b>2020</b>
Changes in Net Assets Without Donor Restrictions:		
Contributions and Support Without Donor Restrictions:		
Contributions	\$ 554,619	\$ 745,995
Net assets released from time restrictions	20,000	20,000
Total Contributions and Support Without Donor Restrictions and Releases from Restrictions	574,619	765,995
Earned income	5,000	21,000
Interest income	543	1,229
Total Contributions and Support	580,162	788,224
Expenses:		
Program services	578,152	538,571
Supporting Services:		
General and administrative expenses	45,995	62,156
Fundraising expenses	37,412	36,510
Total Expenses	661,559	637,237
Change in Net Assets Without Donor Restrictions	(81,397)	150,987
Changes in Net Assets With Donor Restrictions:		
Contributions	45,000	-
Net assets released from time restrictions	(20,000)	(20,000)
Change in Net Assets With Donor Restrictions	25,000	(20,000)
Change in net assets	(56,397)	130,987
Net assets, beginning of year	553,953	422,966
Net assets, end of year	\$ 497,556	\$ 553,953

The accompanying notes to the financial statements are an integral part of these statements.

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

*YEAR ENDED DECEMBER 31, 2021*

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	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>General and Administrative</b>	<b>Fundraising</b>	
Salaries and benefits	\$ 464,117	\$ 36,693	\$ 29,877	\$ 530,687
Rent	61,180	4,922	4,219	70,321
Professional fees	26,217	2,109	1,808	30,134
Dues, subscriptions, and events	7,694	619	531	8,844
Technology support and services	7,534	606	520	8,660
Telephone and telecommunications	3,585	288	247	4,120
Travel and professional development	3,625	-	-	3,625
Insurance	2,558	206	176	2,940
Consultants	1,151	87	-	1,238
Supplies	491	39	34	564
Bank fees	-	426	-	426
	<u>\$ 578,152</u>	<u>\$ 45,995</u>	<u>\$ 37,412</u>	<u>\$ 661,559</u>

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The accompanying notes to the financial statements are an integral part of these statements.

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

*YEAR ENDED DECEMBER 31, 2020*

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
		<b>General and Administrative</b>	<b>Fundraising</b>	
Salaries and benefits	\$ 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 accompanying notes to the financial statements are an integral part of these statements.



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

*YEARS ENDED DECEMBER 31, 2021 AND 2020*

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (56,397)	\$ 130,987
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in operating assets and liabilities:		
Contribution receivable	3,128	24,648
Prepaid expenses and other	5,019	(2,922)
Accounts payable	386	(5,229)
Accrued expenses	(15,755)	15,360
Net cash flows from operating activities	<u>(63,619)</u>	<u>162,844</u>
Change in cash	(63,619)	162,844
Cash, beginning of year	<u>563,982</u>	<u>401,138</u>
Cash, end of year	<u>\$ 500,363</u>	<u>\$ 563,982</u>

The accompanying notes to the financial statements are an integral part of these statements.

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

*DECEMBER 31, 2021 AND 2020*

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**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. Sycamore is funded primarily from contributions from foundations, individuals, and others.

*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. These net assets may be used at the discretion of Sycamore’s management and Board of Directors. Sycamore has chosen to provide further classification information about the net assets without donor restrictions on the statements of financial position. The sub-classifications are as follows:

*Undesignated* – Represents the cumulative net assets without donor restrictions excluding those net assets designated for specific activities by the Board of Directors.

*Board Designated* – Represents resources set aside by the Board of Directors to be used for specific activities within guidelines established by the Board of Directors. As of December 31, 2021, the Board of Directors has established an operating reserve of approximately \$350,000.

*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, 2021 and 2020, 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.

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

*DECEMBER 31, 2021 AND 2020*

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

*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.

*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.

*Reclassifications* – Certain reclassifications have been made to the 2020 balances to conform with the 2021 presentation.

*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, 2021 and 2020, 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 (“FASB”) 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.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU will require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. In addition, for each category of contributed nonfinancial assets recognized, the following will have to be disclosed: (1) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a not-for-profit will disclose a description of the programs or other activities in which those assets were used; (2) the not-for-profit’s policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (3) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; and (4) a description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, at initial recognition. This standard is effective for the year ending December 31, 2022. Management is currently evaluating the impact of this standard on Sycamore’s financial statements.

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

*DECEMBER 31, 2021 AND 2020*

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

*Subsequent Events* – Sycamore has evaluated subsequent events through August 31, 2022, when the financial statements were available to be issued. Except as described in Note 6, management has determined that there are no subsequent events that require disclosure.

**Note 2—Property and equipment**

Property and equipment consists of the following at December 31:

	<b>2021</b>	<b>2020</b>
Furniture and equipment	\$ 13,146	\$ 13,146
Website	11,000	11,000
	<u>24,146</u>	<u>24,146</u>
Less accumulated depreciation	<u>(24,146)</u>	<u>(24,146)</u>
Property and equipment, net	<u>\$ -</u>	<u>\$ -</u>

**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, 2021 and 2020 were \$250,363 and \$319,931, 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**

Since inception, 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, 2021 and 2020 totaled \$-0- and \$414,458, 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. Additional contributions from The Healing Trust were received in 2021 in the amount of \$140,000.

**Note 5—Paycheck Protection Program loan**

During 2020, Sycamore received a Paycheck Protection Program ("PPP") loan 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 restrict 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.

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

*DECEMBER 31, 2021 AND 2020*

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**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, 2021 and 2020 was approximately \$66,000 and \$62,000, respectively.

Subsequent to December 31, 2021, Sycamore entered into a new 37-month lease for office space and moved to a new location. This new agreement requires monthly payments of approximately \$9,800.

Future minimum lease payments for these leases and certain other office equipment are as follows:

**Years Ending December 31,**

2022	\$	69,500
2023		119,449
2024		122,173
2025		61,334
	\$	<u>372,456</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 \$13,748 and \$13,387 for the years ended December 31, 2021 and 2020, respectively.

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

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

	<b><u>2021</u></b>	<b><u>2020</u></b>
Time restricted grant	\$ <u>45,000</u>	\$ <u>20,000</u>

**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.

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

*DECEMBER 31, 2021 AND 2020*

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**Note 9—Liquidity and availability of resources (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:

	<b>2021</b>	<b>2020</b>
Financial assets:		
Cash	\$ 500,363	\$ 563,982
Contributions receivable	1,272	4,400
Less amounts not available to be used within one year:		
Net assets designated for reserves	(355,000)	-
Net assets with donor restrictions for specific time	(30,000)	(20,000)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 116,635</u>	<u>\$ 548,382</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 2022.