

GROWTH ENTERPRISE NASHVILLE INC. dba  
NASHVILLE BUSINESS INCUBATION CENTER

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2021

GROWTH ENTERPRISE NASHVILLE INC. dba  
NASHVILLE BUSINESS INCUBATION CENTER

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR’S REPORT

SEPTEMBER 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Growth Enterprise Nashville Inc. dba Nashville Business Incubation Center  
Nashville, Tennessee

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Growth Enterprise Nashville Inc. dba Nashville Business Incubation Center (the "Organization") which comprise the statement of financial position as of September 30, 2021, the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2021, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

## AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.



Nashville, Tennessee  
August 12, 2022

GROWTH ENTERPRISE NASHVILLE INC. dba  
NASHVILLE BUSINESS INCUBATION CENTER

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2021

ASSETS

Cash and cash equivalents	\$ 328,558
Contributions and grants receivable	26,525
Other current assets	15,625
Property and equipment, net	<u>1,115</u>
TOTAL ASSETS	<u>\$ 371,823</u>

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable	\$ 30,589
Accrued expenses	3,775
Line of credit	<u>48,863</u>
TOTAL LIABILITIES	<u>83,227</u>
NET ASSETS	
Without donor restrictions	<u>288,596</u>
TOTAL NET ASSETS	<u>288,596</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 371,823</u>

See accompanying notes to financial statements.

GROWTH ENTERPRISE NASHVILLE INC. dba  
NASHVILLE BUSINESS INCUBATION CENTER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

SUPPORT AND REVENUE - WITHOUT DONOR RESTRICTIONS

Program income	\$ 58,501
Public support:	
Grants	646,018
Contributions	64,862
Fundraising events	20,531
Sponsorships	91,500
Other income	104
Interest income	93

TOTAL SUPPORT AND REVENUE - WITHOUT DONOR RESTRICTIONS	<u>881,609</u>
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EXPENSES

Program services	680,672
Supporting services:	
Management and general	247,107
Fundraising	<u>35,258</u>

TOTAL EXPENSES	<u>963,037</u>
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OTHER INCOME (EXPENSE)

Loss on disposal of equipment	<u>(1,009)</u>
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TOTAL OTHER INCOME (EXPENSE)	<u>(1,009)</u>
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CHANGE IN NET ASSETS	(82,437)
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NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING OF YEAR	<u>371,033</u>
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NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u><u>\$ 288,596</u></u>
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See accompanying notes to financial statements.

GROWTH ENTERPRISE NASHVILLE INC. dba  
NASHVILLE BUSINESS INCUBATION CENTER

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 155,923	\$ 88,498	\$ 25,284	\$ 113,782	\$ 269,705
Payroll taxes and benefits	9,099	16,955	-	16,955	26,054
Bad debt expense	-	780	-	780	780
Conference and training	-	8,766	-	8,766	8,766
Consulting fees	506,904	375	-	375	507,279
Depreciation	-	892	-	892	892
Dues and subscription	-	5,277	-	5,277	5,277
Food	-	808	-	808	808
Gifts or honorariums	-	3,691	-	3,691	3,691
Insurance	-	3,465	-	3,465	3,465
Interest	-	4,245	-	4,245	4,245
Investment and banking fees	600	1,411	127	1,538	2,138
License and permits	-	13,305	-	13,305	13,305
Maintenance	-	1,724	-	1,724	1,724
Marketing and advertisement	-	6,779	121	6,900	6,900
Occupancy	4,705	7,631	-	7,631	12,336
Postage	-	996	-	996	996
Printing and publication	-	48	-	48	48
Professional fees	-	66,693	-	66,693	66,693
Special events	-	2,150	9,593	11,743	11,743
Supplies	1,963	1,320	133	1,453	3,416
Telephone and communication	1,478	409	-	409	1,887
Travel expenses	-	6,957	-	6,957	6,957
Website design and maintenance	-	2,899	-	2,899	2,899
Other	-	1,033	-	1,033	1,033
<b>TOTAL EXPENSES</b>	<b>\$ 680,672</b>	<b>\$ 247,107</b>	<b>\$ 35,258</b>	<b>\$ 282,365</b>	<b>\$ 963,037</b>

See accompanying notes to financial statements.

GROWTH ENTERPRISE NASHVILLE INC. dba  
NASHVILLE BUSINESS INCUBATION CENTER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

OPERATING ACTIVITIES

Change in net assets	\$ (82,437)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	892
Forgiveness of Paycheck Protection Program loan	(24,700)
Loss on disposal of equipment	1,009
(Increase) decrease in:	
Contributions and grants receivable	217,417
Prepaid event expenses	9,909
Other current assets	(580)
Increase (decrease) in:	
Accounts payable	(21,906)
Accrued expenses	(1,765)

TOTAL ADJUSTMENTS	<u>180,276</u>
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NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>97,839</u>
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FINANCING ACTIVITIES

Net payments on line of credit	<u>(49,840)</u>
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NET CASH USED IN FINANCING ACTIVITIES	<u>(49,840)</u>
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INCREASE IN CASH	47,999
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CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>280,559</u>
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CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 328,558</u></u>
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SUPPLEMENTAL CASH FLOW INFORMATION:

CASH PAID FOR

Interest	<u><u>\$ 4,245</u></u>
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See accompanying notes to financial statements.



GROWTH ENTERPRISE NASHVILLE INC. dba  
NASHVILLE BUSINESS INCUBATION CENTER

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Growth Enterprise Nashville, Inc. dba Nashville Business Incubation Center (the "Organization") provides business development and accountability service for small business owners to grow sustainable companies that create jobs and wealth in Middle Tennessee. The Organization which was founded on November 9, 1984 is a non-profit organization by the laws of the State of Tennessee and Section 501(c)(3) of the Internal Revenue Code of 1954, as amended, and is supported primarily through donor contributions, grants, and program service fees.

Basis of Presentation

The accompanying financial statements present the financial position and changes in net assets of the Organization on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

Resources are classified as net assets without donor restrictions and net assets with donor restrictions, 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 restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization'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 the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. There are no net assets with donor restrictions for the year ended September 30, 2021.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities.

Support and Revenue

Contributions, grants and sponsorships are recognized when cash, securities or other assets, or an unconditional promise to give are received. A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

GROWTH ENTERPRISE NASHVILLE INC. dba  
NASHVILLE BUSINESS INCUBATION CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue (Continued)

Grants awarded by state and other sponsors are generally considered nonreciprocal transactions restricted by sponsors for certain purposes. Grant revenue is recognized when the conditions upon which it depends are substantially met, which primarily is when qualifying expenses occur. Payments received in advance of conditions being met are recorded as deferred revenue on the Statement of Financial Position.

Fundraising events revenue is generated from ticket sales at events held during the year and are recognized when the events occur, which is when the Organization completes its performance obligations.

An allowance for uncollectible contributions, grants, and sponsorships is provided based on management's estimate of uncollectible pledges and historical trends. Contributions and grants receivable are written off when deemed to be uncollectible. In management's opinion, no allowance for uncollectible contributions was necessary as of September 30, 2021.

Cash and Cash Equivalents

Cash and cash equivalents are held at financial institutions and consist principally of checking account balances, money market accounts and highly liquid investments with original maturities of three months or less unless the investments are held for meeting restrictions of a capital or endowment nature.

Property and Equipment

Property and equipment are recorded at cost. Donated assets are capitalized at fair market value in the period received. The Organization generally capitalizes property and equipment over \$500 with a useful life in excess of one year. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

Computers and related equipment	5 years
Furniture and fixtures	7 years
Leasehold improvements	20 years, or remaining lease term if shorter

Advertising and Promotion

The Organization's advertising and promotion costs are primarily expensed as incurred. Advertising and promotion expense for the year ended September 30, 2021 totaled approximately \$6,900.

GROWTH ENTERPRISE NASHVILLE INC. dba  
NASHVILLE BUSINESS INCUBATION CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

The Organization files U.S. federal Form 990 for organizations exempt from income tax.

Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Program Services - Growth Enterprises Nashville cultivates the growth and development of small business owners, with a focus on women, minorities, and veterans, through 360-degree business support, knowledgeable mentors, and a results-driven curriculum. Through our unique curriculum and working capital programs, we give small businesses the chance to grow into companies that ultimately create jobs and wealth.

Management and General - relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or event, or with fundraising, but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organization oversight, business management, recordkeeping, budgeting, financing legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Fundraising - includes publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals, and others.

GROWTH ENTERPRISE NASHVILLE INC. dba  
NASHVILLE BUSINESS INCUBATION CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among program, management and general or fundraising based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Costs that are allocated across functional categories include salaries and related costs, supplies, rent and occupancy costs, investment and banking fees, special events, and telephone and communication. These costs are allocated based on estimates of time, effort or utilization.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with 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 DRAFT 9-30-21 estimates.

Recent Authoritative Accounting Guidance

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the Statement of Activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021. The adoption of ASU 2020-07 is not expected to have a significant impact on the Organization's financial statements.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between September 30, 2021 and August 12, 2022, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

GROWTH ENTERPRISE NASHVILLE INC. dba  
NASHVILLE BUSINESS INCUBATION CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021

NOTE 2 - LIQUIDITY AND AVAILABILITY

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 as of September 30, 2021:

Cash and cash equivalents	\$ 328,558
Contributions and grants receivable	<u>26,525</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 381,608</u>

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2021:

Furniture and fixtures	\$ 4,460
Less: accumulated depreciation	<u>(3,345)</u>
	<u>\$ 1,115</u>

NOTE 4 - LINE OF CREDIT

The Organization has a \$100,000 line of credit ("LOC") with a financial institution. The LOC bears an interest rate at the variable rate of interest plus 0.70% (3.95% as of September 30, 2021) and requires interest only payments to be made monthly. All outstanding principal is to be paid in one lump sum on September 30, 2022, when the LOC matures. As of September 30, 2021, the outstanding balance on this LOC was \$48,863.

NOTE 5 - PAYCHECK PROTECTION PROGRAM GRANT

On April 11, 2020, the Organization was the recipient of a \$24,700 loan under the Paycheck Protection Program ("PPP"). The PPP, established as a part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act, provides for loans to small businesses to pay up to 24 weeks of payroll costs and benefits, interest on mortgages, rent and utilities. The funds are available in the form of a loan which is fully forgivable if at least 60% of the funds are used for payroll costs and other conditions are met. Any unforgiven funds will convert to a note with a 1.0% interest rate and payable over 24 months. The Organization met the conditions for forgiveness as of September 30, 2021 and received notification of forgiveness on January 8, 2022, therefore, this amount was recognized as grant income in the Statement of Activities for the year ended September 30, 2021.

GROWTH ENTERPRISE NASHVILLE INC. dba  
NASHVILLE BUSINESS INCUBATION CENTER

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SEPTEMBER 30, 2021

NOTE 6 - CONCENTRATIONS

The Organization received approximately 74% of its funding from state and local grants and contracts.

The Organization maintains cash accounts at reputable financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Organization's cash balances may, at times, exceed statutory limits. The Organization has not experienced any losses in such accounts and management considers this to be a normal business risk.