THE SYCAMORE INSTITUTE, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2017 and 2016

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors of
The Sycamore Institute, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of The Sycamore Institute, Inc. (the “Institute”) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 The Sycamore Institute, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 11 to the financial statements, The Sycamore Institute, Inc. restated net assets to properly account for a conditional grant that was awarded to the Institute in 2015. Our opinion is not modified with respect to that matter.

Prior Period Financial Statements

The financial statements as of December 31, 2016, were audited by other auditors whose report dated August 22, 2017 expressed an unmodified opinion on those statements.

Cherry Bekaert LLP

Nashville, Tennessee
August 29, 2018

THE SYCAMORE INSTITUTE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	2017	(As Restated) 2016
ASSETS		
Cash	$ 63,555	$ 49,334
Contribution receivable	3,038	-
Grant receivable, net	500,000	991,784
Prepaid expenses and other	21,992	3,799
Property and equipment, net	11,639	19,688
Total Assets	$ 600,224	$ 1,064,605
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 2,094	$ 3,694
Accrued expenses	12,374	5,557
Total Liabilities	14,468	9,251
Net Assets:		
Unrestricted	85,756	63,570
Temporarily restricted	500,000	991,784
Total Net Assets	585,756	1,055,354
Total Liabilities and Net Assets	$ 600,224	$ 1,064,605

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

THE SYCAMORE INSTITUTE, INC.
STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	(As Restated) 2016
Changes in Unrestricted Net Assets:		
Unrestricted Contributions and Support:		
Contributions	$ 41,089	$ 33,723
Net assets released from restrictions	500,000	373,017
Total Unrestricted Contributions, Support and Releases from Restrictions	541,089	406,740
Unrestricted Functional Expenses:		
Program services	434,134	238,416
Supporting services:		
General and administrative expenses	46,434	75,690
Fundraising expenses	30,119	-
Total Unrestricted Functional Expenses	510,687	314,106
Increase in Unrestricted Net Assets	30,402	92,634
Changes in Temporarily Restricted Net Assets:		
Contributions	-	-
Net assets released from restrictions	(500,000)	(373,017)
Decrease in Temporarily Restricted Net Assets	(500,000)	(373,017)
Decrease in net assets	(469,598)	(280,383)
Net assets, beginning of year	1,055,354	1,335,737
Net assets, end of year	$ 585,756	$ 1,055,354

THE SYCAMORE INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017

	Program Services	Supporting Services		
	Program	General and Administrative	Fundraising	Total
Salaries	$ 279,263	$ 20,902	$ 20,902	$ 321,067
Fringe benefits	56,369	2,984	2,841	62,194
	335,632	23,886	23,743	383,261
Rent	39,314	2,798	2,781	44,893
Professional Fees	3,099	16,172	699	19,970
Dues and Subscriptions	16,029	1,141	1,134	18,304
Furniture and Equipment Maintenance	10,750	765	761	12,276
Technology Support	8,131	579	575	9,285
Depreciation	7,647	402	-	8,049
Travel	6,265	-	-	6,265
Telephone	2,847	203	201	3,251
Insurance	2,248	160	159	2,567
Supplies	938	67	66	1,071
Printing	1,234	-	-	1,234
Miscellaneous	-	261	-	261
	$ 434,134	$ 46,434	$ 30,119	$ 510,687

THE SYCAMORE INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

	Program Services	Supporting Services		
	Program	General and Administrative	Fundraising	Total
Salaries	$ 157,693	$ 51,879	$ -	$ 209,572
Fringe benefits	26,252	6,939	-	33,191
	183,945	58,818	-	242,763
Dues and Subscriptions	16,721	957	-	17,678
Professional Fees	2,843	11,927	-	14,770
Travel	14,397	-	-	14,397
Technology Support	4,563	1,141	-	5,704
Rent	4,440	1,110	-	5,550
Depreciation	4,134	218	-	4,352
Furniture and Equipment Maintenance	2,151	538	-	2,689
Supplies	1,678	420	-	2,098
Printing	1,514	-	-	1,514
Insurance	1,063	266	-	1,329
Telephone	855	214	-	1,069
Postage	112	28	-	140
Miscellaneous	-	53	-	53
	$ 238,416	$ 75,690	$ -	$ 314,106

THE SYCAMORE INSTITUTE, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	(As Restated) 2016
Cash flows from operating activities:		
Decrease in net assets	$ (469,598)	$ (280,383)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities		
Depreciation	8,049	4,352
Decrease (increase) in:		
Contribution receivable	(3,038)	-
Grant receivable	491,784	339,294
Prepaid expenses	(18,193)	(3,799)
Increase (decrease) in:		
Accounts payable	(1,600)	3,694
Accrued expenses	6,817	5,557
Net cash provided by operating activities	14,221	68,715
Cash flows from investing activities:		
Payments for property and equipment	-	(19,381)
Net cash used in investing activities	-	(19,381)
Net increase in cash	14,221	49,334
Cash, beginning of year	49,334	-
Cash, end of year	$ 63,555	$ 49,334

Note 1—Nature of activities and significant accounting policies

Nature of Activities – The Sycamore Institute, Inc. (the "Institute"), is an independent, statewide, nonpartisan public policy research center for Tennessee. The Institute was established to provide reliable, accessible data and research to inform and support the creation of sound, sustainable public policy for Tennessee.

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:

> *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 the Institute and/or the passage of time.
>
> *Permanently Restricted Net Assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Institute. Generally, donors of these assets may permit the Institute to use all or part of the income earned for general or specific purposes. The Institute had no permanently restricted net assets as of December 31, 2017 and 2016.

Contributions and Support – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Institute 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted and reported in the statements of activities as net assets released from restrictions.

Grant Receivable – Grant receivable is multi-year support provided by a single funding source. Management considers the grant receivable to be fully collectible. Therefore, no allowance has been provided. Amounts expected to be collected in future years are recorded at the present value of estimated future cash flows. The discount on those amounts is computed using an interest rate commensurate with the risks involved at the time the grant was initially recognized. Amortization of the discount is recognized on the interest method over the term of the agreement and recorded in revenue.

Functional Allocation of Expenses – The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash – Cash consists of a checking account held in a financial institution.

Property and Equipment – It is the Institute'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 unrestricted revenues 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 3 years) and computed on the straight-line method.

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

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.

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.

Income Taxes – The Institute is exempt from federal income taxes under Section 50l(c)(3) of the Internal Revenue Code.

The Institute 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, 2017 and 2016, the Institute 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.

The Institute 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.

Note 2—Property and equipment

Property and equipment consists of the following at December 31:

	2017	2016
Furniture and equipment	$ 13,146	$ 13,146
Website	11,000	11,000
	24,146	24,146
Less accumulated depreciation	(12,507)	(4,458)
Property and equipment, net	$ 11,639	$ 19,688

Note 3—Grant receivable

Grant receivable consists of a 5-year grant from Baptist Healing Hospital Trust, payable from 2015 to 2020. The grant contains certain conditions requiring the Institute to match the funds awarded for 2019 and 2020 therefore, the Institute will not recognize the conditional funding until the conditions are met. A schedule of future unconditional grant payments is as follows as of December 31, 2017:

2018	$ 500,000
2019	-
2020	-
	500,000
Less unamortized discount on receivable	-
Grant receivable, net	$ 500,000

Note 4—Concentration of credit risk

The Institution maintains its cash in bank deposit accounts which may exceed federally insured limits during the year. There were no amounts in excess of uninsured balances for the years ended December 31, 2017 and 2016, respectively. The Institute has not experienced any losses in such accounts. In management's opinion, the Institute is not exposed to any significant credit risk relating to cash balances.

Note 5—Concentration of revenue

The Institute has received a majority of its revenue from a single grant. Failure to receive future grant distributions could have an adverse effect on the operations of the Institute.

Note 6—Operating leases

Office Lease – During 2017, the Institute entered into a five-year agreement to lease of the office space for the Institute’s operations. The agreement requires monthly payments of approximately $4,400. The total paid for the year ended December 31, 2017 was approximately $32,000.

Office Equipment Lease – During 2017, the Institute entered into a three-year agreement to lease a copy machine. The agreement requires monthly payments of approximately $120. The total paid for the year ended December 31, 2017 was approximately $800.

Future minimum lease payments for these leases are as follows:

Year ending December 31,		
2018	$	54,850
2019		56,451
2020		57,356
2021		58,311
2022		19,627
	$	246,595

Note 7—Employee benefit plan

The Institute 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 the Institute were $11,393 and $5,478 for the years ended December 31, 2017 and 2016, respectively.

Note 8—Restricted net assets

The temporary restrictions on net assets at December 31:

	2017	2016
Time restricted grant	$ 500,000	$ 991,784
	$ 500,000	$ 991,784

Note 9—Baptist Healing Hospital Trust

During 2015, the Institute was incubated and launched by Baptist Healing Hospital Trust (the "Trust"), a separate nonprofit organization. The Trust awarded the Institute a grant in the amount of up to $2,500,000 to be paid in cash and administrative services through 2020. The grant was partially recognized as a temporarily restricted contribution in 2015. The outstanding receivable of $500,000 and $983,139 (net of discount) is shown as grant receivable on the statements of financial position as of December 31, 2017 and 2016, respectively.

Note 10—Evaluation of subsequent events

The Institute has evaluated subsequent events through August 29, 2018, which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. The Institute is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

Note 11—Restatement

During the year ended December 31, 2017, the Institute determined that the previous interpretation of the grant agreement from the Trust (as described in Notes 3 and 9) was incorrect. The grant contains certain conditions requiring the Institute to match the funds awarded for 2019 and 2020.

The Institute determined that the grant arrangement should not have been recorded in full as a temporarily restricted contribution at the time of the award. The financial statements as of and for the year ended December 31, 2016 have been restated as follows:

Line Item	As Orignially Reported	As Restated	Change
Grant receivable	$ 1,845,037	$ 991,784	$ 853,253
Contributions	39,735	33,723	6,012
Change in net assets	(274,371)	(280,383)	6,012
Temporarily restricted net assets, December 31, 2016	1,845,037	991,784	853,253
Net assets, December 31, 2015	2,182,978	1,335,737	847,241