THE SYCAMORE INSTITUTE, INC.

FINANCIAL STATEMENTS

December 31, 2016

THE SYCAMORE INSTITUTE, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of The Sycamore Institute, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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.

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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, 2016, 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.

Frasier, Dean + Howard, PLLC

August 22, 2017

THE SYCAMORE INSTITUTE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2016

ASSETS	
Cash	$ 49,334
Grant receivable, net	1,845,037
Prepaid expenses	3,799
Property and equipment, net	19,688
TOTAL ASSETS	$ 1,917,858
LIABILITIES AND NET ASSETS	
Accounts payable	$ 3,694
Accrued expenses	5,557
TOTAL LIABILITIES	9,251
NET ASSETS	
Unrestricted	63,570
Temporarily restricted	1,845,037
TOTAL NET ASSETS	1,908,607
TOTAL LIABILITIES AND NET ASSETS	$ 1,917,858

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

THE SYCAMORE INSTITUTE, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

CHANGES IN UNRESTRICTED NET ASSETS	
UNRESTRICTED CONTRIBUTIONS AND SUPPORT	
Contributions	$ 39,735
Net assets released from restrictions	373,017
Total Contributions and Support	412,752
TOTAL REVENUES, SUPPORT AND RECLASSIFICATIONS	412,752
UNRESTRICTED FUNCTIONAL EXPENSES	
Program services	238,416
Supporting services	
General and administrative expenses	75,690
Fundraising expenses	-
TOTAL UNRESTRICTED FUNCTIONAL EXPENSES	314,106
Increase/(Decrease) in unrestricted net assets	98,646
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	
Contributions	-
Net assets released from restrictions	(373,017)
Increase/(Decrease) in temporarily restricted net assets	(373,017)
DECREASE IN NET ASSETS	(274,371)
NET ASSETS - BEGINNING OF YEAR	2,182,978
NET ASSETS - END OF YEAR	$ 1,908,607

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

THE SYCAMORE INSTITUTE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016

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

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

THE SYCAMORE INSTITUTE, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in net assets	$ (274,371)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	4,352
Decrease (increase) in	
Contributions receivable	333,282
Prepaid expenses	(3,799)
Increase (decrease) in	
Accounts payable	3,694
Accrued expenses	5,557
Net Cash Provided By Operating Activities	68,715
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for property and equipment	(19,381)
Net Cash Used In Investing Activities	(19,381)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net Cash Provided By Financing Activities	-
Net Increase in Cash	49,334
CASH - BEGINNING OF YEAR	-
CASH - END OF YEAR	$ 49,334

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

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Sycamore Institute (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. 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, 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 statement 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

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grant Receivable (continued)

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 statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash

Cash consists of checking deposits held in financial institutions.

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 statement of activities. Depreciation is provided over the estimated useful lives of the assets (currently 3 years) and computed on the straight-line method.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Organization is exempt from federal income taxes under Section 50l(c)(3) of the Internal Revenue Code.

The Organization 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, 2016, the Organization 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 year then ended.

The Organization 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, 2016:

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

NOTE 3 - GRANT RECEIVABLE

Grant receivable consists of a 5-year grant from Baptist Healing Hospital Trust, payable from 2015 to 2020. Years 2019 and 2020 require a 50% match from the Institute.

THE SYCAMORE INSTITUTE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2016

NOTE 3 - GRANT RECEIVABLE (continued)

A schedule of future grant payments are as follows for the years ending December 31:

2017	$ 500,000
2018	500,000
2019	500,000
2020	414,457
	1,914,457
Less: unamortized discount on receivable	(69,420)
Grant receivable, net	$ 1,845,037

The grant receivable has been discounted using 1.73% rate.

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Institution maintains its cash in bank deposit accounts which may exceed federally insured limits during the year. Excess uninsured balances of the Institute approximated $0 for the year ended December 31, 2016. 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 all 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 - EMPLOYEE BENEFIT PLAN

The Institute sponsors a safe harbor defined contribution plan covering all employees who are over the age of twenty-one and have completed three months of service. Safe harbor contributions and employer matches vest immediately. Total contributions to the plan by the Institute were $5,478 for the year ended December 31, 2016.

NOTE 7 - RESTRICTED NET ASSETS

The temporary restrictions on net assets at December 31, 2016:

Time restricted grant	$ 1,845,037
	$ 1,845,037

NOTE 8 - 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 $2,500,000 to be paid in cash and administrative services through 2020. The grant was recognized as a temporarily restricted contribution in 2015. The outstanding receivable of $1,845,037 (net of discount) is shown as grant receivable on the statement of financial position as of December 31, 2016.

NOTE 9 - LEASES

During 2016, the Institute had an operating lease with the Trust for office space that expired in March 2017. Rent expense was $5,550, for the year ended December 31, 2016. Subsequent to year end, the Institute entered into a separate lease for office space that extends through April 2022. Future minimum rentals under the leases are as follows for the years ending December 31:

2017	$ 42,277
2018	53,362
2019	54,963
2020	56,612
2021	58,311
Thereafter	19,627
	$ 285,152

NOTE 10 - EVALUATION OF SUBSEQUENT EVENTS

The Institute has evaluated subsequent events through August 22, 2017 which is the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements. Except as described in Note 9, 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.