

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Economic Growth Business Incubator

We have audited the accompanying financial statements of Economic Growth Business Incubator (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities 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 Economic Growth Business Incubator as of December 31, 2015 and 2014, 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.

Johnson, Scott + Associates, P.C.

Austin, Texas

June 22, 2016

**Economic Growth Business Incubator
Statements of Financial Position
As of December 31, 2015 and 2014**

A S S E T S

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 76,037	\$ 102,181
Accounts receivable	17,911	8,955
Total current assets	<u>\$ 93,948</u>	<u>\$ 111,136</u>
FIXED ASSETS:		
Technology equipment and software	\$ 50,526	\$ 50,526
Accumulated depreciation and amortization	(50,526)	(50,526)
Total fixed assets	<u>\$ 0</u>	<u>\$ 0</u>
Total assets	<u><u>\$ 93,948</u></u>	<u><u>\$ 111,136</u></u>

NET ASSETS

NET ASSETS:		
Unrestricted net assets, December 31	\$ <u>93,948</u>	\$ <u>111,136</u>
Total net assets	<u><u>\$ 93,948</u></u>	<u><u>\$ 111,136</u></u>

See accompanying notes and auditor's report.

Economic Growth Business Incubator
Statements of Activities
For the years ended December 31, 2015 and 2014

	2015	2014
REVENUES:		
Contributions	\$ 50,811	\$ 64,637
Donated facilities	34,800	34,800
Grants	107,464	157,464
Fundraiser	29,517	24,318
Program fees	5,032	5,998
Incubator rental income	9,258	5,448
Miscellaneous	3,517	25,188
Total revenues	\$ 240,399	\$ 317,853
EXPENSES:		
Donations	\$ 0	\$ 19,500
Dues & subscriptions	836	300
Fundraising	5,428	3,452
Insurance	2,171	2,084
Meetings	386	59
Marketing	1,285	1,118
Office expenses	2,939	3,478
Professional fees	9,875	17,100
Salaries and benefits	197,652	192,094
Training	0	1,043
Travel	452	1,399
Program expenses	1,500	1,763
Donated facilities	34,800	34,800
Miscellaneous expense	263	367
Total expenses	\$ 257,587	\$ 278,557
CHANGE IN NET ASSETS	\$ (17,188)	\$ 39,296
Net assets, beginning	\$ 111,136	\$ 71,840
NET ASSETS, ending	\$ 93,948	\$ 111,136

See accompanying notes and auditor's report.

**Economic Growth Business Incubator
Statements of Cash Flows
For the years ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (17,188)	\$ 39,296
Adjustments to reconcile change in net assets to net cash provided by/(used by) operating activities:		
Depreciation	-	-
(Increase)/decrease in operating assets		
Accounts receivable	(8,956)	2,986
	<u> </u>	<u> </u>
Net cash provided by/(used by) operating activities	(26,144)	42,282
 NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	 (26,144)	 42,282
 CASH AND CASH EQUIVALENTS, beginning of year	 102,181	 59,899
 CASH AND CASH EQUIVALENTS, end of year	 \$ <u>76,037</u>	 \$ <u>102,181</u>

See accompanying notes and auditor's report.

ECONOMIC GROWTH BUSINESS INCUBATOR

Notes to Financial Statements

Organization and Purpose:

Economic Growth Business Incubator (EGBI) is an organization that enables economic development and job creation in underserved communities in the Greater Austin area by using innovative, high tech, and bilingual approaches in a business training and incubation setting. The organization is supported primarily through grants and contributions. Approximately 45% of the organization's support in the current year came from the Housing Authority of the City of Austin.

The organization is a not-for-profit organization that is exempt from income taxes under Internal Revenue Code section 501(c)(3) and classified by the Internal Revenue Service as other than a private foundation. The organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2015, 2014, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported 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 Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

ECONOMIC GROWTH BUSINESS INCUBATOR
Notes to Financial Statements

For purposes of the statement of cash flows, the organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

The Organization capitalizes property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Fixed assets are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the useful life of the assets, which was 5 years for the technology equipment and ranged from 2 to 3 years for software. As of the end of the prior year, all fixed assets were fully depreciated so current year expense was \$0.

All of the Organization's accounts receivable were collected early in the subsequent year, thus no reserve for doubtful accounts was established. There was no bad debt expense for the current year.

The accompanying financial statements have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenditures are recognized when incurred, in accordance with generally accepted accounting principles.

Donated Facilities:

The organization received the use of office space at no charge from the Housing Authority of the City of Austin. This space is approximately 2,500 square feet. The estimated fair value of the use of this facility has been included in these financial statements. The value for rent plus utilities has been estimated at a total of \$34,800 per year.

Functional Expenses:

The format of the audited statements reflects the format of the organization's internal financial statements. In 2014, the organization also received income for donations and incurred expenses for contributions on behalf of UnLtd USA. The growth in operational general and administrative costs reflects professional fees for a grant writer of \$7,500 which was a one-time expense. Therefore, the following breakdown of expenses by functional classification is included:

ECONOMIC GROWTH BUSINESS INCUBATOR
Notes to Financial Statements

	<u>2015</u>	<u>2014</u> (as reported)	<u>2014</u> (operational w/o UnLtd USA)
<u>Functional Category:</u>			
General and Administrative	\$110,985	\$127,603	\$108,103
Education / Program	<u>\$146,602</u>	<u>\$150,954</u>	<u>\$150,954</u>
Total	<u>\$257,587</u>	<u>\$278,557</u>	<u>\$259,057</u>

Significant Estimates & Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Major Customers

For the year ended December 31, 2015 transactions with the Housing Authority of the City of Austin accounted for approximately 59% of the organization's total revenue. For the prior year, transactions with the Housing Authority of the City of Austin accounted for approximately 45% of the organization's total revenue.

Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through June 22, 2016, the date which the financial statements were available to be issued.