

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, 2017 and 2016, 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, 2017 and 2016, 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

July 3, 2018

**Economic Growth Business Incubator
Statements of Financial Position
As of December 31, 2017 and 2016**

A S S E T S

	2017	2016
CURRENT ASSETS:		
Cash and cash equivalents	\$ 154,536	\$ 114,564
Accounts receivable	15,357	12,500
Total current assets	\$ 169,893	\$ 127,064
FIXED ASSETS:		
Technology equipment and software	\$ 50,526	\$ 50,526
Accumulated depreciation and amortization	(50,526)	(50,526)
Total fixed assets	\$ 0	\$ 0
Total assets	\$ 169,893	\$ 127,064

NET ASSETS

NET ASSETS:		
Unrestricted net assets, December 31	\$ 169,893	\$ 127,064
Total net assets	\$ 169,893	\$ 127,064

See accompanying notes and auditor's report.

Economic Growth Business Incubator
Statements of Activities
For the years ended December 31, 2017 and 2016

	2017	2016
REVENUES:		
Contributions	\$ 54,746	\$ 51,250
Donated facilities	37,383	34,800
Grants	150,000	160,000
Fundraiser	31,322	19,600
Program fees	5,654	3,159
Incubator rental income	13,642	10,958
Miscellaneous	5,108	24
Total revenues	\$ 297,855	\$ 279,791
EXPENSES:		
Dues & subscriptions	\$ 5	\$ 460
Fundraising	5,051	3,744
Insurance	1,252	2,215
Meetings	487	465
Marketing	373	1,234
Office expenses	5,273	5,184
Professional fees	9,800	9,850
Salaries and benefits	189,754	179,052
Training	1,223	720
Travel	0	360
Contract labor	4,674	6,400
Program expenses	1,849	1,983
Donated facilities	34,800	34,800
Miscellaneous expense	485	208
Total expenses	\$ 255,026	\$ 246,675
CHANGE IN NET ASSETS	\$ 42,829	\$ 33,116
Net assets, beginning	\$ 127,064	\$ 93,948
NET ASSETS, ending	\$ 169,893	\$ 127,064

See accompanying notes and auditor's report.

**Economic Growth Business Incubator
Statements of Cash Flows
For the years ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 42,829	\$ 33,116
Adjustments to reconcile change in net assets to net cash provided by/(used by) operating activities:		
Depreciation	-	-
(Increase)/decrease in operating assets		
Accounts receivable	(2,857)	5,411
	<u>39,972</u>	<u>38,527</u>
Net cash provided by/(used by) operating activities	39,972	38,527
 NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	 39,972	 38,527
 CASH AND CASH EQUIVALENTS, beginning of year	 114,564	 76,037
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 154,536</u>	<u>\$ 114,564</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 a non-profit organization that provides training, coaching, and support to aspiring and existing business owners who face barriers to growing a successful business. The organization is supported primarily through grants and contributions. Approximately 62% 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 2017, 2016, and 2015 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.

EGBI receives donated services from a variety of unpaid volunteers assisting the organization in carrying out its activities. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer efforts have not been met.

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. Therefore, the following breakdown of expenses by functional classification is included:

ECONOMIC GROWTH BUSINESS INCUBATOR
Notes to Financial Statements

	<u>2017</u>	<u>2016</u>
<u>Functional Category:</u>		
General and Administrative	\$ 55,408	\$103,536
Education / Program	<u>\$199,618</u>	<u>\$143,139</u>
Total	<u>\$255,026</u>	<u>\$246,675</u>

Expenses are charged to each program based on direct expenses incurred. Any expenses which are not specifically attributable to program services or supporting services are allocated by management based on various allocation factors.

As part of the strategic planning process during the current year, EGBI reviewed its allocation factors. Management determined the allocation between program and administrative expenses should show increased program expenses. This determination was made by reviewing several best practices to determine more accurate allocation percentages. During this process, EGBI determined when items are allocated, the factors should approximate 81% program expenses and 19% administrative expenses.

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, 2017 transactions with the Housing Authority of the City of Austin accounted for approximately 62% of the organization's total revenue. For the prior year, transactions with the Housing Authority of the City of Austin accounted for approximately 66% of the organization's total revenue.

Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through July 3, 2018, the date which the financial statements were available to be issued.