

## 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, 2018 and 2017, 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, 2018 and 2017, 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 23, 2019

**Economic Growth Business Incubator  
Statements of Financial Position  
As of December 31, 2018 and 2017**

**A S S E T S**

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 111,105	\$ 154,536
Accounts receivable - less allowance for doubtful receivables of \$2,500	26,858	15,357
<b>Total current assets</b>	<u>\$ 137,963</u>	<u>\$ 169,893</u>
<b>FIXED ASSETS:</b>		
Technology equipment and software	\$ 50,526	\$ 50,526
Accumulated depreciation and amortization	(50,526)	(50,526)
<b>Total fixed assets</b>	<u>\$ 0</u>	<u>\$ 0</u>
<b>Total assets</b>	<u><u>\$ 137,963</u></u>	<u><u>\$ 169,893</u></u>

**NET ASSETS**

<b>NET ASSETS:</b>		
Without donor restrictions	\$ <u>137,963</u>	\$ <u>169,893</u>
<b>Total net assets</b>	<u><u>\$ 137,963</u></u>	<u><u>\$ 169,893</u></u>

*See accompanying notes and auditor's report.*

**Economic Growth Business Incubator**  
**Statements of Activities**  
**For the year ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>REVENUES:</b>		
Contributions	\$ 5,269	\$ 54,746
Donated facilities and supplies	36,395	37,383
Grants	146,925	150,000
Fundraiser	30,771	31,322
Program fees	4,946	5,654
Incubator rental income	8,496	13,642
Back office services and fees	41,115	0
Miscellaneous	568	5,108
<b>Total revenues</b>	<b>\$ 274,485</b>	<b>\$ 297,855</b>
<b>EXPENSES:</b>		
Program services	\$ 252,861	\$ 199,618
Administrative services		
Management and general	49,399	50,357
Fundraising	4,155	5,051
<b>Total expenses</b>	<b>\$ 306,415</b>	<b>\$ 255,026</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (31,930)</b>	<b>\$ 42,829</b>
<b>Net assets, beginning</b>	<b>\$ 169,893</b>	<b>\$ 127,064</b>
<b>NET ASSETS, ending</b>	<b>\$ 137,963</b>	<b>\$ 169,893</b>

*See accompanying notes and auditor's report.*

**Economic Growth Business Incubator  
Statements of Cash Flows  
For the years ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Change in net assets</b>	\$ (31,930)	\$ 42,829
<b>Adjustments to reconcile change in net assets to net cash provided by/(used by) operating activities:</b>		
Depreciation	-	-
(Increase)/decrease in operating assets		
Accounts receivable	(11,501)	(2,857)
	<u>(43,431)</u>	<u>39,972</u>
<b>Net cash provided by/(used by) operating activities</b>	(43,431)	39,972
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(43,431)	39,972
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	154,536	114,564
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ <u>111,105</u>	\$ <u>154,536</u>

*See accompanying notes and auditor's report.*

**Economic Groth Business Incubator  
Statement of Functional Expenses  
For the year ended December 31, 2018**

	<b>Program Services</b>	<b>Administrative</b>	<b>Total</b>
<b>EXPENSES:</b>			
Dues & subscriptions	\$ 738	\$ 0	\$ 738
Fundraising	0	4,155	4,155
Insurance	2,840	501	3,341
Meetings	747	186	933
Marketing	1,585	176	1,761
Office expenses	7,207	2,669	9,876
Professional fees	7,070	3,030	10,100
Salaries and benefits	192,886	34,038	226,924
Training	147	590	737
Travel	979	69	1,048
Contract labor	2,535	845	3,380
Program expenses	1,974	0	1,974
Donated facilities	27,812	6,988	34,800
Credit card fees	1,099	0	1,099
Bad debt expense	2,500	0	2,500
Miscellaneous expense	2,742	307	3,049
	<b>TOTAL EXPENSES</b>	<b>\$ 53,554</b>	<b>\$ 306,415</b>
	<b>\$ 252,861</b>	<b>\$ 53,554</b>	<b>\$ 306,415</b>

*See accompanying notes and auditor's report.*

**Economic Groth Business Incubator  
Statement of Functional Expenses  
For the year ended December 31, 2017**

	<b>Program Services</b>	<b>Administrative</b>	<b>Total</b>
<b>EXPENSES:</b>			
Dues & subscriptions	\$ 5	\$ 0	\$ 5
Fundraising	0	5,051	5,051
Insurance	876	376	1,252
Meetings	243	244	487
Marketing	336	37	373
Office expenses	3,612	1,661	5,273
Professional fees	6,860	2,940	9,800
Salaries and benefits	161,291	28,463	189,754
Training	244	979	1,223
Contract labor	3,506	1,168	4,674
Program expenses	1,849	0	1,849
Donated facilities	27,812	6,988	34,800
Credit card fees	230	0	230
Miscellaneous expense	120	135	255
	<b>\$ 206,984</b>	<b>\$ 48,042</b>	<b>\$ 255,026</b>
<b>TOTAL EXPENSES</b>	<b>\$ 206,984</b>	<b>\$ 48,042</b>	<b>\$ 255,026</b>

*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 42% of the organization's support in the current year came from the Housing Authority of the City of Austin.

EGBI 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 2018, 2017, and 2016 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. EGBI reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restriction. Currently, all of the organization's net assets are without donor restrictions.

*Net Assets Without Donor Restrictions* – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

*Net Assets With Donor Restriction* – Net assets whose use is limited by donor-imposed time and/or purchase restrictions.

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.

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.

EGBI 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

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*Notes to Financial Statements*

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.

EGBI's policy for determining when an account is past due or delinquent is when the account is over 90 days or more past due. Allowances for doubtful accounts are established based on prior collection experience and current economic factors, which could influence the ability of account receivable recipients to repay the amounts per the invoice terms. All of the organization's material accounts receivable for the prior year were collected early in the subsequent year, thus no reserve for doubtful accounts was established. In the current year, the organization deemed it necessary to establish a reserve for doubtful accounts. The current year bad debt expense is \$2,500.

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:**

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.

During the current year, 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 for indirect expenses incurred. During this process, EGBI determined the accurate allocation should

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*Notes to Financial Statements*

approximate 83% program expenses and 17% administrative expenses. A summary of expense by category is shown below:

	<u>2018</u>	<u>2017</u>
<b>Expenses:</b>		
General and Administrative	\$ 53,554	\$ 55,408
Education/Program	\$252,861	\$199,618
<b>Total expenses</b>	<u>\$306,415</u>	<u>\$255,026</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, 2018 transactions with the Housing Authority of the City of Austin accounted for approximately 42% of the organization's total revenue. In the prior year, transactions with the Housing Authority of the City of Austin accounted for approximately 62% of the organization's total revenue.

**Evaluation of Subsequent Events:**

The Organization has evaluated subsequent events through July 23, 2019, the date which the financial statements were available to be issued.